Schroders

Schroder Asian Total Return Investment Company plc

Report and Accounts for the year ended 31 December 2021

Investment objective

The Company seeks to provide a high rate of total return through investment in equities and equity-related securities of companies trading in the Asia Pacific region (excluding Japan). The Company seeks to offer a degree of capital preservation through tactical use of derivative instruments.

Investment policy

The Company invests principally in a diversified portfolio of 40-70 companies operating primarily in Asia, including Australasia but excluding Japan. It is intended that the Company will have a bias to investing in small and mid cap companies.

Investments may be made in companies listed on the stock markets of countries located in the region and/or listed elsewhere but controlled from within the region and/or with a material exposure to the region. The Company will focus on investing in companies with sound balance sheets, professional management and capital allocation policies that are aligned with the interests of minority shareholders.

The use of derivatives to protect the capital value of the portfolio or for efficient portfolio management is fundamental to the strategy of the Company's Portfolio Managers. Such derivatives may include listed futures, call options, long puts, OTC instruments and instruments to hedge currency exposure with Board approval. The Board will monitor the effectiveness of the underlying process and the use of derivatives.

In order to obtain further exposure to equity indices or individual stocks, the Company may enter into contracts for difference where the underlying investments are not delivered and settlement is made in cash. In extreme circumstances, and subject to Board approval, the majority, or even all, of the Company's assets could be held in cash or near cash instruments, with appropriate diversification of cash held on deposit.

The Company may use gearing to enhance performance but net gearing will not exceed 30% of net asset value.

The Company does not tie its portfolio construction to the constituents of any benchmark; instead, the size of stock positions are set on an absolute basis reflecting where the best potential risk adjusted returns are to be found.

Contents

Key Performance Indicators and Long-Term Performance Record

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on page 91 together with supporting calculations where appropriate.

Total returns for the year ended 31 December 2021. *(Total returns include the impact of dividends paid. Details of the calculations are given on page 91).*

+7.4%
2020: +33.7%
Net asset value ("NAV") per share total return*

+4.9%
2020: +35.6%
Share price total return*

-2.0%
2020: +18.7%
Reference index[1]

6.8%
2020: +30.9%
Peer group NAV per share total return[2]

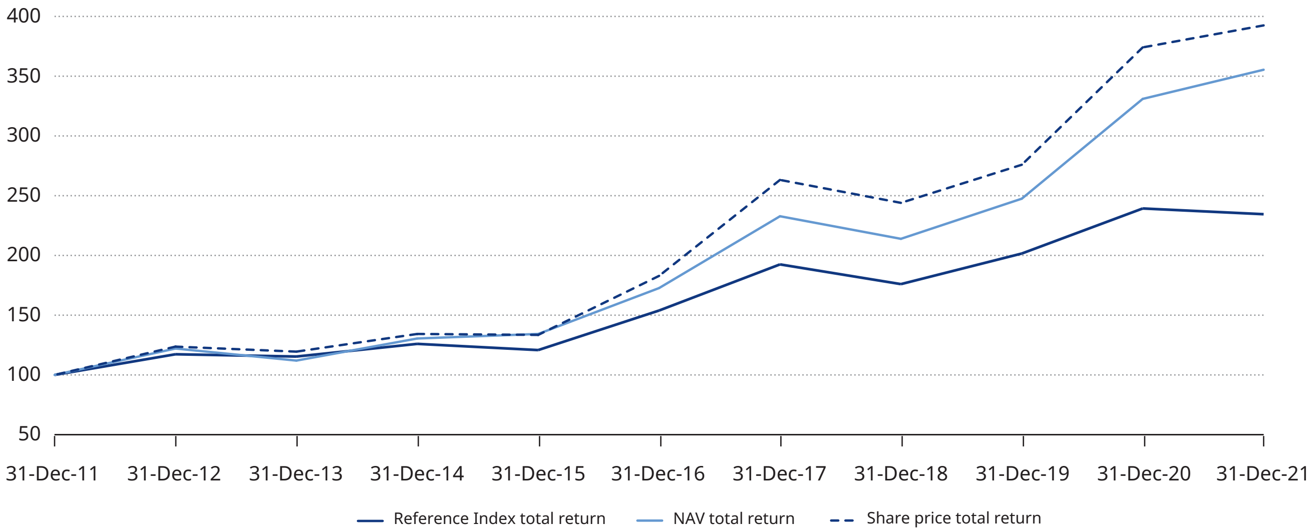
[1]Source: Thomson Reuters.
[2]Source: Morningstar. The arithmetic average of a group of nine investment trust competitors.

Other financial information

	31 December 2021	31 December 2020	% Change
Shareholders' funds (£'000)	551,745	483,548	+14.1
NAV per share (pence)	507.24	479.07	+5.9
Share price (pence)	506.00	489.00	+3.5
Share price (discount)/premium to NAV per share (%)*	(0.2)	2.1	
Gearing (%)*	8.3	5.7	

	Year ended 31 December 2021	Year ended 31 December 2020	% Change
Net revenue return after taxation (£'000)	9,809	8,308	+18.1
Revenue return per share (pence)	9.25	8.46	+9.3
Dividend per share (pence)	8.50	7.10	+19.7
Ongoing Charges (%)*	0.8	0.9	

10 year NAV per share, share price and Reference Index total returns[1]



[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2011.

10 Year Financial Record

Definitions of terms and performance measures are provided on page 91.

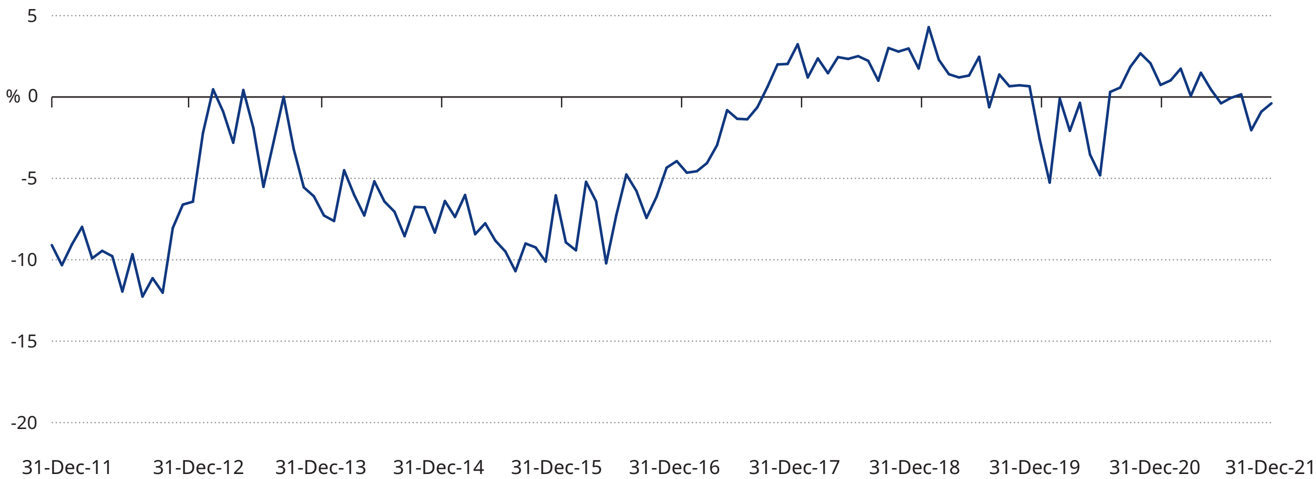
At 31 December	2012	2013[1]	2014	2015	2016	2017	2018	2019	2020	2021
Shareholders' funds (£'000)	298,076	135,240	152,342	154,186	195,017	294,426	293,783	357,871	483,548	551,745
NAV per share, diluted where applicable (pence)	201.2	181.8	208.1	211.4	267.1	354.8	321.4	365.6	479.1	507.2
Share price (pence)	185.0	176.0	194.0	190.0	255.5	362.0	331.0	368.0	489.0	506.0
Share price (discount)/premium to NAV per share*(%)	(8.1)	(3.2)	(6.8)	(10.1)	(4.3)	2.0	3.0	0.7	2.1	(0.2)
Gearing/(net cash)*%	(0.2)	(1.4)	(1.3)	1.0	7.0	4.5	(0.9)	2.2	5.7	8.3

Year ended 31 December	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net revenue after taxation (£'000)	4,526	1,793	2,272	3,236	3,940	4,183	6,303	7,653	8,308	9,809
Net revenue return per share (pence)	2.92	1.98	3.07	4.43	5.40	5.48	7.18	8.10	8.46	9.25
Dividends per share (pence)	3.25	3.25	3.25	3.80	4.50	4.80	6.20	6.50	7.10	TBA
Ongoing Charges*(%)	0.9	0.7	1.1	1.0	1.0	1.0	0.9	0.9	0.9	0.8

Performance[2]	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV per share total return*	100.0	122.1	112.0	130.5	134.3	172.7	232.8	213.9	247.5	331.0	355.4
Share price total return*	100.0	123.7	119.5	134.3	133.5	182.9	263.2	244.0	275.9	374.1	392.5
Reference Index total return	100.0	117.3	115.4	126.0	120.8	153.9	192.5	176.0	201.6	239.3	234.5

[1]Schroder Investment Management Limited was appointed as investment manager on 15 March 2013.
[2]Source: Morningstar/Thomson Reuters/Schroders. Rebased to 100 at 31 December 2011.
*Alternative Performance Measures.

10 year share price (discount)/premium to NAV per share[1]



[1]Source: Morningstar.

Strategic Report

Chairman's Statement

It is very satisfactory to report that during the year ended 31 December 2021 the Company produced a net asset value ("NAV") total return of 7.4%, outperforming the Reference Index which fell by –2.0%. This is an excellent result for the Company in a challenging year for Asian equities. The share price total return was 4.9%. Nevertheless the Company's share price traded above asset value for most of the year, at an average premium of 0.4%. The Company outperformed the NAV performance of the peer group, which produced an average total return of 6.8% for the calendar year.

2021 was a difficult year for Asian stock markets which significantly underperformed global stocks. In particular, China performed poorly due to increased regulatory pressure applied to education, technology and healthcare sectors. Defaults at Evergrande, China's largest property company, exacerbated concern of overborrowing in the property market and the implications for the banking sector. China is no longer the Company's largest country weighting with exposure reduced to an underweight position in the first half of the year, prior to the majority of the regulatory changes, in favour of India and Taiwan where the Company's technology stocks performed particularly well.

Further comment on performance and investment policy may be found in the Portfolio Managers' review.

Earnings and dividends

The revenue return from the portfolio for the year increased by 9.3% to 9.25p per share from 8.46p per share in 2020. The Board has recommended a final dividend of 8.50p per share for the year ended 31 December 2021, an increase of 19.7% over the final dividend of 7.10p per share paid in respect of the previous financial year. Subject to shareholder approval at the AGM, the dividend will be paid on 27 May 2022 to shareholders on the register on 29 April 2022.

Promotion, discount control and share issuance

At the AGM on 7 May 2021, shareholders granted the Board authority to issue shares, including out of treasury. The Company's buyback authority was also renewed. 7,840,000 new shares were issued during the year. These were issued at an average premium to NAV of 1.1%. A resolution to renew the share issuance authorities will be proposed at the AGM, details of which can be found on page 86.

The Company will continue to implement both an issuance and a discount management policy. Shares will be issued at a moderate premium to net asset value and the discount policy will continue to target a discount to NAV of no more than 5% in normal market conditions. The Board believes that overall liquidity and the relative discount to the Company's peers has also to be considered in any decision to issue and to buy back shares. However, the Board continues to be of the view that good performance supported by good marketing is the best way to sustain a premium in the long term. The Board will be seeking approval from shareholders to renew the issuance and the buy back authorities at the AGM.

Gearing and the use of derivatives

Gearing was used effectively by the Portfolio Managers during the year. The Company may use gearing to enhance performance but net gearing will not exceed 30% of NAV. The Board has agreed a disciplined framework for using gearing to increase market exposure, based on a number of valuation indicators. The Company started the year with gearing of 5.7% and this increased to 8.3% at the year end with average debt during the year at 6.9%. Shareholders should be aware that the use of borrowing must be seen in the context of the use of derivative hedging instruments.

Continuation vote

The Board has committed to put to shareholders a resolution at the AGM that the Company continue as an investment trust for a further three years.

Over the three year period ended 31 December 2021, the Company's NAV produced a total return of 18.4% per annum, outperforming the reference index's total return of 10.0% per annum, while our share price produced a total return of 17.2% per annum. The peer group NAV total return average over the same period was 16.7%. The Board believes that the Manager remains well qualified and suitable to manage the portfolio and to assist the Company in meeting its investment objective. The Board also believes that the Company remains well placed as an investment vehicle within its peer group, and that its long-term investment objectives remain appropriate and the structure beneficial to shareholders.

The Board therefore unanimously recommends that the Company continues as an investment trust, and the Directors intend to vote their shares accordingly.

Annual General Meeting

The AGM will be held at 1pm on Wednesday, 11 May 2022 at the Manager's offices at 1 London Wall Place, London EC2Y 5AU. Prior to the formal business of the AGM, there will be a presentation by the Portfolio Manager, at 12pm. It will be available to watch online and the details are set out below. However, any shareholders planning on attending the AGM will also be able to watch the Portfolio Manager's presentation.

To sign up to watch the presentation. Please click on this link https://schroders.zoom.us/webinar/register/WN_61WWYTkRQjG5xPMtwdAQVw. By using a webinar, I hope more

Chairman's Statement

shareholders, and interested parties, will be able to listen to, and ask questions of, the Portfolio Managers. Details on how to join are on the Company's webpage: www.schroders.co.uk/satric.

All shareholders should vote by proxy. Proxy votes can be submitted electronically through the registrar's portal, and also by email. Details are included with the proxy forms and on the Company's webpages.

Proposed changes to the Articles

In light of the circumstances created by the COVID-19 pandemic, the Board is proposing to make amendments to the Articles to give the Company the flexibility to hold general meetings (wholly or partially) by electronic means and to enable members to attend and participate in general meetings at one or more satellite meeting places. In addition, the Board is proposing to amend the Articles to give it certain additional powers in respect of postponing or adjourning meetings in appropriate circumstances and the security arrangements at meetings. The amendments are being proposed in response to restrictions on social interactions during the pandemic which have, on occasion, made it impossible or impractical for shareholders to attend physical general meetings.

The Board's objective is to make it easier for shareholders to participate in general meetings through introducing electronic access for those not able to travel and 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 require it and the Board's intention is always to hold a physical AGM provided it is both safe and practical to do so. The safety of all of the Company's stakeholders must of course remain paramount.

The Board is also proposing to update the Articles to deal with certain US and tax matters and to correct certain typographical errors.

The principal changes proposed to be introduced in the Articles, and their effect, are set out in more detail in the AGM Recommendations on pages 86 and 87.

Outlook

The first few months of 2022 have proved exceptionally difficult for global stock markets. Russia's invasion of Ukraine and the escalation of aggression in recent weeks has alarmed investors. Inflationary expectations have heightened in response to this crisis given Russia's pivotal role in the global supply of natural gas and oil, in addition to significant numbers of essential commodities such as fertilisers, wheat, nickel and aluminium. The debate as to whether inflation is 'transitory' or not has been firmly put aside as inflation forecasts have pushed higher for a more prolonged period. This puts even greater pressure on central banks to raise rates which gives stock markets cause for concern. On a more positive note, consumer spending remains strong and will continue to be buoyed by significant amounts of pent-up savings accumulated during the last two years of the pandemic. Following market corrections across many of the Asian markets, equity valuations are moderate with an increasing number of attractive opportunities for our portfolio managers. The disparate geographical performance across the region and sectoral rotation between growth and value which occurred last year is likely to continue, allowing the active manager to find excellent stock selection opportunities. The considerable investment experience of our portfolio managers, supported by an extensive team of Asian based research analysts, gives us confidence in their ability to produce attractive total returns to the Company's investors through investment in the region. The investment trust structure allows for the use of gearing when advantageous and the portfolio managers may employ tactical hedging to mitigate against downside risk.

Sarah MacAulay
Chairman

1 April 2022

Portfolio Managers' Review

Our 2021 review is split into two parts: a shorter review of 2021's performance and changes made over the year and then a more detailed update of our investment outlook for the upcoming Year of the Tiger, which hopefully explains where we see the best long-term investment opportunities in the Asian region.

Review of 2021

Performance and Attribution

- After the strong returns from Asian stockmarkets in 2020 there was a significant reversal in fortunes in 2021, with the reference index we use for the Company, the MSCI AC Asia Pacific ex Japan index falling 2% in sterling terms. The Company enjoyed a reasonable year with the NAV in absolute terms rising 7.4%.
- The overwhelming factor behind the fall in the reference index was the 21% fall in the MSCI China index which given it comprises around one third of the reference index dragged down overall returns. In contrast the MSCI India and MSCI Taiwan both rose 27% over the course of 2021, so it really was a year of differing fortunes.
- What were the reasons behind the divergent returns? The MSCI China index was hit firstly by a major regulatory and policy reset (discussed in the outlook section) which affected the internet stocks in particular, and secondly by worries over the slowing economy and the impact of rolling bankruptcies in the property sector. This caused broad based weakness across all sectors in the Chinese stockmarket, but in particular those stocks hit by new regulations were very weak. Education stocks dropped 90% as their principal activity (tutoring school age children) was turned overnight into a non-profit sector, meanwhile moves to control pricing and "fairness" hit the healthcare, internet and insurance sectors. Outside a few perceived policy beneficiaries in the "green" space and technology areas there were few places to hide in China.
- In contrast India did well as, after a very traumatic start to 2021, it was viewed as a post COVID recovery play. It also appeared to be the default market to buy as investors switched out of China. Taiwan's strong performance in 2021 was primarily driven by the technology sector which continued to benefit from very strong demand dynamics coming from both near term working from home demand and also strong secular growth drivers in the semiconductor and software areas.
- Other markets were less noteworthy. The MSCI Australia rose 10% as the banks and financials, which are heavily weighted in the index, rebounded on hopes rising interest rates would lead to a recovery in net interest margins. The smaller ASEAN markets (Thailand, Malaysia, Indonesia, Philippines) all ended the year close to flat as governments continued to struggle with COVID and the delayed reopening of economies led to earnings downgrades. Korea, after a strong 2020, fell 8% as companies (as is often the case in Korea) failed to deliver on sell side analysts' overly optimistic earnings forecasts.
- The Company did well (vs the reference index) due to two key positions. We reduced our China positions and internet stocks in particular during the first half of the 2021. When the major Chinese regulatory changes were announced over the summer the Company was (vs reference index) substantially underweight so, whilst we lost money, our positioning was relatively less painful. The second key positive for performance was our exposure to technology stocks in Taiwan (semiconductors) and India (software) both of which did well. The combination of these led to nearly all the relative outperformance over the year.
- The biggest negative to performance was our underweight position in financials which across the region rebounded on hopes that rising interest rates would rescue net interest margins. We added some exposure to financials over the course of 2021 but remain cautious long-term on most names in the sector due to the rise of well funded and innovative fintech competitors and in many countries risks of Government interference/regulations. The other negative was our zero exposure to fossil fuel stocks which did well on the back of rising energy prices. In the Company we do not invest in Asian fossil fuel companies given our long-term views on energy dynamics and market developments, and for ESG reasons.

Review of Hedging Models and Stock Changes Made in 2021

- There were no changes made to the Company's investment process over 2021. We continue to focus on stock picking as our primary way of generating performance. We then use a series of quantitative models to help us to determine whether to put in place any capital preservation strategies and also whether to utilise borrowing facilities.
- Over the course of 2021 our hedging models moved quite materially. Our hedging models which are primarily based around valuations started the year cautiously suggesting to deploy some capital preservation strategies if pricing attractive. This meant the fund did have some puts[1] in place during the falls in China over the summer which was beneficial to performance. Unfortunately due to technical (legal) reasons around buying options[2] on indices containing Chinese stocks on US restricted lists we were unable to have the full hedging we would have wanted which meant the gains to performance were limited. With puts elsewhere (on Taiwan indices) losing money it meant over the course of the year there was a small negative to performance from the Company's hedging strategies. Overall though the hedging process did reduce the volatility of the Company's returns and we remain confident in the hedging models and process.
- After the falls in the second half of 2021 the hedging models moved from a cautious stance at the beginning

[1] Put: a put is an options contract that gives the owner the right, but not the obligation, to sell a certain amount of the underlying asset, at a set price within a specific time.

[2] Options: Options are financial derivatives that give buyers the right, but not the obligation, to buy or sell an underlying asset at an agreed-upon price and date.

Portfolio Managers' Review

of 2021 to a neutral position in November and we effectively reduced our position in puts by no longer rolling outstanding positions. The decision was made easier by put pricing which by the end of 2021 had spiked due to inflationary concerns and geopolitics (Russia-Ukraine tensions). As we explain in the outlook section below our models are now turning more positive as markets fall and we are no longer buying puts or capital preservation strategies. The gearing (debt) indicator however remains neutral.

- At the stock level it was not a particularly active year. Key changes were to reduce China stocks where our long-term investment thesis had been undermined by regulatory changes. This included selling our positions in Alibaba, Galaxy Entertainment, Ping An, New Oriental Education and reducing Tencent. Purchases were much more diversified. We added to Indian IT services, ASEAN financials (DBS, Bank Mandiri, Singapore Exchange), big box DIY retailers (Wilcon, Siam Global) and selected technology names that had fallen on worries over a peak of working from home demand. As we explain in the outlook section we think there are more important secular drivers of technology spend than home working.

Review Positioning at end December 2021

- The tables below have the positioning of the Company both on an absolute basis and relative to index. Looking on an absolute basis first the Company is quite balanced across countries having c.24% in HK/China, 22% Taiwan, 15% Australia (inc UK listed BHP/Rio), 13% India, 12% Korea, 9% Singapore, 6% smaller ASEAN markets. Compared to the reference index however in the second table the Company is very underweight China. As we explain in the outlook section this reflects the fact that we now view a significant part of the Chinese stockmarket as less attractive for investment as government policy looks set to drive the business outlook not market forces. This is the key change in the management of the portfolio from December 2020.
- At a sector level there is one item of note. The Company now has c.40% in stocks classified as information technology by MSCI. We go on to explain in some detail this position in the outlook section. But we would highlight here this is a mix of companies across different sectors principally software services, memory, foundry, semiconductor design, automation related and capital expenditure. These are the companies in Asia that are often world leaders in their space and in our view have a sustainable competitive edge.

Portfolio Weight

Sector/Country (%)	Australia	China	Hong Kong	India	Indonesia	Korea	Malaysia	New Zealand	Philippines	Singapore	Taiwan	Thailand	United Kingdom	United States	France	Vietnam	Cash & Others	Grand Total
Communication Services	1.2	5.1		0.7		1.6				2.3								**10.9**
Consumer Discretionary	1.7	4.6	1.5						2.4		2.7	1.0			1.5			**15.5**
Consumer Staples																0.8		**0.8**
Energy																		**–**
Financials	1.2		3.1	3.3	1.3					3.6								**12.6**
Banks				3.3	1.3					2.4								**6.9**
Diversified Financials			1.2							1.3								**2.5**
Insurance	1.2		1.9															**3.2**
Healthcare	4.5	0.0		0.4														**4.9**
Industrials		0.5	3.7						0.6	0.2	3.5							**8.6**
Information Technology		2.5	0.9	6.0		10.0				1.1	22.7							**43.2**
Materials	1.8												3.8					**5.7**
Real Estate			2.4							1.1								**3.5**
Utilities																		**–**
Cash																	-8.3	**-8.3**
Derivatives											-6.3			-0.6			6.9	**0.0**
Collective Investments				2.5														**2.5**
Grand Total	**10.5**	**12.7**	**11.7**	**12.9**	**1.3**	**11.7**	**–**	**–**	**3.0**	**8.5**	**22.6**	**1.0**	**3.8**	**-0.6**	**1.5**	**0.8**	**-1.3**	**100.0**

Source: Schroders

Portfolio Managers' Review

Active Weight

Sector/Country (%)	Australia	China	Hong Kong	India	Indonesia	Korea	Malaysia	New Zealand	Philippines	Singapore	Taiwan	Thailand	United Kingdom	United States	France	Vietnam	Cash & Others	Grand Total
Communication Services	0.9	-0.7	-0.1	0.4	-0.2	0.3	-0.1	-0.1	-0.1	1.8	-0.3	-0.2						**1.6**
Consumer Discretionary	0.6	-4.6	1.2	-1.0	-0.1	-1.2	-0.1		2.4	-0.0	2.4	0.8			1.5			**2.0**
Consumer Staples	-0.8	-1.9	-0.1	-1.0	-0.1	-0.4	-0.2		-0.0	-0.1	-0.2	-0.2				0.8		**-4.2**
Energy	-0.5	-0.5		-1.4	-0.1	-0.2	-0.0				-0.0	-0.2						**-2.9**
Financials	-3.9	-4.5	0.4	0.4	0.5	-0.9	-0.5		-0.1	2.4	-2.0	-0.1						**-8.3**
Banks	-3.9	-2.8	-0.3	1.3	0.5	-0.7	-0.5		-0.1	1,2	-1.2	-0.1						**-6.5**
Diversified Financials	-1.0	-0.6	0.3	-0.6		-0.1			-0.0	1.2	-0.5	-0.1						**-1.4**
Insurance	0.9	-1.1	0.4	-0.3		-0.1					-0.3							**-0.4**
Healthcare	2.9	-2.2		-0.2	-0.0	-0.7	-0.1	-0.2			-0.0	-0.1						**-0.7**
Industrials	-0.8	-1.4	2.8	-0.6		-0.9	-0.1	-0.1	0.3	0.0	3.0	-0.1						**2.2**
Information Technology	-0.5	0.3	0.9	3.6		4.1	-0.0			1.1	11.5	-0.0						**20.8**
Materials	-0.8	-1.1		-1.2	-0.1	-0.9	-0.1				-0.8	-0.2	3.8					**-1.4**
Real Estate	-1.1	-1.1	1.2	-0.1					-0.2	0.7	-0.0	-0.1						**-0.5**
Utilities	-0.2	-0.9	-0.6	-0.6		-0.1	-0.1	-0.1	-0.0			-0.2						**-2.7**
Cash																	-8.3	**-8.3**
Derivatives											-6.3			-0.6			6.9	**0.0**
Collective Investments				2.5														**2.5**
Grand Total	-4.2	-18.7	5.8	0.9	-0.1	-0.7	-1.3	-0.4	2.3	5.9	7.0	-0.6	3.8	-0.6	1.5	0.8	-1.3	–

Source: Schroders. Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

INVESTMENT OUTLOOK

At the beginning of each Chinese Lunar New Year your fund managers normally write a more detailed investment update on how we are approaching investment in the Asian region, and the update below is a shortened version of our recently published Year of Tiger report, written before the invasion of Ukraine. For an updated view please read the Addendum at the end of this report. The update focuses on where we see the best investment opportunities in the region and why, rather than opining on geopolitics, inflation, global liquidity and exchange rates. All of the latter are subjects we have views on but in truth no actual insights that can give us an investment edge. The Company invests in the equity of companies in Asia not countries, indices or economic numbers – so whilst we want to understand risks to businesses under changing environments, we rarely make explicit forecasts or assumptions on global macroeconomic variables.

The report is divided into different sections and contains lots of charts in order to make it a little more "digestible". For readers with less time or patience there is a short summary at the end.

TOPIC 1: CHINA – UPDATED VIEWS ON ECONOMY AND STOCKMARKET

We discussed our China strategy in detail in the interim report in 2021 (available on the Company's website) – it was by far the biggest focus for your portfolio managers over the course of 2021. It was also the area where we saw the biggest changes to the Company with the bulk of our turnover coming here as we substantially reduced the Company's weighting in Chinese equities, in particular to the internet sector. This proved beneficial to Company returns given the very sharp sell off in Chinese stockmarkets over the second half of 2021.

So, after a very difficult 2021 for Chinese stockmarkets, a year dominated by major regulatory change, debt defaults in a sharply weakening property sector and a tight credit market, do we now see light at the end of the tunnel? Despite the difficult start to the year we believe that 2022 can be a better year for Hong Kong listed Chinese stocks. But unlike the endless bulls on the sell side who are nearly universally pushing a self-interested (given their IPO backlog) maximum bullish call on Chinese equities we do not think a "better" year necessarily means a "good" year.

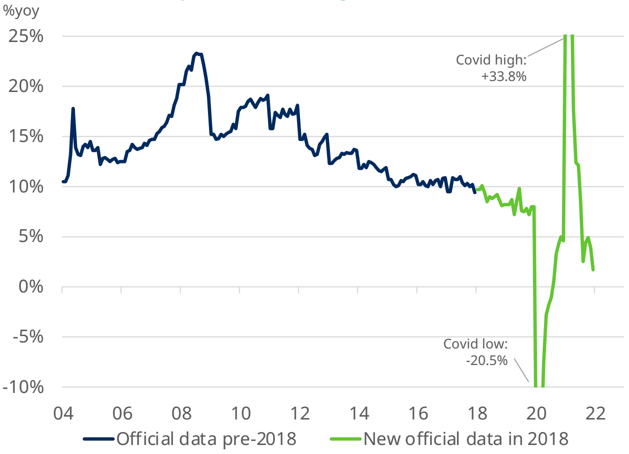
There are many headwinds from 2021 that are likely to continue to have a material impact on both the economy and stockmarket in China this year – whether that is zero-COVID policies impacting consumption and production, continued slowdown in construction and particularly residential activity, sluggish income growth, a potential slowdown in the export sector as economies elsewhere reopen and service activity picks up (less widgets, more holidays etc), and lastly the impact of the major policy reset under "common prosperity" and "dual circulation".

Portfolio Managers’ Review

The charts below perhaps highlight some of our worries. As Chart 1 shows, retail sales growth in China has been slowing and disposable income growth is now dropping (Chart 2). Anecdotally we hear rumours of large layoffs in the internet, education, and construction sectors – this along with zero-COVID policies is likely to mean weaker consumption numbers. Recent calls with Chinese consumer related business have flagged significant near-term headwinds.

Chart 1: Retail sales numbers are weakening after the post COVID jump

Official monthly retail sales growth*



Monthly contribution to retail sales growth

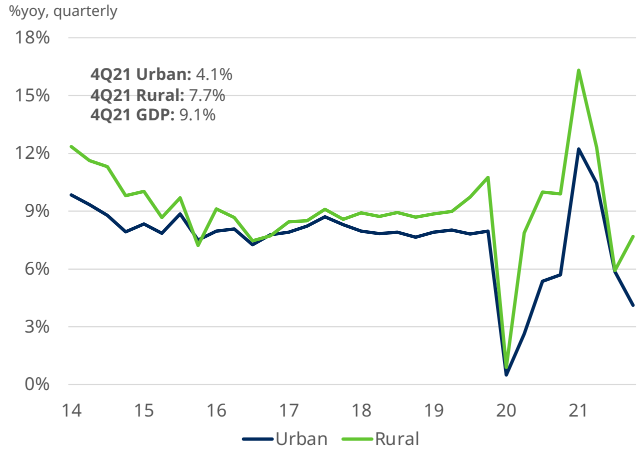
*Series was revised in 2018, with some entities taken out. **Enterprises with annual main business revenue of CNY20mn or more.

Source: CEIC, Autonomous Research, January 2022

Chart 2: Slowing income growth and rising worries over layoffs likely to weigh on retail sales growth in 2022

Disposable income per capita in China

Nominal income growth per capita

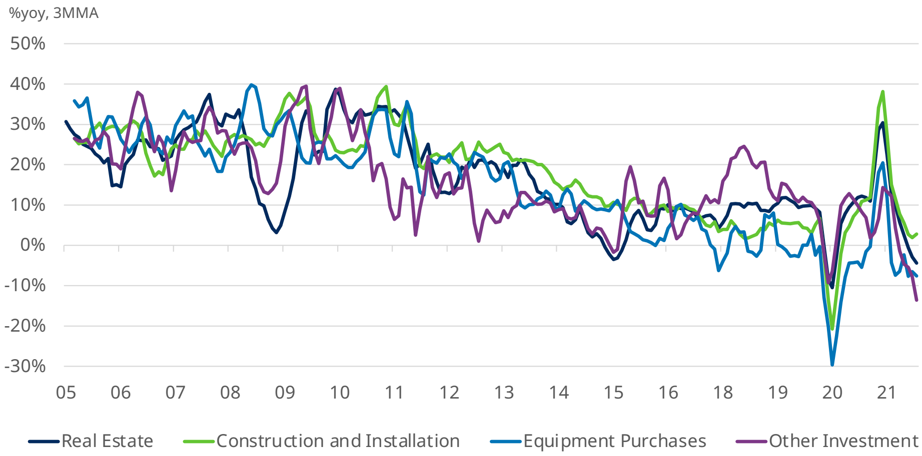


Source: CEIC, Autonomous Research, January 2022

Across the board it looks like fixed asset investment is slowing in China (Chart 3), not just in the real estate sector. Exports remain the bright spot (Chart 4) with both volumes and prices strong though short-term trends indicate some slowdown in volume, and we anticipate reopening outside of China should lead to a recovery in services and a slowdown in Chinese manufactured goods exports in 2022.

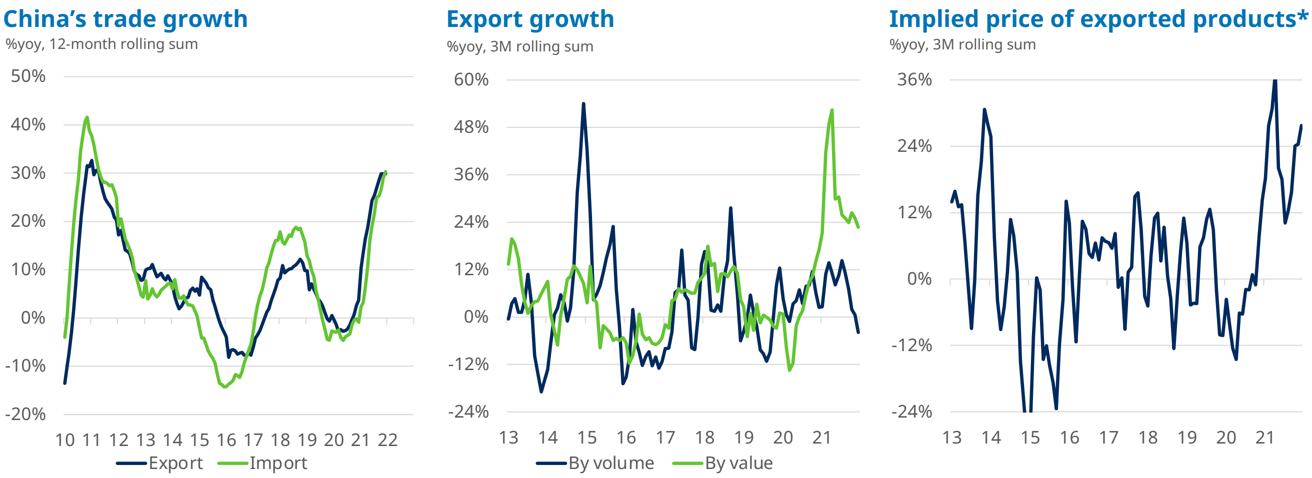
Portfolio Managers' Review

Chart 3: China: Urban Fixed Asset Investment Growth



Source: DSG Asia, January 2022

Chart 4: China export growth has been the bright spot – but now set to slow as demand switches to services and prices normalise?



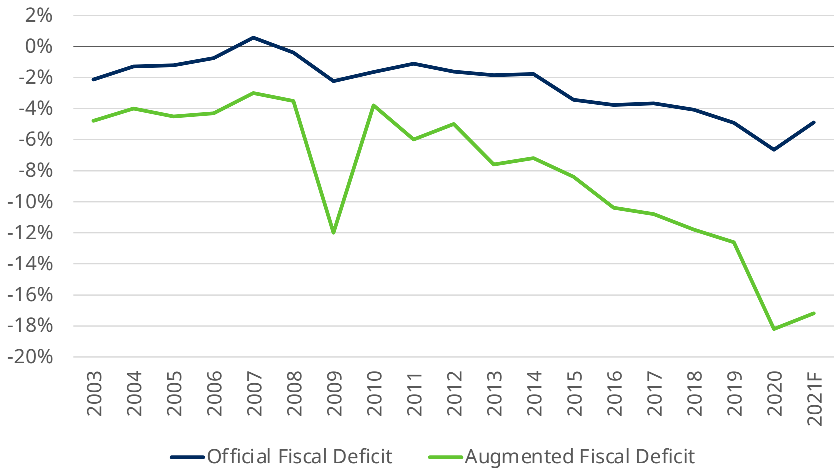
*Derived from export value and volume in the chart on the left. Source: CEIC, Autonomous Research, January 2022

Portfolio Managers' Review

The stockmarket bulls with positive views on Chinese stockmarkets will counter this is all backward looking and stimulus is coming. We do indeed expect some loosening of policy and stimulus measures but expect these to be muted and smaller in scale than we have seen historically. As Chart 5 shows China is currently running a significant fiscal deficit once local government funding vehicles are included, leaving less scope for manoeuvre versus past slowdowns. Also, as Chart 6 shows China after years of extraordinarily high investment rates has a large capital stock and relative to the other countries at a similar stage of development a large debt burden. Reflating the debt and investment bubble would be dangerous and counter to President Xi's very clearly stated policies to reduce financial risks in the economy.

Chart 5: China is trying to rein in excessive leverage and local government excesses, and there is little scope for large scale fiscal policy stimulus or tax cuts

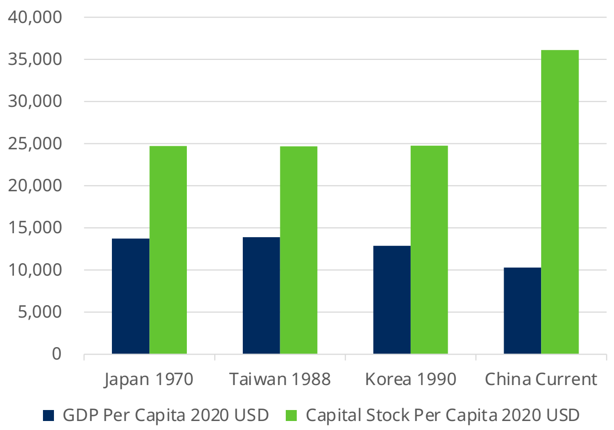
China Official and IMF Augmented* Fiscal Deficit as a Percentage of GDP



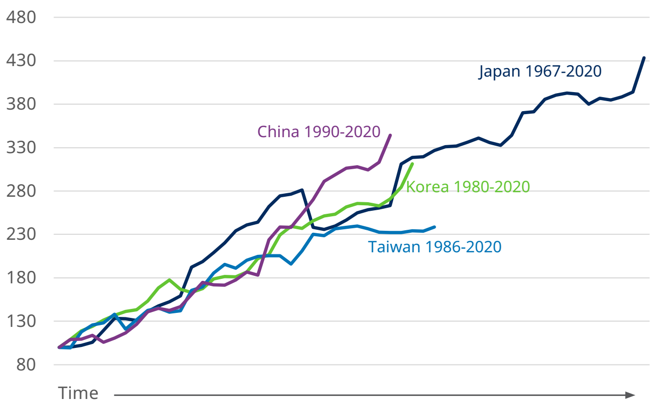
*includes LGFVs and other off-budget activity (government guided funds and special construction funds, social capital portion only) Source: DSG Asia, January 2022

Chart 6: China's debt levels at this stage of development is high, large scale debt funded capital investment looks unlikely

GDP and Capital Stock Per Capita



Total Debt / GDP Per Capita Index



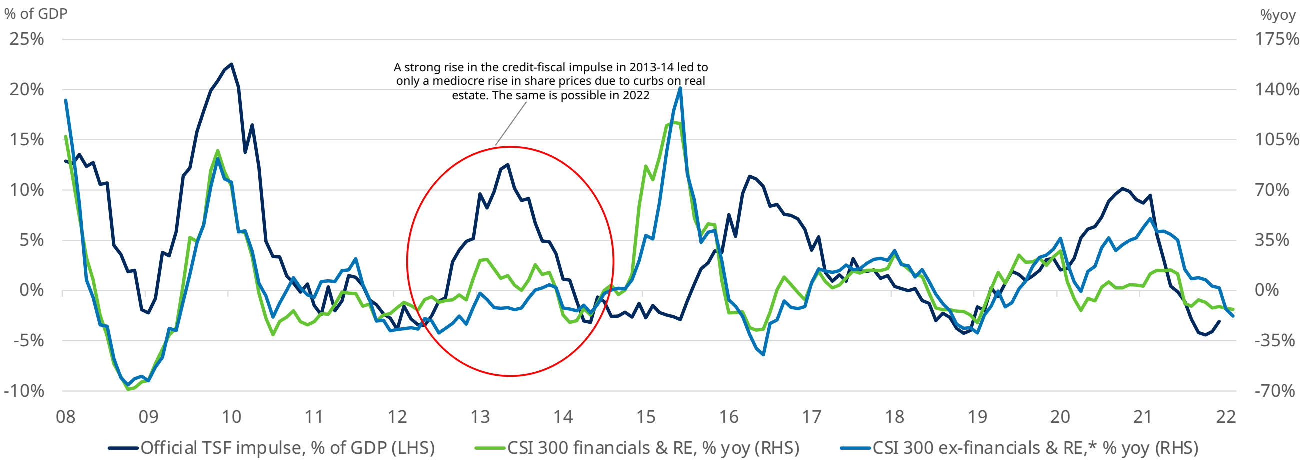
Source: DSG Asia, January 2022

Portfolio Managers' Review

On a more positive note, we do expect policy easing – though we doubt whether nudging 5bp off short-term lending rates as we saw in December has any real impact. Also, on a more positive note we do not believe, as it stands today, the property sector slowdown is likely to have major ramifications for the broader financial sector given the ability of the Government to contain the problems (controlling major banks and state-owned developers has its uses). This should also mean the impact on consumer confidence from the property slowdown remains limited.

The China bulls will counter that loosening credit (as proxied by the Total Social Financing or TSF) will lead to an equity rally. As Chart 7 shows, movements in the TSF have indeed sometimes correlated with the boom and busts of the domestic Chinese stockmarket. We are not really interested in playing short term rallies based on temporary stimulus and would also highlight as shown in Chart 7 the last time (in 2014/15) we had a rise in TSF with a weak property market share prices didn't perform.

Chart 7: Chinese A-shares tend to follow the TSF impulse, except in '14-15's equity boom-bust. In '13-14, equities lagged the rise in the impulse due to curbs on property, and there is a chance of that in '22



*Calculated based on the weighting of financial and real estate stocks in the CSI 300. %yoy return of average monthly values for each calculated index.
Source: Bloomberg, CEIC, Autonomous Research, January 2022

So, to sum up whilst we see many ongoing headwinds for Chinese stockmarkets we are optimistic returns this year will be better than 2021. However, that does not mean we expect a strong sustainable recovery in Chinese stockmarkets – the economic and earnings outlook is difficult for many sectors, and the risks of a more significant economic slowdown in China look real.

The other headwind for Chinese stockmarkets that we believe is more structural and materially affects our long-term exposure to Chinese equities is the on-going major policy reset. We have written extensively on Chinese policies over the course of 2021 so will not rehash our views here (as they haven't changed) but, in summary, we see four sets of major policies that are impacting our investments in China:

1. "Common Prosperity" – or the aim to make society fairer, more equal and spread the benefits of growth more evenly.
2. "Definancialization" – reduction of financial risks posed by excessive debt fuelled speculation in property and other financial assets.
3. "Regulation of data, both its use and control" – ensuring that personal data is not misused or monopolised and that social media and other internet sites adhere with the long-term goals of a harmonious society etc.
4. "Dual circulation" – investment priorities and capital allocation is aligned with long-term development goals and in particular priority areas: decarbonisation, semiconductors, artificial intelligence, healthcare, biotechnology, electric vehicles.

One could also perhaps describe this reset as curbing the excesses of unfettered capitalism and, unlike many past policy pronouncements in China, we do see these policies as real and part of a conscious effort to remould society. We will not go into a discussion of the merits of the policies – other than to say that some of the policies we do sympathise with – however the issue for the stockmarket is their implementation.

In China the implementation is top down and by instruction rather than by market forces and "nudges". This has come as a shock to many investors. In truth even though your portfolio managers consider themselves pretty open eyed (a.k.a. cynical) in our investing approach we have been surprised by how quickly policy has been implemented. It does appear in many parts of the Chinese economy the state is advancing and the private sector is in retreat (or Adam Smith's invisible hand is being replaced by the Communist Party's rather more visible one) in order to ensure capital is allocated in accordance with long-term policy priorities.

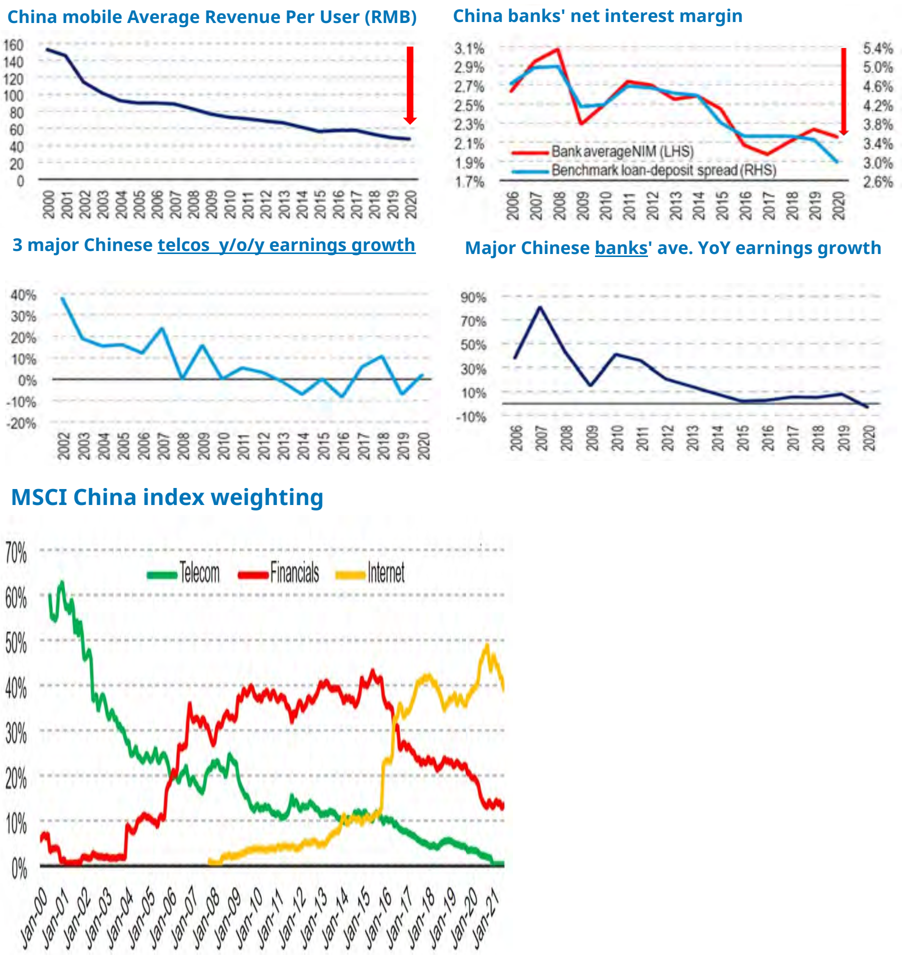
So, in essence, we have a stockmarket in China where an increasingly large part of the constituents are investing aligned with state priorities rather than the maximisation of long-term shareholder returns. This has clearly applied to most state-owned banks, utilities, telecom, energy stocks for some time. But with the new policy push to ensure common prosperity and social harmony we see education, healthcare, insurance, social media companies now likely to put policy priorities first (or as in the case of education stocks be told they are now a non-profit sector). For the large internet stocks the priority now appears to be helping with common prosperity projects and investing in areas outlined under dual circulation rather than building huge monopolistic data platforms or investing in ever cheaper community group buy programmes that put Mum and Pop shops out of business.

For the average person in China this is popular and may well be good news, however clearly for stockmarkets and foreign capitalist hoarders in particular this is not good news. The move to increase state/policy directed investment and control is we believe likely to lower long term investment returns in those companies affected, making their shares less attractive. It also means the Company is likely to have a materially lower weight in Chinese equities.

As Chart 8 shows we have been through this twice before in China. This was when the telecom and bank stocks listed which in their euphoric heydays were around 50% of the MSCI China by market capitalisation. For a while the market thought these stocks would be great proxies for strong GDP growth and thus make exceptional returns. However, state control, as it does in most countries, has led to a different set of priorities and poor return on invested capital (ROIC) and share prices. As Chart 9 shows on a more positive note this does not make China stocks uninvestible (on this subject we believe Mr Soros is wrong) however it does not feel to us that the market has fully digested the long-term implications of the policy changes affecting many sectors of the Chinese stockmarket.

Chart 8: China – why is the market so worried about the new wave of regulation

If the government priority is shifting from fostering the on-line economy to a much greater focus on ‘common prosperity’ then revenues/margins/ROIC/capex may have to be sacrificed for the ‘greater good’. Other large SOE sectors have trodden this path……. from ‘growth’ to ‘value’……



Source: BofA Research, Bloomberg, MSCI, Company data, August 2021

Portfolio Managers' Review

Chart 9: The derating of SOE banks and telecoms took several years

Once the derating is complete the stocks can perform OK

As the market realises state owned enterprise are lower return they derate

However everything has a price – China Construction Bank has outperformed the HSCEI index over last 5 years

Source: Bloomberg, August 2021

So how are we investing in China? Schroder Asian Total Return has about 15% of its assets in stocks classified as "Chinese" by the MSCI China, this is down substantially from the level twelve months ago but is still the second biggest country exposure in the fund. As indicated above we definitely do not think China is "uninvestible". Instead, the areas we are interested in investing in have shrunk given we don't invest in state owned or heavily state directed businesses for the ROIC reasons outlined above. This means in China we are now unlikely to own education, healthcare, insurance, banks, property, energy, utility, Macau gaming, telecom, mining, chemical and infrastructure companies. Areas where we still have exposure and are interested in investing tend to be consumer names, exporters, industrials, technology and green energy. The big area we have not mentioned is internet names. In general, we remain cautious here. Clearly the large internet groups now need to align their priorities with the new policy objectives. This combined with what remains intense competition in a slowing economy and still high hopes from most sell side analysts leave us cautious. Chinese internet stocks are not uninvestible but given the correction across many sectors of the market we feel there are better investment opportunities elsewhere.

TOPIC 2 – DOES THE END OF CHIMERICA AFFECT OUR INVESTMENTS?

For readers not familiar with the term "Chimerica" in this context we are referring to economist Niall Ferguson's definition of Chimerica as a "symbiotic relationship between China and the USA" where, in a prolonged period after China's opening up in the 1990s to the financial crisis in 2007/08, "excess savings and investment in China funded overconsumption in USA leading to an incredible period of wealth creation" (well according to Wikipedia at least!).

Our view for some time has been that many interlinkages between China and the USA are likely to be unwound and that tensions between Sinosphere and Anglosphere are likely to lead to onshoring and shrinking global trade to GDP. As Chart 10 shows whilst early days there is evidence that the structural growth in globalisation (via physical trade) is now reversing. Chart 11 has a table from Viktor Shvets from Macquarie looking at the size of the potentially emerging blocks.

Portfolio Managers' Review

Chart 10: A golden era from 1989 coming to an end? Globalisation to reverse and tensions rise?

Source: The World Bank, January 2022

Chart 11: In a less certain world how do potential blocs shape up?

	2019 GDP (US$ bn)	2019 Population (mn)	2018 Military Spending (US$ bn)	2019 R&D (US$bn PPP)	2019 Export (US$ bn)	2019 Import (US$ bn)
Australia	1,393	25	27	22	272	222
Canada	1,736	38	21	30	447	464
New Zealand	207	5	2	3	40	42
UK	2,827	67	51	57	469	692
USA	21,428	328	651	657	1,646	2,568
Anglosphere	**27,591**	**463**	**753**	**770**	**2,872**	**3,988**
India	2,875	1,366	66	23	324	484
Japan	5,082	126	46	173	706	721
Extended Anglosphere	**35,548**	**1,956**	**864**	**967**	**3,902**	**5,192**
EU27	15,593	448	231	440	5,813	5,527
Extended Anglo + EU27	**51,141**	**2,403**	**1,095**	**1,407**	**9,715**	**10,719**
China	14,343	1,398	259	526	2,499	2,077
Russia	1,700	144	66	45	419	254
Turkey	754	83	19	24	181	210
Iran	445	83	14	N/A	55	42
Pakistan	278	217	13	N/A	23	50
Sinosphere	**17,521**	**1,925**	**371**	**594**	**3,177**	**2,634**
World	**87,752**	**7,674**	**1,850**	**2,203**	**18,889**	**18,889**

Source: World Bank, OECD, Macquarie Research, January 2022

Obviously our job is not to comment on geopolitics. However, clearly US-China tensions do impact our investment thinking and create risks and uncertainties. We think as we move out of our COVID pandemic world many of the trends around onshoring and increasing trade tensions should reassert themselves as the West (or Anglosphere) and China (or Sinosphere) start to view each other as unreliable rivals rather than partners.

As Chart 12 shows China has been overinvesting or perhaps under "Chimerica" has been used as a cheap investment base by US companies for years (if Chart 13 is anything to go by). This may perhaps also explain (along with endless quantitative easing) why Tobin's Q (Chart 14) in the USA is so elevated. Logically a Tobin's Q above 1 should lead to large scale investment (as the value of equity is above the book value of assets). We wonder whether all these trends are about to reverse.

Portfolio Managers' Review

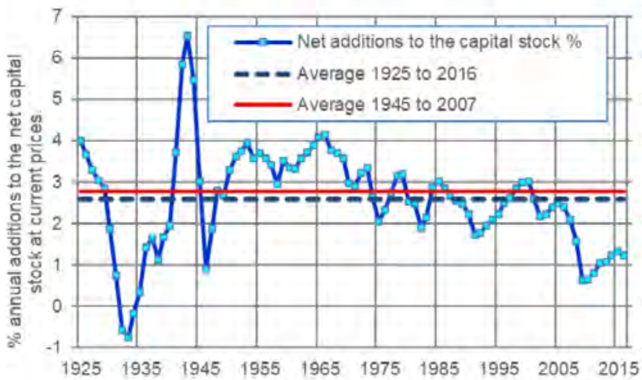
Chart 12: China becomes the world's factory

China Gross Fixed Capital Formation (% of GDP)

Source: World Development Indicator –
The World Bank, Orlock Advisors, January 2022

Chart 13: Whilst the US underinvests in physical capital and capacity

US Annual Addition to the Net Capital Stock



Source: BEA Fixed Asset Table 1.1, 1.3 & 1.5, Orlock Advisors, January 2022

Chart 14: US Tobin Q Ratio (the market value of companies divided by their replacement cost)

The US q Ratio

Source: http://www.smithers.co.uk/page.php?id=51, Orlock Advisors, January 2022

Regardless of the somewhat academic contortions above we think we have come to the end of an era of ever-growing interdependence and globalisation. This affects our long-term investment thinking and analysis, throwing up threats and opportunities. For export companies in China where the investment thesis is based on significant global market share gains we tread with caution. In particular we find much of the domestic sell side research in China on A share companies does not consider deteriorating trade relationships and a greater political desire in West for self-sufficiency when analysing likely growth in export markets.

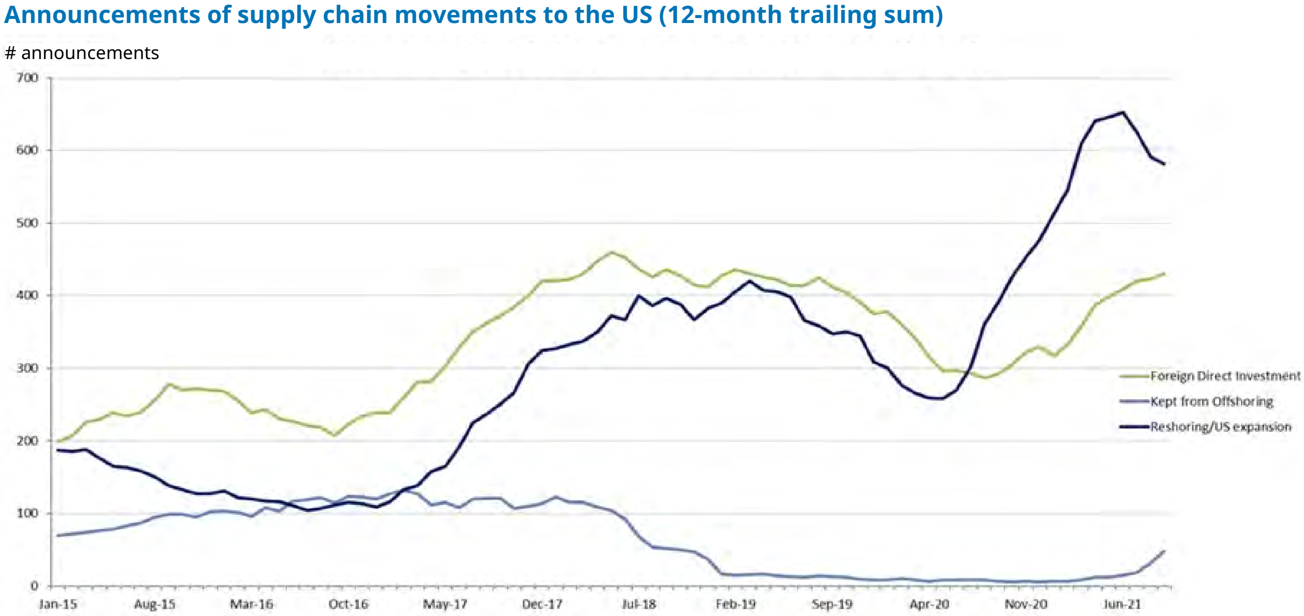
In China onshore however we see opportunities as there is likely to be an ever-increasing focus on building national champions and being less reliant on pesky foreigners for critical parts. This could be a negative for European, Japanese or US companies that have high hopes of growth in China.

Nationalism for better or worse appears to be to the fore, and we need to adapt our thinking for a less benign world.

Dan McFetrich our global industrials analyst at Schroders has done some interesting work on this area looking at trends in capital expenditure and onshoring, which back up our thesis regarding the end of Chimerica and what it might mean. As Chart 15 shows announced onshoring to USA and foreign direct investment (FDI) has picked up sharply. On Chart 16 and chart 17 we have UBS evidence surveys regarding percentage of companies looking to move out of China and where they are looking to move too. In Chart 16 it can be seen c.90% of respondents expect to set up facilities outside of China within 2 years. Chart 17 has the countries that respondents expect to move too – North Asia, USA and Vietnam are the most commonly mentioned i.e. those countries with the closest/best trade ties with USA.

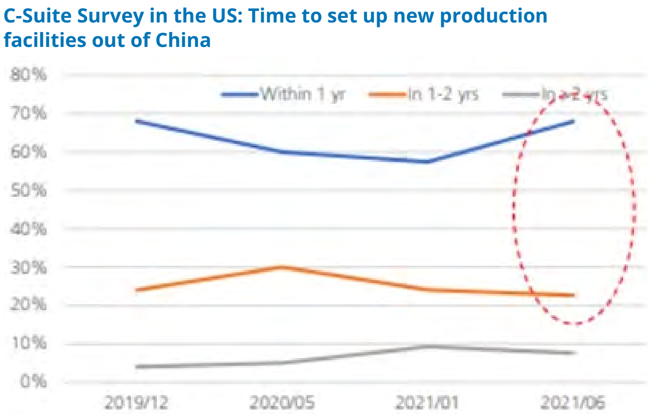
Portfolio Managers' Review

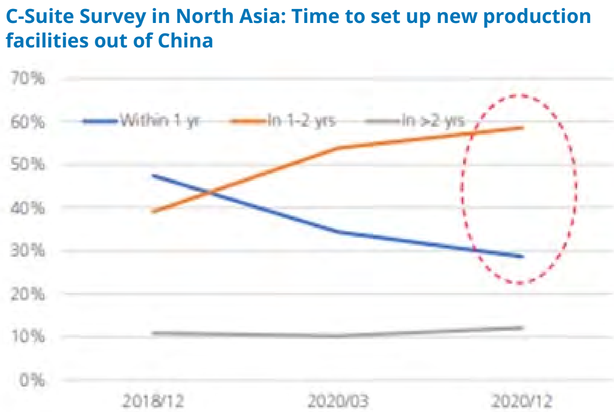
Chart 15: The End of Chimerica – Onshoring to the USA



Source: UBS Evidence Lab, 2021

Chart 16: The End of Chimerica – 90% of respondents plan to expand outside China



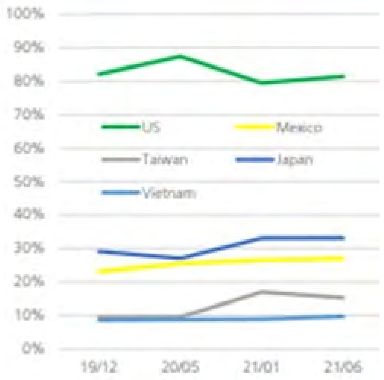


Source: UBS Evidence Lab, 2021

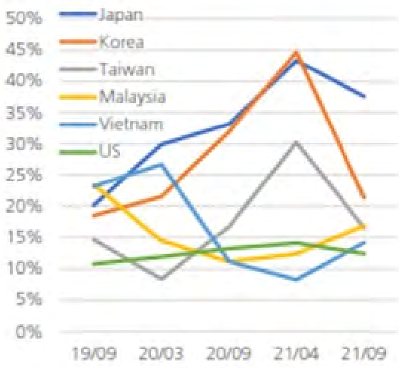
Portfolio Managers' Review

Chart 17: The End of Chimerica – most plan to expand in a deemed USA trade friendly location

C-Suite Survey in the US: Which market/regions are you considering relocating or have already relocated production to?



C-Suite Survey in China: Which market/regions are you considering relocating or have already relocated production to?



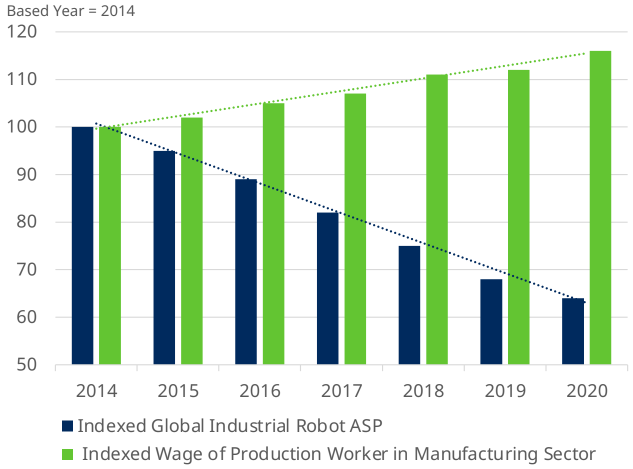
C-Suite Survey in N.Asia: Which market/regions are you considering relocating or have already relocated production to?

Source: UBS Evidence Lab, 2021

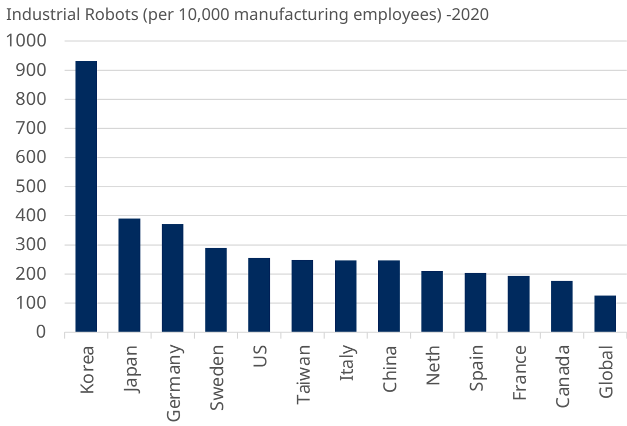
So, what does this mean for the Company? We are bullish on capital expenditure names. With the labour market tight in the USA capital expenditure is likely to be focussed on automation, digitalisation and software. As Chart 18 shows despite high labour costs and falling robotics prices the USA is currently lagging other countries in its level of manufacturing automation.

Chart 18: Where will the capital expenditure go – automation and software?

Robots vs Humans – driven in part by declining relative price of industrial robots[1]



Industrial Robotics Density – 2020[2]



[1]Source: IFR, CEIC, Macquarie Research, January 2022.

[2]Source: IFR, Macquarie Research, January 2022.

Given the expected shifts in capital expenditure, we have added to names in Taiwan that have exposure to automation and systems integration in the USA and Europe. An overall pick up in corporate expenditure on systems and software should also benefit our Indian IT services names which are currently reporting strong order wins. A recovery in corporate expenditure and high-end automation should also add another structural driver to semiconductor demand, which remains a key position in the Company.

The bigger long-term question is whether in certain key industries where China is also investing heavily (under dual circulation policies) we will see overcapacity. Industries we are monitoring closely are batteries, electric vehicles (EVs), semiconductors, solar, wind, biotech. It seems inevitable there is likely to be overcapacity in lower end batteries, mass EVs, simpler semiconductors given the amount of capital being committed to these industries. However, where we see genuine barriers to entry due to strong intellectual property we are more comfortable and at the current time we are maintaining our positions in TSMC, Samsung Electronics and Mediatek all of which are top 10 positions in the Company. On the other hand we are more cautious on the battery, EV and solar sectors where barriers to entry appear lower.

Portfolio Managers' Review

TOPIC 3: KEY POSITIONS IN SATRIC – TECHNOLOGY

Chart 19 has a country and sector breakdown of the Company as at December 2021. As can be seen at that date the fund had 43% of its assets in stocks classified as information technology stocks by MSCI. Just to be clear this is not internet stocks (they are classified under communication services or consumer discretionary) but a mixture of semiconductor, software and hardware stocks.

Chart 19: Positioning breakdown by country and sector as at 31 December 2021

Sector/Country (%)	Australia	China	Hong Kong	India	Indonesia	Korea	Malaysia	New Zealand	Pakistan	Philippines	Singapore	Taiwan	Thailand	United Kingdom	United States	France	Vietnam	Cash & Others	Grand Total
Communication Services	0.9	-0.7	-0.1	0.4	-0.2	0.3	-0.1	-0.1		-0.1	1.8	-0.3	-0.2						**1.6**
Consumer Discretionary	0.6	-4.6	1.2	-1.0	-0.1	-1.2	-0.1			2.4	-0.0	2.4	0.8			1.5			**2.0**
Consumer Staples	-0.8	-1.9	-0.1	-1.0	-0.1	-0.4	-0.2			-0.0	-0.1	-0.2	-0.2				0.8		**-4.2**
Energy	-0.5	-0.5		-1.4	-0.1	-0.2	-0.0					-0.0	-0.2						**-2.9**
Financials	-3.9	-4.5	0.4	0.4	0.5	-0.9	-0.5			-0.1	2.4	-2.0	-0.1						**-8.3**
Banks	-3.9	-2.8	-0.3	1.3	0.5	-0.7	-0.5			-0.1	1.2	-1.2	-0.1						**-6.5**
Diversified Financials	-1.0	-0.6	0.3	-0.6		-0.1				-0.0	1.2	-0.5	-0.1						**-1.4**
Insurance	0.9	-1.1	0.4	-0.3		-0.1						-0.3							**-0.4**
Healthcare	2.9	-2.2		-0.2	-0.0	-0.7	-0.1	-0.2				-0.0	-0.1						**-0.7**
Industrials	-0.8	-1.4	2.8	-0.6		-0.9	-0.1	-0.1		0.3	0.0	3.0	-0.1						**2.2**
Information Technology	-0.5	0.3	0.9	3.6		4.1	-0.0				1.1	11.5	-0.0						**20.8**
Materials	-0.8	-1.1		-1.2	-0.1	-0.9	-0.1					-0.8	-0.2	3.8					**-1.4**
Real Estate	-1.1	-1.1	1.2	-0.1						-0.2	0.7	-0.0	-0.1						**-0.5**
Utilities	-0.2	-0.9	-0.6	-0.6		-0.1	-0.1	-0.1		-0.0			-0.2						**-2.7**
Cash																		-8.3	**-8.3**
Derivatives												-6.3			-0.6			6.9	**0.0**
Collective Investments				2.5															**2.5**
Grand Total	**-4.2**	**-18.7**	**5.8**	**0.9**	**-0.1**	**-0.7**	**-1.3**	**-0.4**	**--**	**2.3**	**5.9**	**7.0**	**-0.6**	**3.8**	**-0.6**	**1.5**	**0.8**	**-1.3**	**--**

Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

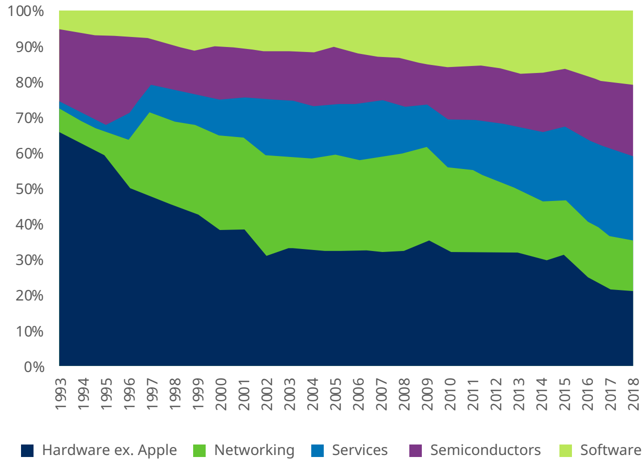
Relative to the Company's reference index (the MSCI AC Asia Pacific ex Japan index) this would be a c.15-20% overweight position, which along with the underweight in China of c.15-20%, are the two biggest deviations from the benchmark weights. Hopefully we have explained the reasons for the China positioning in the first section, but why are we so overweight technology stocks in the region?

First we would highlight that "technology" can mean rather different things to different people. It is a pretty generic word and of course nearly all companies claim to be "technology champions". Chart 20 has a table from Bernstein showing how their technology subsectors have changed (in terms or revenues) over time.

Portfolio Managers' Review

Chart 20: Why we will be focussing on the real "IP" in the Asian tech sector – this is work in progress – a key analytical challenge

Subsectors as % of Total Tech Revenues, 1993-2018 (Ex-Internet)[1]



Price/Sales of U.S. Software Stocks, 2000-2020[2]

[1]Source: Bernstein Quant Team (Larson), August 2020;

[2]Source: Bloomberg, Bernstein analysis, August 2020

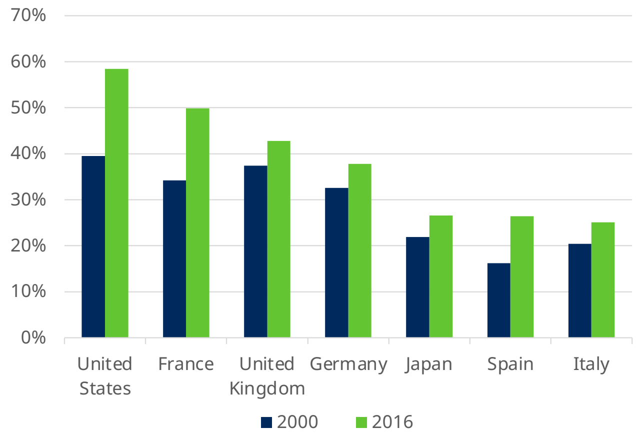
What is clear from the chart is some parts of "technology" are mature with lower barriers to entry whereas others have strong secular growth trends. It is the latter area where we are focussed i.e. semiconductors, software and services. Within these sectors we are looking for companies creating genuine intellectual property (IP) and Warren Buffet's moats (i.e. barriers to entry).

We want to own shares in companies which are successfully building capabilities and products through their continuous R&D and investment in people and products. As Chart 21 highlights investment in intangible assets is rapidly rising – our key job is to try and work out which companies in Asia are doing this well and which ones poorly. In Asia we believe the best semiconductor companies (both chip fabrication and chip design) and software companies are using their comparative advantages to create strong intellectual property (IP). TSMC for example should never be looked at on a price to book basis. The real value of TSMC is its years and years of accumulated engineering expertise, its relationships with key customers and suppliers, and its network effect of clustering its main operations in Hsinchu in Taiwan. Every foundry competitor we have looked at over the last 25 years has found out it impossible to compete with TSMC in high end semiconductors no matter now much capital they have had.

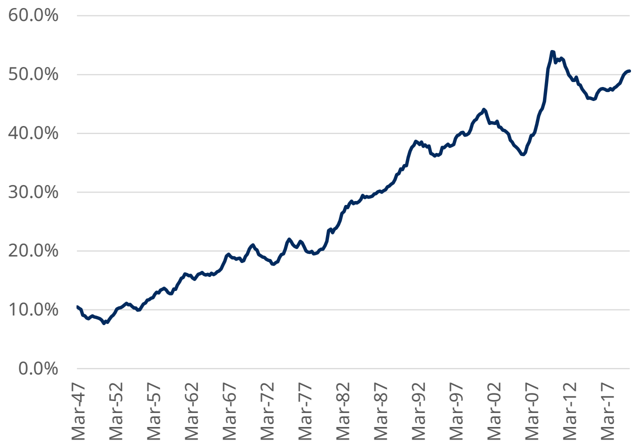
Portfolio Managers' Review

Chart 21: With increasingly amounts of corporate value stored in intangibles – and 55% of investment now in intangibles perhaps it is not surprising traditional measures of value struggle

Intangible Assets (% of Private sector GDP) – rapidly rising everywhere[1]



US – IT, Technology & Intangibles (% Private Non Residential Investment) - ~50%-55%[2]



[1]Source: Corrado, Haskel et al; Macquarie Research, June 2020;

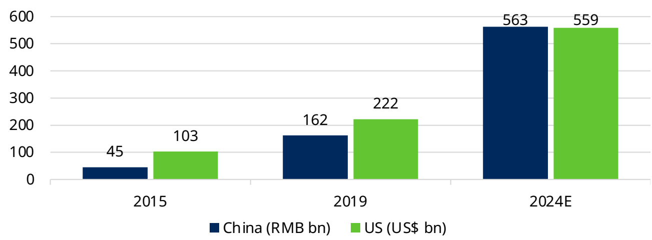
[2]Source: CEIC; Macquarie Research, June 2020

The best companies in Asia, those with world class technology, strong intellectual property, large scale comparative advantages from scale and proximity of customers, often tend to be in the semiconductor and technology space. The secular growth trends for these companies has we believe also materially improved. This is not just about much discussed working from home trends but the real drivers are cloud migration, electric vehicles, decarbonisation, automation, artificial intelligence, 5G and connectivity (Chart 22 and Chart 23). Nearly all the trends we discuss as investors at the moment involve materially greater use of semiconductors and software. Taiwan and Korea are world leaders in semiconductors and India has key comparative advantages (young, well educated, cheaper engineers) in software services. This is why we have c.40% of the fund's assets in technology – these are the Asian stocks that are world leaders in their respective industries.

Chart 22: Hardware Tech/Industrials – Strong tailwinds to continue in 2022

'Work from home', Cloud, 5G, Batteries driving tech demand

Strong growth in cloud services driving IDC investments



Source: Frost & Sullivan, Company filings, CICC research, June 2020

Strong tech cycle continues

- Work from Home is driving demand for PC notebooks, smartphones, Wi-Fi devices etc.
- Ongoing investments into 5G, Data centres, Cloud services, automobile digitisation, IOT, etc
- Higher demand for data and broadband connectivity
- 'Stay at Home' also driving replacement updrade of home appliances, TVs etc. DIY also seeing strong growth trend
- Ongoing demand for stronger and longer lasting batteries

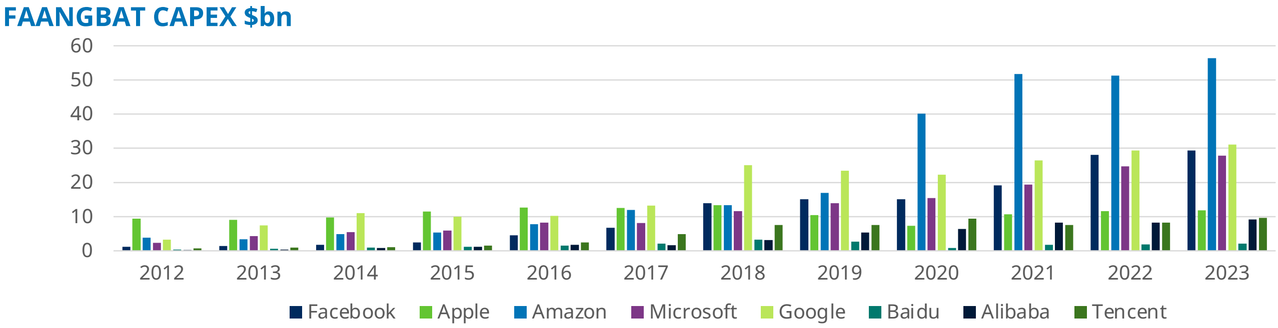
Do Asian tech valuations now reflect a downcycle but not the long-term secular growth drivers?

	Performance from recent high^(%)	PE (X)		EPS Gr (%)	Yield (%)	ROE
		22E	23E	22E	12M	T12M*
TSMC	-6.7	20.8	17.9	32.2	1.7	29.7
Realtek	-20.2	13.0	12.6	14.9	2.9	49.8
Novatek	-27.8	6.8	7.8	3.6	3.4	70.4
Mediatek	-7.1	13.6	12.4	15.0	3.4	27.1
Samsung Electronics	-17.6	10.7	8.9	13.9	2.0	14.1
LG Electronics	-33.5	7.2	6.3	156.0	0.7	9.3

Securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Source: Bloomberg, Schroders, 15 Feb 2022. ^as at 14 Feb 2022. *Trailing 12 months

Chart 23: We not see any slowdown in capital expenditure from key US and Chinese tech giants – the arms race is on. . .



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Facebook	1.2	1.4	1.8	2.5	4.5	6.7	13.9	15.1	15.1	19.1	28.1	29.4
Apple	9.4	9.1	9.8	11.5	12.7	12.5	13.3	10.5	7.3	10.7	11.6	11.9
Amazon	3.8	3.4	4.9	5.4	7.8	12.0	13.4	16.9	40.1	51.7	51.3	56.4
Microsoft	2.3	4.3	5.5	5.9	8.3	8.1	11.6	13.9	15.4	19.4	24.7	27.9
Google	3.3	7.4	11.0	10.0	10.2	13.2	25.1	23.5	22.3	26.4	29.3	31.1
Baidu	0.4	0.6	1.0	1.2	1.5	2.1	3.3	2.7	0.8	1.8	1.9	2.1
Alibaba	0.3	0.4	0.8	1.2	1.7	1.6	3.1	5.3	6.4	8.2	8.3	9.2
Tencent	0.7	1.0	1.1	1.5	2.5	4.9	7.5	7.6	9.4	7.5	8.2	9.6

Source: Reuters, January 2022

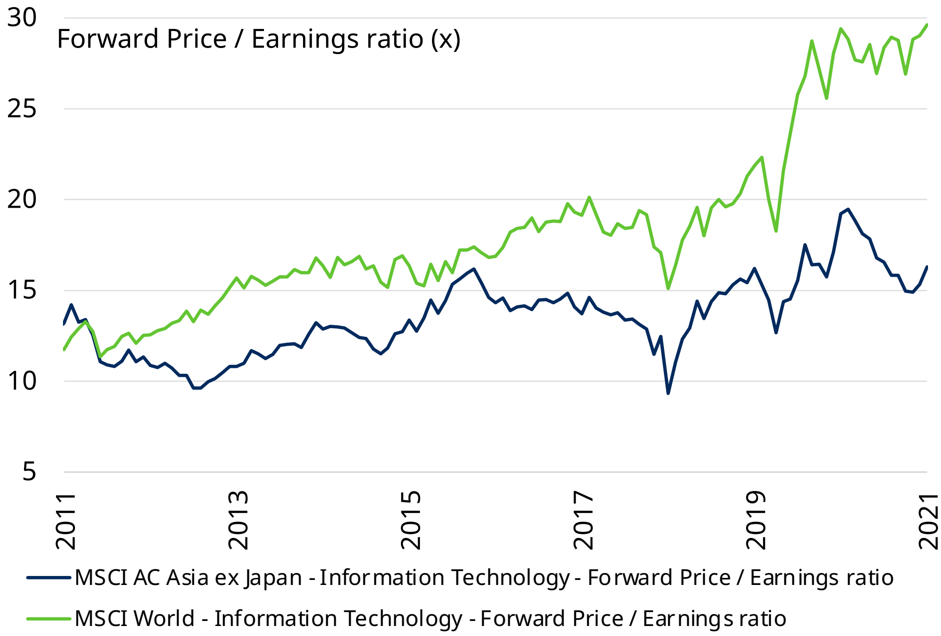
What about the risks? Are we heading into potential overcapacity in semiconductors and aren't stocks expensive after strong performance in 2020/2021?

We touched on overcapacity in the China section. We do worry about overcapacity in the low end foundry space particularly in China. However US-China trade sanctions, which make high end semiconductor equipment supply difficult, and limited semiconductor engineering expertise globally we believe will make it difficult for China (or anyone else) to catch up at the higher end, more complex part of the foundry industry. For chip designers this space has significant intellectual property and for higher end chips again barriers to entry (you need a good foundry partner for starters). In the memory space the industry has now consolidated down to three main players (Samsung, SK Hynix, Micron) and we believe this should make the industry less cyclical going forward as capital expenditure is more disciplined. So in summary whilst we do worry some parts of technology industry are likely to see overcapacity, for our key exposures in the Company we are confident the long-term secular growth trends outweigh any shorter-term cyclical worries.

And what of valuations – aren't Asian technology stocks expensive? As Chart 24 highlights Asian technology stocks have actually derated over the last 12 months – TSMC at time of writing is flat over 12 months and Samsung Electronics is actually down 15% and trading at a large discount to US listed peer Micron (Chart 25). The valuation gap between global and Asian technology stocks is at an all time high. Worries over US-China tensions, internet regulations in China, Taiwan-China worries and the sustainability of working from home demand have we believe combined to give investors an excuse to sell the sector. Given the underlying strengths of the technology businesses we own in Asia and the strong secular growth drivers we view this as our highest conviction long-term position in the Company.

Portfolio Managers' Review

Chart 24: Asian and Global technology stocks have shown a marked divergence in valuations since 2019



Source: Refinitiv Eikon Datastream, as at 31 December 2021, in GBP.

Chart 25: Asian and Global technology stocks have shown a marked divergence in valuations since 2019

Source: Refinitiv, January 2022

Portfolio Managers' Review

TOPIC 4: KEY POSITIONS IN THE SATRIC – VALUE AND CYCLICAL STOCKS

Given the discussion above it will probably be of no surprise that we are not chasing perceived "value" sectors in Asia (like banks or oil stocks) or making a "cyclical" trade on global economic recovery.

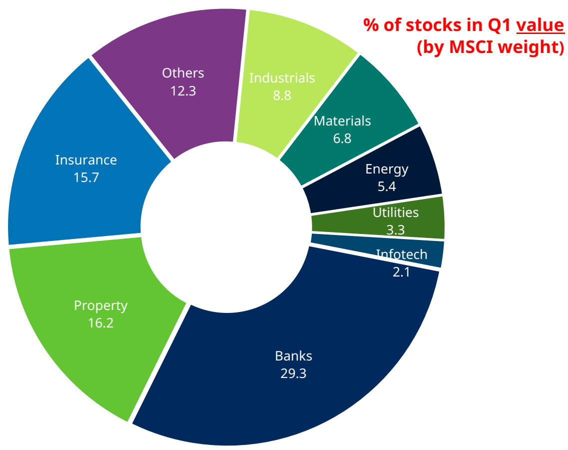
Your fund managers have never considered themselves good short term traders and most cyclical stocks in Asia are low ROIC (Return on Invested Capital) business with little IP or comparative advantage so lack long-term investment attractions. Chart 26 has a split of the MSCI Asian value index by sector. In Asia "value" on this definition is mostly in sectors facing long-term headwinds or with heavy state involvement like banks, insurance and property. We did add to our financial exposure over the course of 2021 – mostly to better banks in ASEAN and India. But we see little attraction of adding more broadly to the sector, given we have no strong view on the medium term inflation outlook and instead see most banks in Asia as still vulnerable to disruption from internet and fintech companies.

Chart 26: Is value outperformance sustainable? Selectively we see opportunities but the big value sectors (Banks, Property, Energy) are challenged

MSCI APxJ Relative performance of Value vs Growth

12M forward relative PE(x)

MSCI APxJ value – Sector composition (by weight)



Source: Jefferies, Factset, August 2021. Note: Current MSCI universe (ex-China A) with three or more analyst coverage as of Jul 21. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

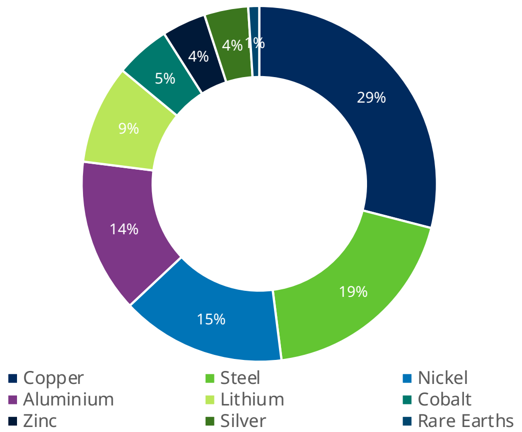
We do have some cyclical exposure in the Company however this is principally in Australia via BHP and Rio, and some related mining services companies. We are not particularly optimistic on iron ore prices due to the construction outlook in China, however after a sell off in mid-2021 on China worries we added to our positions. We felt stocks were discounting a much lower long-term iron ore price than was likely given the lack of new supply in the industry. The other long-term factor we felt favourable was the market was missing the fact decarbonisation needs many of the metals mined by BHP and Rio, so the large "ESG" discount was overdone. BHP and Rio may be far from perfect but they are better than most other miners we meet in Asia and are committed to carbon neutrality. BHP and Rio are likely to remain the key more cyclical exposures in the Company.

Portfolio Managers' Review

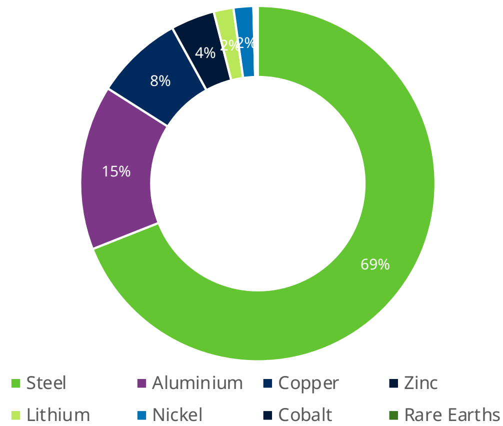
Chart 27 : Why we hold BHP and Rio – the solution not the problem to decarbonisation

Producing EVs, Wind Turbines and Rebuilding Grids will be resource intensive – we own the best names in industry who are committed to carbon neutrality

Incremental decarbonization-related metals demand value shares, in our rapid electrification scenario



Incremental decarbonization-related metals demand volume shares, in our rapid electrification scenario



Source: Citi Research, BNEF, IPCC, November 2021. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

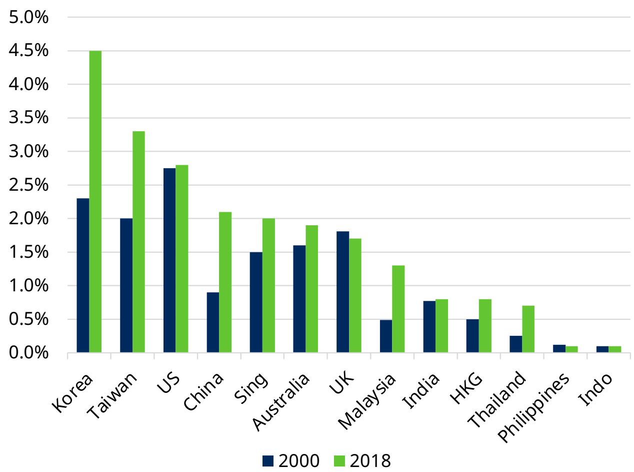
TOPIC 5: KEY POSITIONS IN THE SATRIC – ASEAN AND INDIA

Going back to Chart 19 readers will notice the Company has very little exposure to the small ASEAN markets (Singapore, Malaysia, Thailand, Indonesia and Philippines). We continue to struggle to find much attraction in these stockmarkets. A lot of this is due to structural factors. We tend to view most of these countries as perhaps stuck in a middle income trap. As Chart 28 highlights R&D spending is very low in most ASEAN countries and there are few of the vibrant technology or internet stocks we see in North Asia.

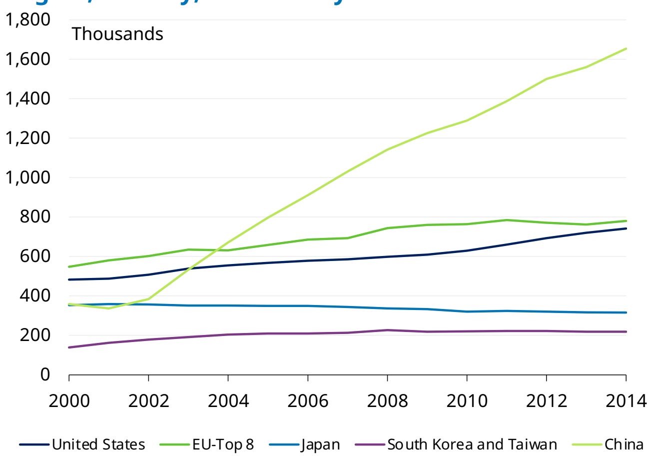
Chart 28: North Asia can continue to thrive

Higher education levels and R&D spend key to driving 'knowledge' industries

R&D (% of GDP) – most EMs spend only 0.5%-0.7%[1]



Bachelor's degree awards in S&E fields, by selected region, country, or economy: 2000–14[2]



[1]Source: OECD; Macquarie Research, October 2020;

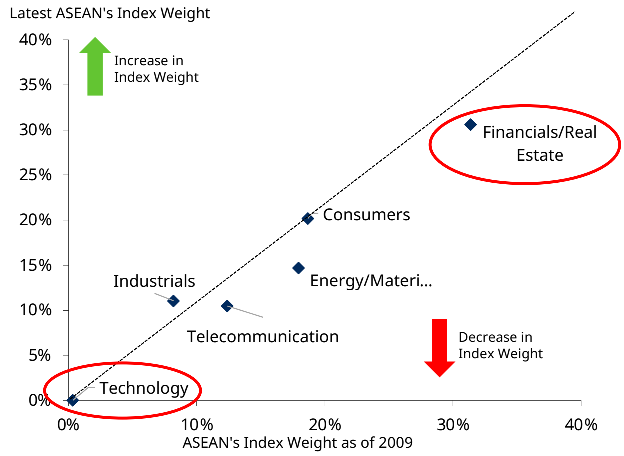
[2]Source: https://nsf.gov/nsb/sei/one-pagers/China-2018.pdf

This is reflected in a stockmarket that is dominated by banks, real estate, energy and utilities (Chart 29). Perhaps it is not surprising that ASEAN stockmarkets have struggled given disruptive trends facing all these sectors.

Portfolio Managers' Review

Chart 29: Moribund SE Asian markets

MSCI ASEAN composition (%) – almost no change



Source: FactSet, MSCI, Macquarie Research, June 2020. Pricing date as of 26 June 2020, calculated based on EM Asia universe

But what of the macroeconomic picture in ASEAN – surely the outlook for investment should improve as firms move production out of China? This is where ASEAN looks set to miss out. Relatively poor educational attainment, corruption, weak legal systems, often messy politics have not created a great investment environment. As Chart 30 shows on most measures of ease of doing business the key middle income ASEAN countries rank poorly and there has been no improvements over the last few years. On Chart 31 surveys of likely relocation of factories and actual FDI suggest limited use of ASEAN as an export base.

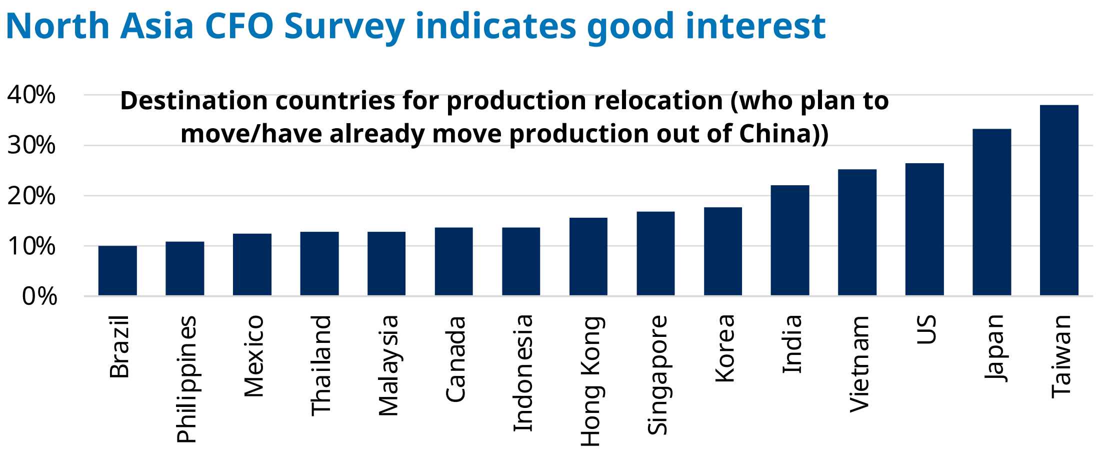
Chart 30: ASEAN needs to up its game to get out of the middle income trap

	Transparency International Corruption Index 2021 Rank (out of 180)	World Bank Ease of Doing Business 2019 Rank (out of 190)	Fraser Institute Economic Freedom Index 2019 Rank (out of 165)
Malaysia	62	12	55
Indonesia	96	73	70
Thailand	110	21	89
Philippines	117	95	58
China	66	32	116
India	85	62	108
Vietnam	87	70	126
Singapore	4	2	2
Hong Kong	12	3	1
Taiwan	25		17
Korea	32	5	47
Australia	18	14	9
UK	11	8	12
USA	27	6	6

Source: Transparency International, World Bank, Fraser Institute, 2022

Portfolio Managers' Review

Chart 31: Surveys Suggest most ASEAN countries will miss out on the relocation of facilities from China



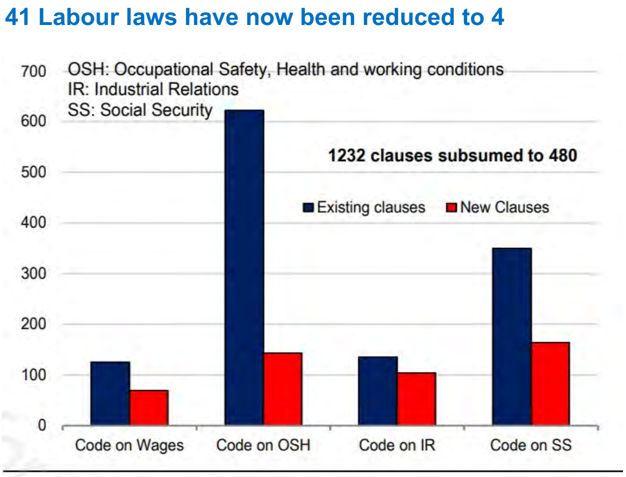
Source: UBS, June 2019

So, both at a macroeconomic level and bottom up stock level we cannot get terribly excited by the ASEAN region. There are some good companies listed in ASEAN the problem of course being that they trade on a scarcity premium as so much of the market is unattractive. We do however have a few names on our watchlist and will continue to monitor for opportunities to pick up the strong ROIC business in ASEAN at the right price.

What are our current investment views on India? The Company's weighting in India moved up over 2021 – mostly during the sell off in March/April when we added to our banks and Indian IT services exposure. We also initiated a position in a healthcare name.

The macroeconomic picture in India does look promising. As Chart 32 suggests there have been genuine reforms in India some of which have accelerated under the pandemic. On most ease of doing business surveys (back to Chart 30) India is at least improving, albeit there is still plenty of room for further improvement. As Chart 33 show the roll out of digital infrastructure (along with better physical infrastructure) has been quite rapid and should bring significant productivity benefits to the economy. As Chart 31 suggests FDI should be set to accelerate along with domestic investment as we move into a more normal post-COVID world.

Chart 32: India – Government continues to reform



Source: PRS, Credit Suisse estimates

Agri sector being opened up, Mfg sector getting policy support

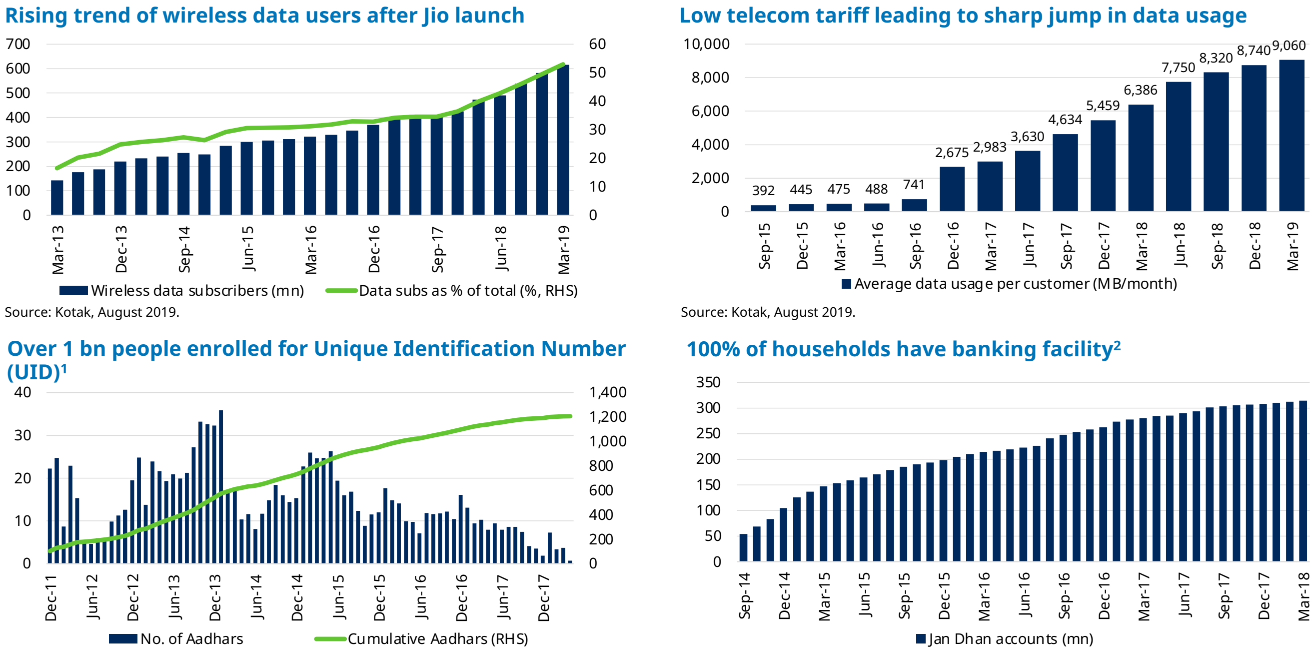
Agri sector reforms
– Farmers can sell to anyone and anywhere. Removes previous regulation to go through intermediaries
– Contract farming permitted, will encourage private investment and also help build modern supply chain

PLI scheme
– Production Linked Incentives offered to domestic manufacturers (4-6% of incremental sales) – to discourage imports and boost local manufacturing
– Scheme is for 10 sectors including Electronics, Pharma, Auto, textiles, food processing etc

Source: Schroders

Portfolio Managers' Review

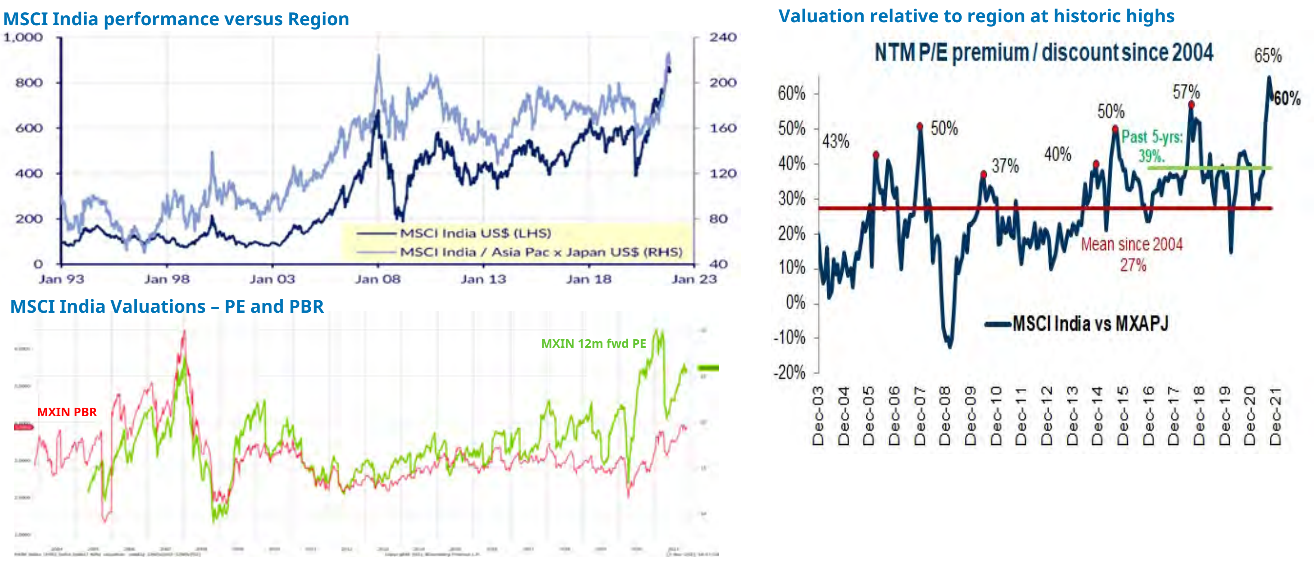
Chart 33: India is building a strong digital infrastructure



[1]Source: UID Portal, Kotak Institutional Equities, April 2018.
[2]Source: GoI, PMJDY website, UIDAI, UBS, April 2018.

The problem however comes when we look at the stockmarket. Valuations are expensive across the board and well above Indian historic norms and the normal premium to the region now looks to have overshot (Chart 34). In order to justify ever higher multiples stockbrokers have further raised their earnings forecast for 2022 and 2023 (India has a March year end). However, as can be seen from the right hand chart of Chart 35, like most stockmarkets historically Indian earnings forecasts tend to be downgraded over time. Given an element of euphoria has seeped into Indian markets we think the risk of earnings downgrades is high. With interest rates likely to rise as inflation picks up in India we also see risks of multiple contraction as higher discount rates bring growth stocks down to earth. The market may not be priced for perfection but it is certainly vulnerable to scares – whether that be on politics, earnings, inflation or the economy. We are happy with our current private sector bank and Indian IT services exposure but are not chasing Indian internet or consumer names which we believe are vulnerable in a rising rate environment.

Chart 34: Indian market looks expensive after recent outperformance



Source: Bloomberg. CLSA Nov 2021, Goldman Sachs Nov 2021
The sectors shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell

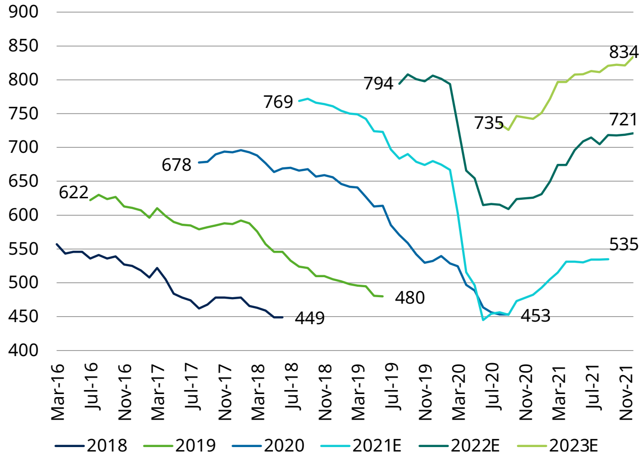
Chart 35: Can FY23 deliver another year of strong earnings growth?

Banks, Metals and Telecom driving current year's expected earnings growth of 34%

Earnings growth of Nifty-50 sectors

	Earnings growth (%)	
	FY22e	FY23e
Automobiles & Components	4.3	153.6
Banks	38.2	20.0
Capital Goods	22.4	36.7
Consumer Staples	11.0	15.3
Diversified Financials	20.4	34.8
Electric Utilities	3.7	8.9
IT Services	12.1	14.6
Metals & Mining	234.7	(35)
Oil, Gas & Consumable Fuels	23.4	9.2
Pharmaceuticals	16.2	25.9
Telecommunication Services	266.6	168
Nifity-50 Index	**34.1**	**15.0**

Nifty-50 Index EPS estimates trend, March fiscal year ends, 2018-23E (Rs)



Source: Bloomberg, Kotak Institutional Equities estimates, November 2021
Source: Kotak Institutional Equities estimates, November 2021

TOPIC 6: VALUATIONS AND HEDGING MODELS

For the last part of the report we provide a brief comment on the hedging and valuation models we use to help us gauge whether to deploy capital preservation strategies or to use gearing. Chart 36 has a summary of the Company's positioning at the end of December. At the time of writing the first draft of this report (early February) there have been no changes to models. In summary the long-term country models are now neutral to positive on all the major stockmarkets in the region – only India and the Philippines are cautious – so we are not undertaking any hedging based on the longer-term models. The shorter term tactical models, which have been working well over the last two years, have moved back to neutral (from sell). The consequence of this is the models are suggesting only to buy protection (via puts) if pricing is at the lower levels of recent historic ranges. With put pricing currently very expensive due to Ukraine worries and taper tantrums we are not rolling or buying new puts.

The main valuation indicators we use to determine whether to deploy gearing are both currently neutral (Chart 37), so whilst the Company is slightly geared we have neutralised this by selling Taiwan index futures to bring SATRIC down to an effectively neutral position. Further markets falls however would be likely to trigger a "buy" or deploy gearing signal (if indicators cross the green lines in the charts).

Portfolio Managers' Review

Chart 36 – Portfolio positioning as at end of December 2021

Investment process and portfolio as at 31 December 2021

Step 1 – Stock selection

Fund fully invested.

After the recent correction we can find bottom up value in Asia.

Fund 108% invested holding 68 stocks.

Step 2 – Country view

Portfolio

Our cyclically adjusted valuation indicators are now neutral to positive on the major Asian stockmarkets, smaller market are giving more cautious readings.

Our top down valuation indicator moved from negative to neutral in November and the bottom up value indicator is now slightly positive. No hedging applied here but we are cognizant of tail risks (tapering, US-China tensions).

Step 3 – Tactical view

Portfolio

Short-term tactical indicators have moved from sell to hold as of early December.

If put pricing attractive we will look to apply some downside protection to fund via purchase of out of money put options to hedge against tail risks

Final portfolio

Net Asian market notional exposure of around 94% (101% delta-adjusted)

Additional protection provided via put options on S&P 500 and TWSE index, as well as short TAIEX futures.

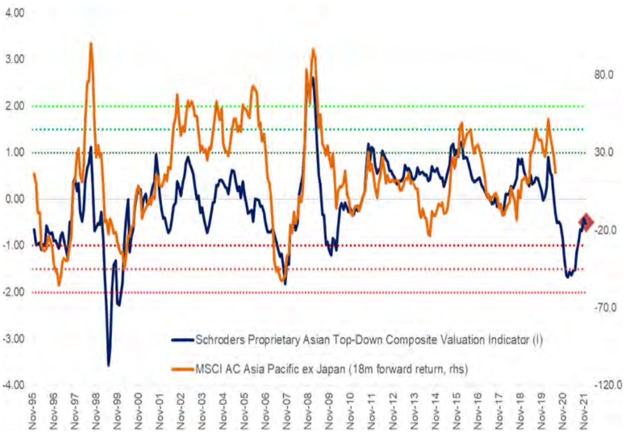
Reducing market risks to provide downside protection

Source: Schroders.

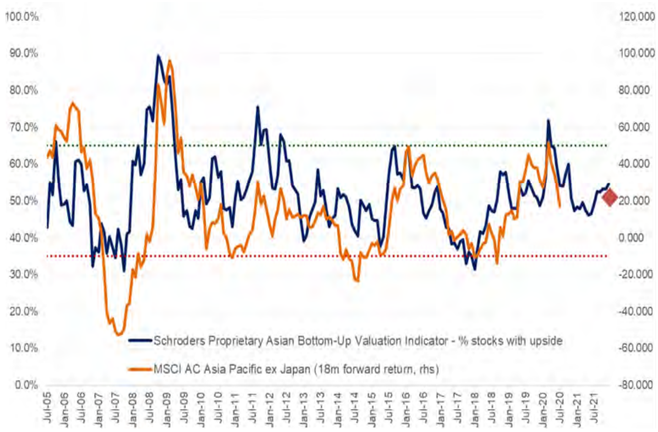
Chart 37 – Valuation models

Our Valuation Indicators were cheap in March 2020 – but March 2021 is expensive...

Schroders Top-Down Valuation Indicator (I)



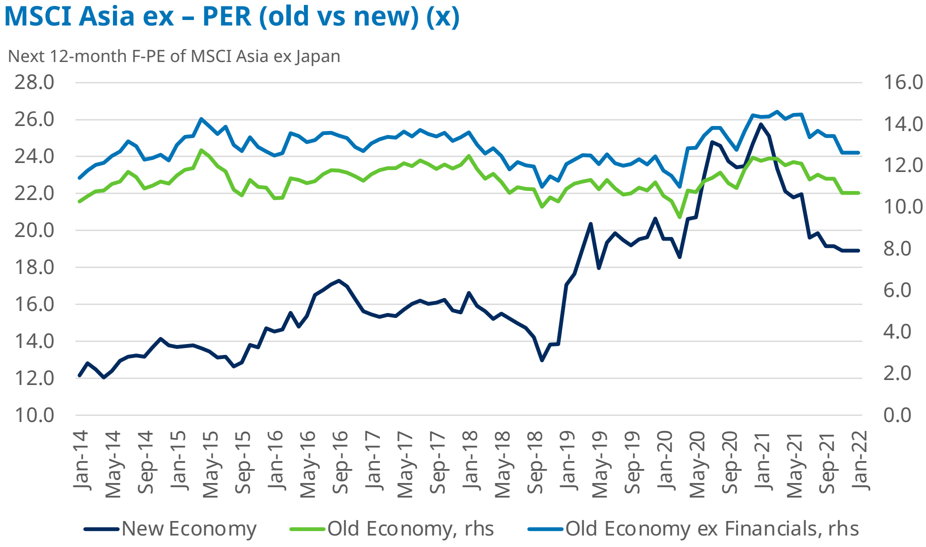
Schroders Bottom-up Valuation Indicator



Source: Schroders, as at end of 31 January 2021

In summary, after the recent market correction Asian equity valuations both top down and bottom up are increasingly attractive and now look reasonable both on an absolute basis and relative to other equity markets. The key risk (outside the obvious macro ones) are that Asian earnings disappoint however, outside of India, expectations for earnings have come down and now look more realistic. The technology and internet stocks in particular look to have seen most of 2021's "froth" dissipate as indicated by Chart 38 below. This leave us relatively upbeat that we should make money in 2022 and that, whilst somewhat uncomfortable, not paying up for expensive hedging is the correct long-term approach.

Chart 38: All of 2020's froth is now pretty much gone – valuations across old and new economy stocks are back to "normal"



Source: Factset, MSCI, Macquarie Research, December 2021.

SUMMARY

- After a difficult 2021 we are optimistic we should see better returns from Asian equities for the Year of the Tiger. Valuations are reasonable on an absolute basis and cheap versus history on a relative basis (to global equities). The Company's gearing and hedging models have moved to a neutral/positive bias from a more cautious positioning six months ago.
- China remains the biggest risk in the region and a potential drag. Zero-COVID policies are likely to slow an economy already weakening due to the unwind of the property market, however this should be partly offset by looser monetary and fiscal policy.
- For Chinese equities we expect a better year but not necessarily a good year. Earnings are likely to disappoint and the market has still to fully absorb the implications of 2021's major policy reset, which in many sectors is likely to reduce the operation of free market forces and thus lower long-term ROIC. In particular we remain relatively cautious on most Chinese internet stocks.
- On a positive note Asian macro fundamentals are generally sound with current account surpluses, relatively low Government debt levels, high FX reserves meaning the vulnerability to rising US interest rates should be less than has historically been the case.
- The key positions for the Company are mostly in stocks where we see strong secular growth trends like technology, software, Australian healthcare, Chinese consumer, the best Indian and ASEAN private sector banks. We are not thematically chasing value or cyclical names in Asia and we still view inflation as likely to be ultimately transitory. The preference remains for stocks creating genuine intellectual property by which means they can sustain and grow their ROIC (Return on Invested Capital).

Portfolio Managers' Review

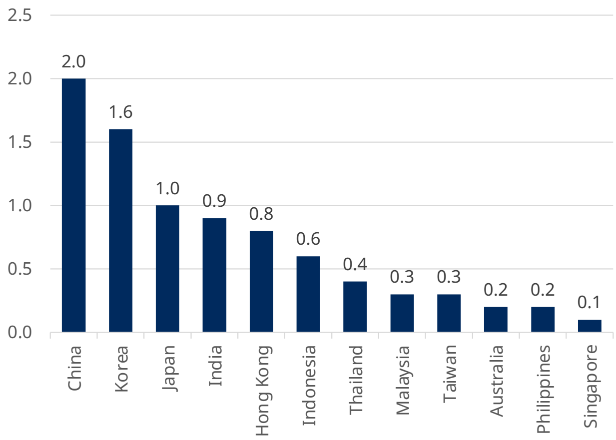
ADDENDUM

The above report was finalised mid-February in order to meet deadlines that, for compliance reasons, are set in advance of the publishing date. Clearly since the date of writing there have been significant changes to the geo-political backdrop following Russia's invasion of the Ukraine. As mentioned in the report we rarely comment on geo-politics but given the gravity of the situation we provide some additional comments on how the war in Ukraine may affect the Company and our investment views.

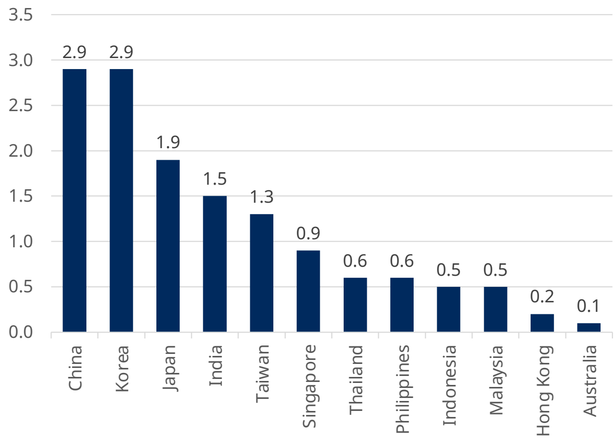
Firstly, we would highlight none of the Company's investments have significant exposure to Russia either in terms of revenues from Russia or as owners of assets in Russia so the direct impact on our investments is limited. For the Asia region as a whole Russia is a very small trading partner as highlighted by Chart 1 below. Even China with its "partnership without limits" only has c.2% of its exports currently going to Russia so we are not overly concerned about the impact of Russia's pariah status on the region's trading outlook.

Chart 1: The Direct Impact on Asia from Russia's Pariah Status is limited

Exports to Russia (% of total exports, Latest 12M trailing sum)



Imports from Russia (% of total imports, latest 12M trailing sum)

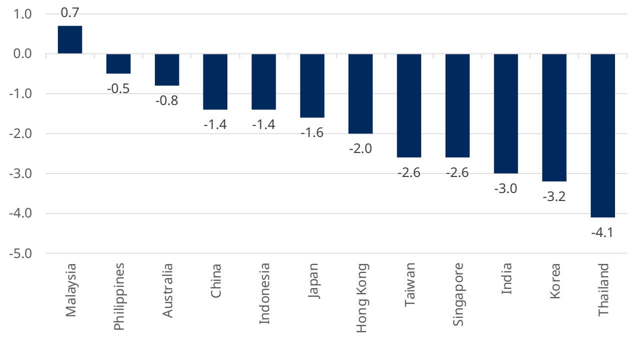


Source: CEIC, Morgan Stanley Research. Note: Latest data as of Dec-21/Jan-22.

What is more significant for the region is the various indirect impacts from what, at the time of writing, looks set to be a prolonged conflict. As Chart 2 shows most Asian countries are heavily reliant on oil as an energy source and run a significant trade deficit in oil as, with the exception of Malaysia, all are net oil importers. Rising oil prices will therefore act as a drag on economies.

Chart 2: With the exception of Malaysian Asian Economies are oil importers and all are heavily reliant on oil as an energy source

Net Oil Balance (latest trailing 12M sum, % of GDP)



Source: CEIC, Morgan Stanley Research, March 2022

However, where we are actually more concerned is on food prices. Ukraine and Russia are both major food exporters and if we see a prolonged supply dislocation and rise in basic food staples this is likely to have a material impact on discretionary consumption, particularly in the lower income countries in the region where food and energy costs take up a large part of consumer expenditure. Chart 3 below shows how food and energy are weighted in the CPI baskets across Asia and whilst not an exact science this provides a reasonable proxy for vulnerabilities in the region to the rising costs of essential items. Already recent calls with companies in ASEAN and India have flagged a drop off in sales volumes and trading down (buying smaller items, cheaper products) by consumers as incomes are squeezed by food prices in particular.

Chart 3: A prolonged squeeze rise in food and energy costs will squeeze consumption in Asia

Food components tend to have much larger weights in AxJ CPI baskets than fuel

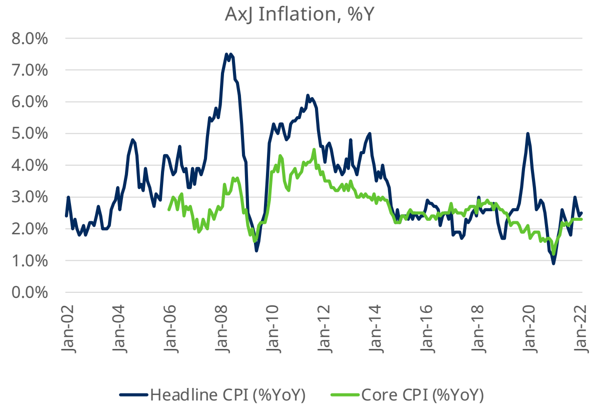
	CPI weights (parts per 100)											
	Overall Food, Beverage and Tobacco	Overall Food	Proteins	Grains and Bread	Fruits and Vegetables	Oils and Fats	Beverages and Tobacco	Misc. (incl. Dining Out)	Fuel and Electricity	Fuel	Electricity	Food and Fuel
China*	31.4	19.2	8.4	2.0	4.3	N.A.	N.A.	N.A.	10.4	N.A.	N.A.	41.8
Hong Kong	27.9	27.1	5.9	1.2	2.1	0.1	0.8	17.8	3.1	1.3	1.8	31.0
India	48.2	44.6	10.7	12.1	8.9	3.6	3.6	9.4	11.5	9.2	2.3	59.7
Indonesia**	33.7	28.7	N.A.	N.A.	N.A.	N.A.	4.9	N.A.	5.8	N.A.	N.A.	39.5
Korea	29.8	27.1	5.6	2.4	3.5	0.1	2.7	15.5	6.9	5.4	1.6	36.7
Malaysia	34.2	30.7	8.0	3.5	3.3	0.6	3.5	15.3	11.7	9.0	2.7	45.9
Philippines	49.4	44.3	15.0	12.3	4.3	0.6	5.1	12.1	9.1	4.6	4.6	58.5
Singapore	21.8	20.7	2.8	1.3	1.7	0.1	1.1	14.8	3.8	2.2	1.6	25.7
Taiwan	26.9	23.1	5.5	1.5	4.1	0.3	3.8	11.7	4.0	2.8	1.3	30.9
Thailand	41.7	38.1	11.0	4.1	5.5	N.A.	3.6	17.6	12.4	N.A.	N.A.	54.1
Australia	25.8	15.9	3.6	1.4	2.3	0.2	9.9	8.4	6.8	4.3	2.5	32.5
Japan	26.7	23.4	5.7	2.1	3.9	1.2	3.2	10.5	7.1	3.7	3.4	33.8
US	14.8	12.5	2.6	1.0	1.4	0.2	2.3	7.1	7.4	4.9	2.5	22.2
Euro Area	20.9	15.1	6.9	2.8	3.4	0.5	5.7	1.6	11.0	7.9	3.1	31.9

Source: CEIC, Morgan Stanley Research, March 2021
*China does not disclose official CPI weights, above weights as MS adjusted estimates based on WIND estimates. Fuel weights includes electricity due to data availability.
**Indonesia fuel and electricity weights does not include motor fuel due to data availability and hence would be understated.

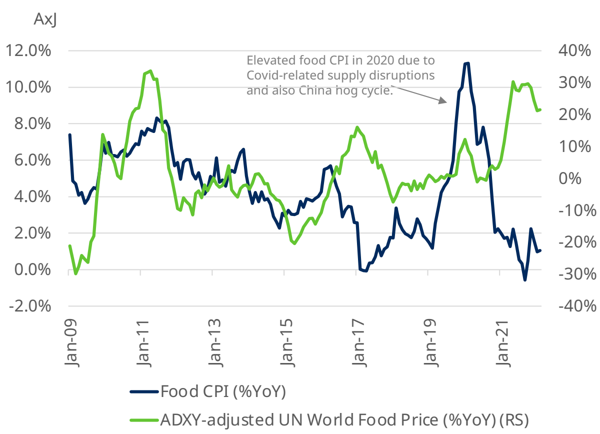
On a slightly more positive note, we are less worried that we will get a double squeeze in Asia (rapidly tightening monetary policy combined with falling consumption) as the starting CPI level is quite low in Asia and historically there is not a close correlation between global food prices and Asian CPI (Chart 4) so the risks of a perfect "stagflationary" storm look low. The key issue really is likely to be lower consumption as wage growth (Chart 5) fails to offset the squeeze in incomes from the rising cost of essentials. This is likely to lead to earnings downgrades for many of our consumer stocks, particularly those exposed to lower income countries where the impact of higher commodity prices is higher. At the current time we have not made any material changes to the Company's positions. We are long-term investors and our exposure to domestic consumption is relatively low as we already viewed most consumer stocks in places like India, Philippines and Indonesia as fully valued.

Chart 4: We are less worried about the direct impact on inflation and monetary policy

Both AxJ headline and core inflation remain subdued in this cycle[1]



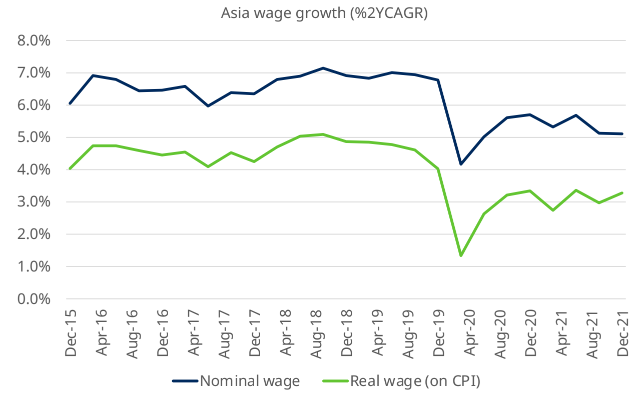
Global food prices have a weak link with Asia's food inflation[2]



[1]Source: CEIC, Morgan Stanley Research, March 2022.
[2]Source: Bloomberg, Morgan Stanley Research, March 2022

Chart 5: Wage growth is currently low in region and unlikely to offset a prolonged spike in food and energy costs

Wage growth is still below pre-Covid trends



Source: CEIC, Haver, Morgan Stanley Research, March 2022

The other indirect impact of the conflict is likely to be an acceleration of the trends we discussed in Topic 2 above. With China effectively, albeit not openly, siding with Russia it is likely the move towards greater self-sufficiency, localisation of supply chains, and a reduction on unreliable partners for critical goods will accelerate. Deglobalisation will become increasing real as will the discussion of new Cold Wars and Anglosphere vs Sinosphere. This means we need to be even more careful how we approach our investments in China and our exporters in particular if many start being locked out of European and US markets. It clearly also has implications for global companies with high hopes of large sales in China as politicians there accelerate dual circulation policies (self sufficiency in critical industries). It does feel to us February 24th may end up being a watershed moment where trends that were already in motion suddenly accelerate. The Company was already positioned for some of these trends but clearly we are monitoring the situation and may make changes to the portfolio as the situation develops.

Robin Parbook and Lee King Fuei

1 April 2022

Past performance is not guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Investment Portfolio as at 31 December 2021

Investments are classified by the investment manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 55.5% (2020: 58.9%) of total investments and derivative financial instruments.

	£'000	%
Taiwan		
Taiwan Semiconductor Manufacturing	**50,466**	**8.4**
Mediatek	**19,985**	**3.3**
Voltronic Power Technology	**14,885**	**2.5**
Chroma ATE	8,939	1.5
Novatek Microelectronics	8,671	1.5
Merida Industry	8,578	1.4
Advantech	7,902	1.3
Getac Technology	7,060	1.2
Nien Made Enterprise	6,633	1.1
Vanguard International Semicon	6,185	1.0
Simplo Technology	6,144	1.0
Realtek Semiconductor	6,067	1.0
Sporton International	4,518	0.8
ASE Technology	4,155	0.7
Total Taiwan	**160,188**	**26.7**
Australia		
BHP Billiton[1]	**14,996**	**2.5**
CSL	**10,056**	**1.7**
Aristocrat Leisure	**9,084**	**1.5**
ResMed	**9,037**	**1.5**
Medibank Private	6,912	1.2
Seek	6,656	1.1
Cochlear	6,007	1.0
Incitec Pivot	5,613	0.9
Orica	4,468	0.7
Crown	361	0.1
Total Australia	**73,190**	**12.2**

	£'000	%
India		
Infosys (ADR)[2]	**13,867**	**2.3**
Schroder International Selection Fund – Indian Opportunities[3]	**13,747**	**2.3**
Tech Mahindra	**13,530**	**2.3**
HDFC Bank	**11,105**	**1.9**
Housing Development Finance	7,289	1.2
Tata Consultancy	5,942	1.0
Info Edge	4,043	0.7
Apollo Hospitals Enterprise	2,090	0.3
Total India	**71,613**	**12.0**
Hong Kong (SAR)		
Techtronic Industries	**20,783**	**3.5**
AIA	**10,735**	**1.8**
Hong Kong Exchanges and Clearing	6,736	1.1
Hong Kong Television Network	5,293	0.9
ASM Pacific Technology	5,046	0.8
Swire Pacific	4,962	0.8
Hang Lung	4,955	0.8
Lenovo	3,822	0.6
Swire Properties	3,316	0.6
Johnson Electric Holdings	2,889	0.5
Total Hong Kong (SAR)	**68,537**	**11.4**
Mainland China		
Tencent Holdings[4]	**23,055**	**3.8**
Midea A	**11,716**	**2.0**
Shenzhou International Group[4]	8,316	1.4
Thunder Software Technology A	7,730	1.3
Yum China[4]	5,499	0.9
NetEase[4]	4,982	0.8
Haitian International Holdings[4]	2,821	0.5
Beijing Kingsoft Office A	2,333	0.4
Wuxi Biologics[4]	4	–
Total Mainland China	**66,456**	**11.1**

Investment Portfolio as at 31 December 2021

	£'000	%
South Korea		
Samsung Electronics	**38,201**	**6.4**
SK Hynix	10,840	1.8
Naver	8,929	1.5
Samsung SDI	6,643	1.1
Total South Korea	**64,613**	**10.8**
Singapore		
DBS	**13,062**	**2.2**
Sea (ADR)[2]	**9,164**	**1.5**
Singapore Exchange	7,139	1.2
Mapletree Commercial Trust	6,353	1.1
Venture	6,085	1.0
Singapore Telecommunication	3,835	0.6
SATS	1,284	0.2
Total Singapore	**46,922**	**7.8**
Philippines		
Wilcon	**13,510**	**2.3**
International Container Terminal Services	3,098	0.5
Total Philippines	**16,608**	**2.8**
France		
LVMH	8,497	1.4
Total France	**8,497**	**1.4**
Indonesia		
Bank Mandiri	7,030	1.2
Total Indonesia	**7,030**	**1.2**
United Kingdom		
Rio Tinto	6,248	1.0
Total United Kingdom	**6,248**	**1.0**
Thailand		
Siam Global House	5,416	0.9
Total Thailand	**5,416**	**0.9**
Vietnam		
Vietnam Dairy Products	4,684	0.8
Total Vietnam	**4,684**	**0.8**
Total Investments[5]	**600,002**	**100.1**

	£'000	%
Derivative Financial Instruments		
Index Put Options		
TWSE Put Option 17000 February 2022	103	–
S and P 500 Index Put Option 4615 January 2022	71	–
TWSE Put Option 17200 January 2022	8	–
Total Index Put Options[6]	**182**	**–**
Index Futures		
FTX TAIEX Future January 2022	(730)	(0.1)
Total Index Futures	**(730)**	**(0.1)**
Total Investments and Derivative Financial Instruments	**599,454**	**100.0**

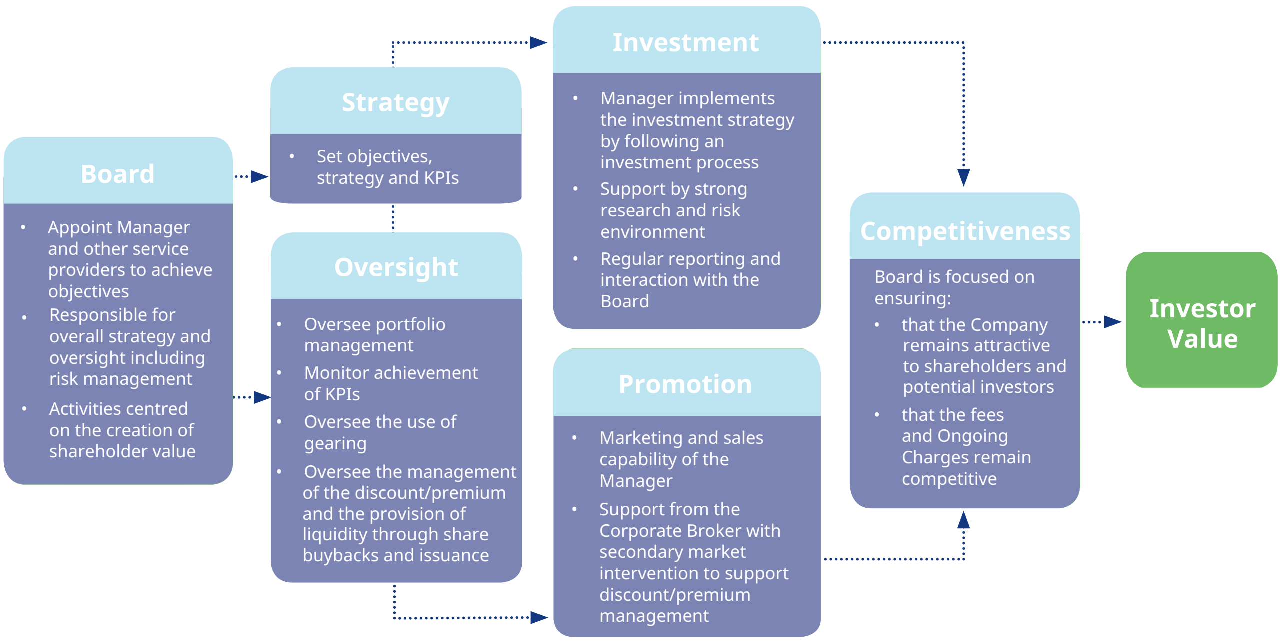
[1]Listed in the UK.
[2]Listed in the USA.
[3]Open-ended collective investment fund.
[4]Listed in Hong Kong (SAR)
[5]Total investments comprise the following

	£'000
Equities	563,224
American Depositary Receipts (ADR)	23,031
Collective investment fund	13,747
Total investments	600,002

[6]The options give downside protection to 6.9% of total investments.

Strategic Report

The Strategic Report sets out the Company's strategy for delivering the investment objective (set out on the inside front cover), the business model, the risks involved and how the Board manages and mitigates those risks. It also details the Company's purpose, values and culture, and how it interacts with stakeholders.



Business model

The Board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate. The terms of the appointment are described more completely in the Directors' Report. The Manager also promotes the Company using its sales and marketing teams. The Board and Manager work together to deliver the Company's investment objective, as demonstrated in the diagram above. The investment and promotion processes set out in the diagram are described in more detail below.

Investment

Investment approach

The Company's strategy has its foundations in the conviction that while there are many excellent companies in Asia, there is also a large percentage of stocks quoted in Asia that are fundamentally challenged and benchmark conscious investment is therefore flawed. Furthermore, the Asian stockmarkets have proved to be exceptionally volatile over the past thirty years. The strategy aims to invest in a portfolio of 40-70 well managed companies, chosen without reference to a benchmark and whose success, profitability, shareholder focus and shareholder returns come from the significant potential of North and South East Asia, India and Australasia (the "region"). It aims to add a degree of capital protection over the full market cycle through hedging market exposure – thus providing attractive stock returns and lower volatility than the wider Asian markets in the longer term.

The Company invests principally in equity and equity-related securities of companies operating primarily in the region, wherever they may be listed, including exposure to small and mid cap companies. Volatility reduction and offering a degree of capital preservation is achieved through the strategic and tactical use of derivatives as described below and on page 37.

Investment process – an overview

Key attributes of the investment process are as follows:

– Stock selection is unconstrained and driven by proprietary research and investment conviction
– Focus on stocks for absolute return potential, or stocks with significant alpha generation potential
– Decreases overall volatility and risks associated with investing in the Asian region through the use of derivatives for hedging
– A disciplined and repeatable investment process with strong risk controls

The Company's Portfolio Managers, Robin Parbrook in London and King Fuei Lee in Singapore, seek strong fundamentals and value through the bottom-up analysis of companies that look likely to grow shareholder value in the long term. The Portfolio Managers believe that Asian markets are not efficient, are subject to irrational sentiments and many of the best investment ideas are not well researched or understood by investors. This results in the Company having a bias to small and mid cap stocks.

The Manager's investment idea generation process has a strong valuation discipline and uses a combination of quantitative screens (using valuation, momentum and quality ratios), and analyst stock ideas which tend to result in the Company exhibiting a tilt towards quality and value.

The Portfolio Managers are supported by an experienced team of 41 research analysts, based in Asia, with an average of 15 years of experience. They also have access to the management of Asian companies – with over 2,300 meetings taking place throughout the Asia Pacific ex Japan region (in 2021).

The Portfolio Managers have wide scope in stock selection and are not constrained in terms of the portfolio's exposures by geography or sector. The portfolio is constructed by way of bottom-up stock selection without reference to index weightings. Individual stock positions are sized on an absolute basis around the Portfolio Managers' views on which investments offer the best potential risk adjusted returns and their level of conviction for each company they decide to invest in. By being indifferent to market indices and their constituents, the Company's unconstrained portfolio construction allows for significant participation in sectors and parts of the market in the Asian region that offer attractive growth and investment opportunities. Conversely, the Portfolio Managers are also free to move to more defensive holdings if market conditions prove to be challenging. Considerations around diversification and liquidity provide a risk management overlay to this unconstrained approach to portfolio construction.

The Portfolio Managers may at different junctures identify significant stock level opportunities or attractive entry levels as indicated by prevailing market valuations, and may exercise discretion in capitalising on these opportunities by increasing market exposure through bank borrowing or the use of contracts for difference within limits agreed by the Board.

The Company's strategy also aims to reduce volatility and offer a degree of capital preservation, and this is implemented through the strategic and tactical use of derivatives (principally futures and options on market indices and forward foreign currency contracts) to hedge market risks inherent in the Company's underlying equity holdings. Here the Portfolio Managers use quantitative models and a top-down overlay analysing economic and market trends to assess near and medium term market risks and its resultant impact on the Company's equity holdings, and decide on the level of hedging desired.

If the Portfolio Managers judge markets to be significantly overpriced or are facing material risks of a substantial correction, they may also choose to exit selected equity holdings and go into cash or cash equivalents to provide further downside protection.

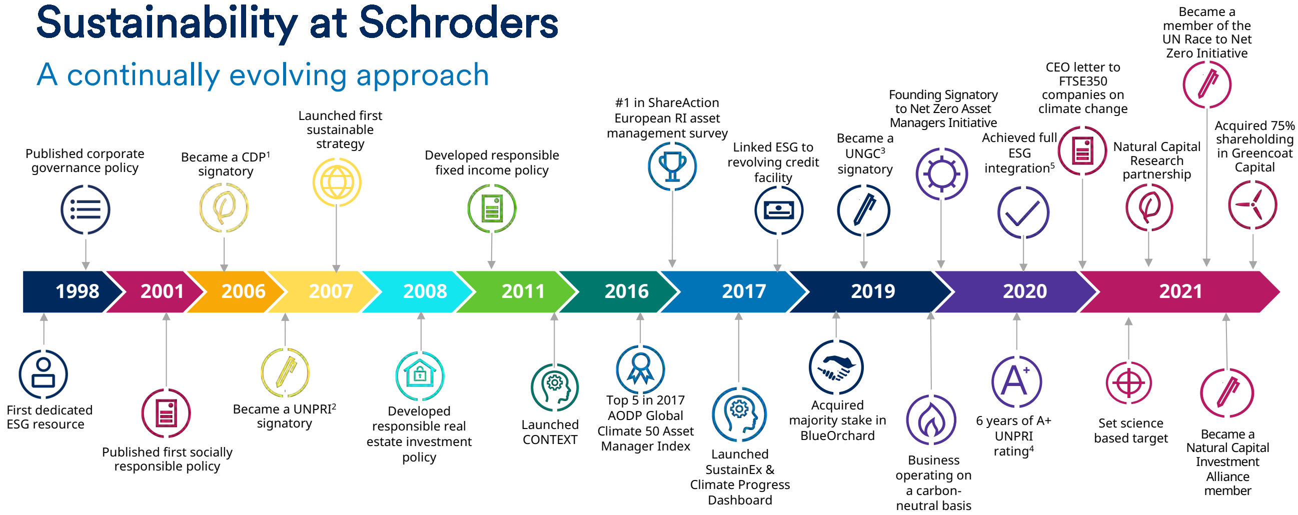
Integration of ESG into the investment process

Schroders has been considering Environmental, Social and Governance ("ESG") issues, and sustainability generally, for over 20 years, as detailed in the timeline below.

Schroders has a team of 32 dedicated ESG analysts in London. They analyse long-term trends and implications around sustainability and how this is likely to affect different industries and stakeholders. The team operates as a central resource to both disseminate trends and analysis to the rest of the group and also provides training and input to the Manager's Asian analysts when they are undertaking their sustainability work as part of their industry and company research. Schroders uses research on sustainability to make more complete and informed investment decisions.

Sustainability at Schroders

A continually evolving approach



'Issues such as climate change, resource scarcity, population growth and corporate failure have put responsible investment at the forefront of investors' minds. We believe that companies with a strong environmental, social and governance ethos tend to deliver better results for our clients.'

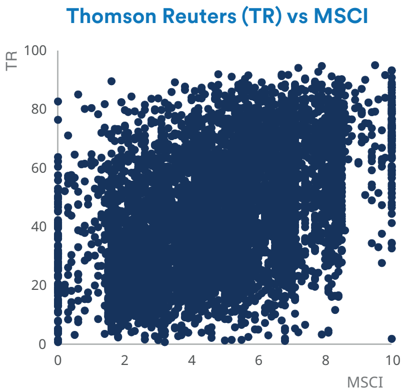
Peter Harrison, Group Chief Executive, Schroders plc

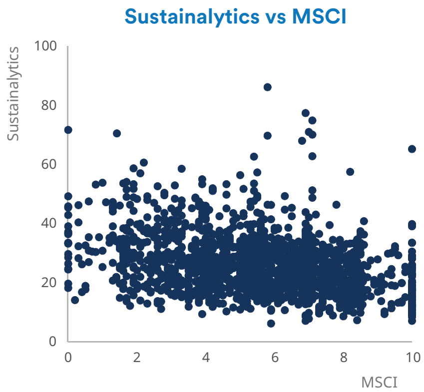
Source: Schroders, December 2021.
[1]Carbon Disclosure Project. [2]UN Principles for Responsible Investing. [3]UN Global Compact. [4]Strategy and Governance module. [5]For certain businesses acquired during the course of 2020 we have not yet integrated ESG factors into investment decision-making. There are also a small number of strategies for which ESG integration is not practicable or now possible, for example passive index tracking or legacy businesses or investments in the process of or soon to be liquidated, and certain joint venture businesses are excluded.

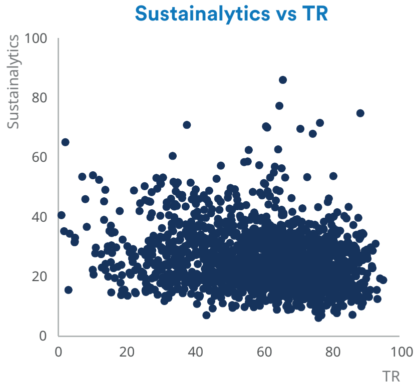
The reason Schroders places such a high importance on its own research is that from our experience third-party ESG ratings are often backward-looking, opaque and adopt inconsistent methodology. These issues have led to these third-party ESG ratings usually having poor track records and generating inconsistent results that contradict each other, as demonstrated by the chart below:

The need for a proprietary approach

Low correlation of company ESG scores across providers







External ESG ratings are inconsistent across providers and we find individual company ratings often make little sense. As a result, Schroders needs to undertake its own ESG work and not rely on third parties.

Source: Schroders analysis, 2020.

ESG and Sustainability in Asia

Sustainability and ESG analysis in Asia is, in Schroders' view, of greater importance when making investment decisions than perhaps any other region in the world. Firstly, there are risks of poor corporate governance and fraud owing to family and/or state shareholder structures and poor minority investor protection. Secondly, Asia is the biggest greenhouse gas emitter in the world and the region that faces the biggest environmental and economic costs of global warming. Finally, environmental degradation and the social costs of industrialisation and malpractice is widespread in Asia.

How does ESG analysis embed itself into the investment process for the Company?

The first section of all Asian research reports covers governance – the management, their background and track record, whether they treated minority shareholders poorly in the past, and if they are credible and professional. The Manager only invests in companies where it is believed management is trustworthy, where interests are aligned and where there is no historic record of misdemeanours. This screens out a significant part of the Asian universe.

In order to capture broader ESG considerations Schroders' Asian Equity analysts are expected to provide additional written ESG analysis for all companies under coverage. In order for this to be more robust and integrated, our research team has also drawn upon the Schroders CONTEXT framework as outlined in the chart below and adapted it to an Asian version ("Asia Context") using a broader stakeholder-based approach to ESG analysis. The Schroders CONTEXT framework is shown overleaf, and a description of how the team uses the Asia Context model follows.

ESG integration – CONTEXT framework

Stakeholder analysis provides insights into managing change

Source: Schroders

The Asia Context template captures our ESG analysis in one template and is a key step in the overall assessment of a company. In addition the Asia Context analysis provides a clear and broad roadmap on the issues requiring engagement, and enhances the appreciation of the downside and upside risks to a company's business model. The Asia Context report generates separate rankings for "E", "S" & "G" and provides an overall numerical ESG score for each company. The analysts also have the ability to apply an explicit discount or premium to their fair value estimates for companies as a result of their ESG analysis within the Asia Context analysis.

The final part of the ESG process in Asia is our SustainEx reporting which uses a variety of data feeds to consider environmental and sustainability factors. Combined with the Governance and Asia Context analysis this gives the Manager a complete overview of the ESG characteristics of the Company's holdings.

In summary, the Manager looks for companies with sustainable business models that are doing the right thing for broader stakeholders in order to generate the best performance for the Company.

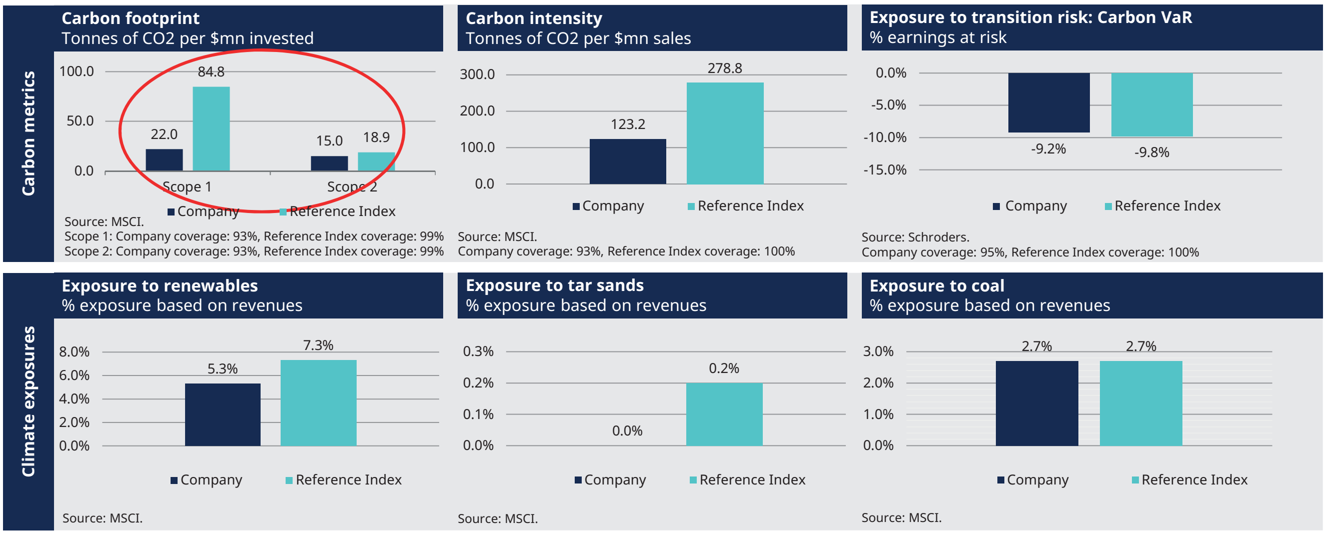
What is the practical reality of all the Manager's ESG work? The table below show the current positioning of the Company in sectors generally considered "sensitive". The manager does not invest in companies where their principal activity is tobacco, coal, oil & gas, thermal utilities, or agribusiness. All of these are sectors where we would question the long-term sustainability of the business models due to environmental and social factors. The Company does have exposure to gaming companies and the resource sector, but the exposure is limited to those stocks in well regulated markets where we are confident of best practice. Exposure in both industries is unlikely to exceed 10% of the Company's assets respectively.

ESG and Sustainability in Action – the practical reality for the Company

Sector	Reasons for Caution	Our Approach	Approx. Company Exposure
Agribusinesses	Environmental, Social, Governance, (low barriers of entry, widespread questionable practices)	Avoid	0%
Tobacco	Social, Governance	Avoid	0%
Gaming	Social, Governance	Limited exposure to best-in-class players in well-regulated markets (such as Macau and Australia)	1.7% (2 stocks)
Utilities	Environmental, Governance, (national service obligations, uncertain regulations/risks of backlash against coal plants, mostly state-owned enterprises)	Avoid carbon heavy energy providers, focus on hydro and sustainable energy providers in well-regulated markets (if such a thing exists?)	0%
Auto	Environmental (regulations against the sector – too much hot money in EVs and multiple players will mean poor returns for all)	Avoid OEMs, minimise exposure to supply chains	0.5% (1 stock)
Resources	Environmental, Social, Governance (questionable practices such as bribery and poor environmental and safety controls widespread in Asia ex Australia)	Avoid except for Australia blue chips, with minimal coal exposure	3.8% (2 stocks)
Oil and Gas	Environmental, Governance (regulations, unfavourable taxes, mostly state-owned)	Limited exposure to best-in-class companies ideally with an LNG/gas focus	0%
Property	Environmental, Social, Governance (bribery issues, flooding, land clearance compensation)	Exposure principally to Hong Kong and Singapore where there are better practices and cities that "work". Outside HK/SG, only invest in management teams we 100% trust (this is a small number of companies)	3.5% (4 stocks)

Source: Schroders, as at end of December 2021. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

The last table below has a calculation of the Company's investee companies' carbon footprint versus the Reference Index. Whilst data for these calculations can be open to interpretation, given the difficulties of measuring scope 2 emissions, the Company appears to have a very low carbon footprint versus the Reference Index. On current calculations the Company's investee companies' carbon footprint on Scope 1 and Scope 2 emissions is around 20% of the Reference Index levels.



Source: Reference index data MSCI AC Asia Pacific ex JP (GBP). Climate exposures represents % weight of portfolio deriving any revenue from coal/tar sands/renewables.

Investment restrictions and spread of risk

In accordance with its investment objective, the Company invests in a diversified portfolio with the aim of spreading investment risk which is monitored by the Board and the Manager.

The key restrictions imposed on the Manager are that:

(a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company or group of companies;

(b) subject to the approval of the Board, the Company may invest in collective vehicles. If it was to do so, however, no more than 10% of the Company's total net assets, at the date of acquisition, may be invested in UK listed closed-ended investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other UK listed closed-ended investment companies;

(c) the Company will not invest more than 15% of its gross assets in UK listed closed-ended investment companies;

(d) no more than 50% of the Company's total net assets may be invested in equities listed on a single stock exchange; and

(e) the Manager will not invest in unlisted equities other than with the approval of the Board or when entitlements are received or immediately prior to a listing.

The Investment Portfolio on pages 34 and 35 demonstrates that, as at 31 December 2021, the Company held 73 investments spread over a range of industry sectors. The largest investment, Taiwan Semiconductor Manufacturing, represented 8.4% of total investments. The Board therefore believes that the objective of spreading investment risk has been achieved.

Promotion

The Company promotes its shares to a broad range of investors including discretionary wealth managers, private investors, financial advisers and institutions which have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders, as well as their advisers.

During the restrictions related to the COVID-19 pandemic, the Manager also used virtual meetings, telephone calls and webinars to engage with shareholders.

However, in normal times these activities consist of investor lunches, one-on-one meetings, regional road shows and attendance at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors. This includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The Board also seeks active engagement with investors, and meetings with the Chairman are offered to investors when appropriate.

Shareholders are encouraged to sign up to the Manager's Investment Trusts update, to receive information on the Company directly https://www.schroders.com/en/uk/privateinvestor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/.

Details of the Board's approach to discount/premium management and share issuance may be found in the Chairman's Statement on page 4 and in the Annual General Meeting – Recommendations on page 86.

Key Performance Indicators

The Board reviews performance, using a number of key measures, to monitor and assess the Company's success in achieving its objective. Further comment on performance can be found in the Chairman's statement. The following KPIs are used:

- NAV performance;
- Share price discount/premium management; and
- Ongoing charges ratio.

Some KPIs are Alternative Performance Measures (APMs).

Further details can be found on page 2 and definitions of these terms on page 91

Purpose, Values and Culture

The Company's purpose is to create long-term shareholder value, in line with the investment objective.

The Company's culture is driven by its values: Transparency, Engagement and Rigour, with collegial behaviour and constructive, robust challenge. The values are all centred on achieving returns for shareholders in line with the Company's investment objective. The Board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the Board and third parties to which it delegates. The Board aims to fulfill the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The Board is responsible for embedding the Company's culture in the Company's operations.

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Board receives reporting from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting.

Corporate and Social Responsibility

Diversity

As at 31 December 2021, the Board comprised two men and two women. The Board has adopted a diversity and inclusion policy. With respect to recruitment of non-executive Directors, the Company will not discriminate on the grounds of gender, social or ethnic backgrounds. It will encourage any recruitment agencies it engages to find a diverse range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit alone. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the criteria for the role being offered.

Bribery and corruption

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery and corruption policy, as well as seeking confirmation that the Company's service providers' policies are operating soundly.

Greenhouse gas emissions and energy usage

As the Company outsources its operations to third parties, it consumed less than 40,000 kWh during the year and so has no greenhouse gas emissions, energy consumption or energy efficiency action to report. The Manager has sought to estimate the carbon usage of the Company's investee companies and this estimate included on page 40, for illustrative purposes only.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The Company communicates with shareholders through its webpages and the annual and half year reports which aim to provide shareholders with a clear understanding of the Company's activities and its results.

In addition to the engagement and meetings held during the year described on page 51, the chairs of the Board and committees, as well as the Senior Independent Director and the other Directors, attend the AGM and are available to respond to queries and concerns from shareholders.

Responsible investment

The Company delegates to its Manager the responsibility for taking environmental, social and governance ("ESG") issues into account when assessing the selection, retention and realisation of investments. The Board expects the Manager to engage with investee companies on social, environmental and business ethics issues and to promote best practice. The Board expects the Manager to exercise the Company's voting rights in consideration of these issues.

The Company voted all of its proxy votes in line with the Manager's corporate governance policy. This covered 673 resolutions, of which the Company voted against management recommendations or abstained on 9.51%. Voting instructions are considered on a case by case basis and are a result of continued engagement with the Company's holdings. Where the Manager believes the interests of minority shareholders are not adequately protected, they may look to vote against a variety of issues. These can range from a lack of independence or diversity on boards, pay packages which are not aligned with performance and capital issuance requests which are not in minority shareholder interests.

In addition to the description of the Manager's integration of ESG into the investment process and the details in the Managers' Review, a description of the Manager's policy on these matters can be found on the Schroders website at https://www.schroders.com/en/sustainability/making-animpact-through-sustainability/.

The Board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its application with the principles therein is reported on its website https://www.schroders.com/en/sustainability/activeownership/voting/.

The Board has received reporting from the Manager on the application of its policy.

The Board's commitment to stakeholders – section 172 Companies Act 2006 statement

The Board has identified its key stakeholders as the Company's shareholders and service providers. The Board notes the Company has no employees and the impact of its own operations on the environment and local community is through the impact its service providers have.

Engagement with key stakeholders assists the Board in meeting the obligation for Directors to act in a way that promotes the success of the Company, taking into account their interests. This statement outlines this engagement and the impact on decision making where appropriate, and cross-refers to the decisions made by the Board during the year, detailed elsewhere in this report.

As detailed in "Promotion" on page 41 and Relations with Shareholders on page 42, the Company engages with its shareholders. The Board considered feedback from shareholders when making decisions relating to share issuance, dividend decisions and review of Board composition.

As detailed in "Purpose, Values and Culture" on page 41, the Board engages with service providers, and receives regular reporting, either directly, or through the Manager or Company Secretary, on performance and other matters. The effect of such engagement, if relevant, is detailed in the Chairman's Statement, Managers' Review and Management Engagement Committee Report.

Principal decisions by the Board during the year were: (1) to agree to continue to issue shares to meet demand in line with the Company's issuance and discount management policy; and (2) to provide further details on the Manager's integration of ESG analysis into the investment process and detail some of the outcomes of that process in the annual report. For these decisions, the Board took into account feedback from shareholders, either directly, or through service providers and advisers. The Board also took into account the views of its service providers, including the Manager. The Board is pleased to report that its engagements were constructive and led to positive outcomes, as detailed in the Chairman's Statement and committee reports.

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal controls and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit and risk committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to regular, robust review. The last review took place in March 2022.

Although the Board believes that it has a robust framework of internal controls in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

Actions taken by the Board and, where appropriate, its committees, to manage and mitigate the Company's principal risks and uncertainties are set out in the table below.

Emerging risks and uncertainties

During the year, the Board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk and climate change risk. The Board reviewed political risk and climate change risk and noted that they had both become more significant during the year. The Board receives updates from the Manager, Company Secretary and other service providers on potential other risks that could affect the Company.

Political risk includes geopolitical risk, regional tensions, trade wars and sanctions. Currency rates and borrowings drawn down by the Company, as well as markets generally, may be affected by geopolitical developments. The Board is also mindful that changes to public policy in the US, UK, or in the Asia Pacific region, could impact the Company in the future.

Climate change risk includes how climate change could affect the Company's investments, and potentially shareholder returns. The Board notes the Manager has integrated ESG considerations, including climate change, into the investment process. The Board will continue to monitor this.

Risk	Mitigation and management
Strategic The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.	The appropriateness of the Company's investment remit is periodically reviewed and the success of the Company in meeting its stated objectives is monitored. The share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis. The marketing and distribution activity is actively reviewed. Proactive engagement with shareholders.
The Company's cost base could become uncompetitive, particularly in light of open ended alternatives.	The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against their competitors. Annual consideration of management fee levels.

Risk	Mitigation and management
Investment management The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of: the Manager's compliance with its agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager is undertaken.
Financial and currency The Company is exposed to the effect of market and currency fluctuations due to the nature of its business. A significant fall in regional equity markets or substantial currency fluctuation could have an adverse impact on the market value of the Company's underlying investments.	The risk profile of the portfolio and appropriate strategies to mitigate any negative impact of substantial changes in markets are discussed with the Manager. The derivative strategy employed by the Manager is subject to review by the Board. The Board considers the overall hedging policy on a regular basis. The Company's operating expenses comprise predominantly variable costs, which would fall pro-rata in the event of a market downturn.
Custody Safe custody of the Company's assets may be compromised through control failures by the depositary.	The depositary reports on safe custody of the Company's assets, including cash, and portfolio holdings are independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements. An annual report from the depositary on its activities, including matters arising from custody operations is received.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 30% of net asset value. The Board oversees the Manager's use of derivatives.
Accounting, legal and regulatory In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010. Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Service providers give regular confirmation of compliance with relevant laws and regulations. Shareholder documents and announcements, including the Company's published annual report, are subject to stringent review processes. Procedures established to safeguard against disclosure of inside information.

Risk	Mitigation and management
Service provider The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, depositary and registrar. Failure of controls, and poor performance of any service provider, could lead to disruption, reputational damage or loss.	Service providers are appointed subject to due diligence processes and with clearly documented contractual arrangements detailing service expectations. Regular reports are provided by key service providers and the quality of their services is monitored. The Directors also receive presentations from the Manager, depositary and custodian, and the registrar on an annual basis. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls, and follow up of remedial actions as required.
Cyber The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information or disrupt operations.	Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyber attack. In addition, the Board received presentations from the Manager, depositary and custodian, and the registrar on cyber risk.

Risk assessment and internal controls review by the Board

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the audit and risk committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition.

No significant control failings or weaknesses were identified from the audit and risk committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report. The Board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company is set out in note 21 to the accounts on pages 80 to 85.

Viability statement

The Directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 31 December 2021 and the potential impact of the principal risks and uncertainties it faces for the review period. This is further detailed in the Chairman's Statement, Portfolio Managers' Review and Emerging Risks sections of this report. The Directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively.

The Board believes that a period of five years reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding. In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 43 and 45 and in particular the impact of a significant fall in regional equity markets on the value of the Company's investment portfolio. Whilst the Company's articles of association require that a proposal for the continuation of the Company be put forward at the Company's AGM, the directors have no reason to believe that such a resolution will not be passed by shareholders.

In preparing these financial statements the Directors have considered the impact of climate change risk as an emerging risk as set out on page 43, and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with FRS102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the statement of financial position date and therefore reflect market participants view of climate change risk on the investments held.

The Directors considered the beneficial tax treatment the Company is eligible for as an investment trust. If changes to these taxation arrangements were to be made it would affect the viability of the Company to act as an effective investment vehicle.

The Directors reviewed a stress test in which the Company's NAV dropped by 50% and noted that, based on the assumptions in the test, the Company would continue to be viable over a five year period.

The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary. Based on the Company's processes for monitoring operating costs, the Board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

The Directors have assessed the principal risks, the impact of the emerging risks and uncertainties and the matters referred to in the viability statement. The Directors noted the Company's portfolio compound liquid stocks, and the Company's operating expenses comprise predominantly variable costs, which would fall pro-rata in the event of a severe market downturn. The Board is confident that shareholders will support the continuation vote to be proposed at the forthcoming AGM. Based on the work the Directors have performed, they have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the Directors, being the period to 31 December 2023 which is at least 12 months from the date the financial statements were authorised for issue.

By order of the Board

Schroder Investment Management Limited
Company Secretary

1 April 2022

Board of Directors

Sarah MacAulay

Status: Independent non-executive Chairman

Length of service: 4 years – appointed a Director in March 2018 and as Chairman from 19 May 2020
Experience: Ms MacAulay has twenty years of Asian fund management experience based in both London and Hong Kong, managing institutional assets and unit trusts. She was formerly a director of Baring Asset Management (Asia) Ltd, head of Asian equities at Kleinwort Benson Investment Management and Eagle Star Investment Management. She is currently Chairman of JPMorgan Multi-Asset Growth and Income plc, non-executive director of Fidelity Japan Trust plc and Abrdn China Investment Company Ltd. She is also a Trustee of Glendower School Trust, an educational charitable Trust.
Committee membership: audit and risk, management engagement (Chair) and nominations committees (Chair)
Current remuneration: £45,000 per annum
Number of shares held: 53,975*

Andrew Cainey

Status: Independent non-executive Director

Length of service: 3 years – appointed a Director on 7 March 2019
Experience: Mr Cainey is an experienced business consultant, policy adviser, speaker and writer. He is Co-founder of Asiability, a Senior Associate Fellow of RUSI (The Royal United Services Institute), a Director of the UK National Committee in China and a Senior Advisor of Lumen Capital Investors. He previously held roles with the Boston Consulting Group, Booz & Company and Tony Blair Associates. During the course of his career he spent over 15 years in Asia, including China, Korea and Singapore.
Committee membership: audit and risk, management engagement and nominations committees
Current remuneration: £35,000 per annum
Number of shares held: 28,786*

Governance

Board of Directors

Caroline Hitch

Status: Senior Independent non-executive Director

Length of service: 7 years – appointed a Director in February 2015 and Senior Independent Director in May 2018
Experience: Ms Hitch has worked in the financial services industry since the early 1980s, mostly with the HSBC group. Her experience includes Head of Wealth Portfolio Management at HSBC Global Asset Management (UK) Ltd. with investment management responsibility for their flagship multi asset retail funds. Prior roles took her to various locations including Hong Kong. Ms Hitch is a non-executive director of Aberdeen Standard Equity Income Trust plc and Chair of CQS New City High Yield Ltd.
Committee membership: audit and risk, management engagement and nominations committees
Current remuneration: £35,000 per annum
Number of shares held: 10,000*.

Mike Holt

Status: Independent non-executive Director and Chair of the audit and risk committee

Length of service: 7 years – appointed a Director in July 2014 and Chair of the audit and risk committee in October 2014
Experience: Mr Holt was CFO of Low & Bonar PLC, an international performance materials group, from 2010 until 2017 and was Group Finance Director of Vp plc from 2004 to 2010. Prior to 2004, he held a number of senior financial positions with Rolls-Royce Group plc in the UK, the USA and Hong Kong. He is a Fellow of The Institute of Chartered Accountants in England & Wales and an associate member of The Association of Corporate Treasurers. Mr Holt is Executive Chairman of Real Good Food plc, an AIM listed food manufacturer.
Committee membership: audit and risk (Chair), management engagement and nominations committees
Current remuneration: £40,000 per annum
Number of shares held: 10,000*

*Shareholdings are as at 30 March 2022, full details of Directors' shareholdings are set out in the Remuneration Report on page 57.

Directors' Report

The Directors submit their report and the audited financial statements of the Company for the year ended 31 December 2021.

Directors and officers

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 47. She has no conflicting relationships.

Senior Independent Director ("SID")

The SID is responsible for the evaluation of the Chairman, and also serves as a secondary point of contact for shareholders.

Company Secretary

Schroder Investment Management Limited provides company secretarial support to the Board and is responsible for assisting the Chairman with Board meetings and advising the Board with respect to governance. The Company Secretary also manages the relationship with the Company's service providers, except for the Manager. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover or by email to: amcompanysecretary@schroders.com.

Role and operation of the Board

The Board (of four Directors, listed on pages 47 and 48) is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing. The Strategic Report on pages 36 to 46 sets out further detail of how the Board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

A formal schedule of matters specifically reserved for decision by the Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chairman ensures that all Directors receive relevant management, regulatory and financial information in a timely manner and that they are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board meets at least quarterly and receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

Four Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance; the level of premium or discount of the Company's shares to NAV per share and promotion of the Company; and services provided by third parties. Additional meetings of the Board are arranged as required.

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate. No Directors have any connections with the Manager, shared directorships with other Directors or material interests in any contract which is significant to the Company's business.

Key service providers

The Board has adopted an outsourced business model and has appointed the following key service providers:

Manager

The Company is an Alternative Investment Fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an Alternative Investment Fund Manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on six months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this report no such notice had been given by either party.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate. The Manager has delegated investment management, accounting, administration and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited ("SIM"). The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £731.6 billion (as at 31 December 2021) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

Under the terms of the AIFM agreement, the Manager is entitled to a fee at a rate of 0.65% of gross assets less cash and cash equivalents.

A performance fee is payable amounting to 10% of any outperformance of the NAV over an annual hurdle of 7%, provided that the closing NAV per share exceeds the "high water mark" NAV at the date the last performance fee was paid. The sum of the base fee and any performance fee payable is capped at 1.25% of the closing net assets.

Directors' Report

In addition, the Manager may only be paid a performance fee when the Company's NAV total return is equal or greater to the total return of the Reference Index.

If the Company invests in funds managed or advised by the Manager, any fees earned by the Manager from those investments are rebated to the Company.

The management fee payable in respect of the year ended 31 December 2021 amounted to £3,653,000 (2020: £2,701,000). A performance fee of £133,000 is payable for the year (2020: £4,552,000). The Manager is also entitled to a fee for providing administrative, accounting and company secretarial services to the Company. For these services in the year ended 31 December 2021, the Manager received a fee of £75,000 (2020: £75,000).

Details of all amounts payable to the Manager are set out in note 18 to the accounts on page 79.

Depositary

HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, carries out certain duties of a depositary specified in the AIFM Directive including, in relation to the Company:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Manager.

The Company, the Manager and the depositary may terminate the depositary agreement at any time by giving 90 days' notice in writing. The depositary may only be removed from office when a new depositary is appointed by the Company.

Compliance with the UK Corporate Governance Code

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code (the "Code"). The disclosures in this statement report against the provisions of the Code, as revised in July 2018. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

The Financial Conduct Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 60 and 46, respectively, indicates how the Company has complied with the principles of good governance of the Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's internal controls (including risk management), governance and diversity policy.

The Board is satisfied that the Company's current governance framework is compliant with the provisions, except with respect to the principles and provisions relating to executive directors and employees as the Company has neither. The nomination committee reviews Directors' remuneration and makes recommendations to the Board, so there is no separate remuneration committee. The Board has agreed that due to the small size of the Board, the Chairman should also be a member of the audit and risk committee. Also, as the Company has no employees, it does not have an internal audit function.

Revenue, final dividend and dividend policy

The net revenue return for the year, after finance costs and taxation, was £9,809,000 (2020: £8,308,000), equivalent to a revenue return per ordinary share of 9.25 pence (2020: 8.46 pence).

The Board has recommended the payment of a final dividend for the year ended 31 December 2021 of 8.50 pence per share (2020: 7.10 pence) payable on 27 May 2022 to shareholders on the register on 29 April 2022, subject to approval by shareholders at the AGM on 11 May 2022.

The Board's policy is to pay out substantially all the Company's normal revenue.

Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to committees. The roles and responsibilities of these committees, together with details of work undertaken during the year under review, are outlined in the next few pages.

The reports of the audit and risk committee, management engagement committee and nominations committee are incorporated into and form part of the Directors' Report.

Other required Directors' Report disclosures under laws, regulations, and the Code

Status

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. It has been approved by HM Revenue & Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is domiciled in the UK and is an investment company within the meaning of section 833 of the Companies Act 2006. The Company is not a "close" company for taxation purposes.

It is not intended that the Company should have a limited life but the Directors consider it desirable that the shareholders

Directors' Report

should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the articles of association contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the upcoming Annual General Meeting ("AGM") and thereafter at three yearly intervals.

Share capital and substantial share interests

As at 31 March 2022, the Company had 109,114,651 ordinary shares of 5p in issue. No shares were held in treasury. Accordingly, the total number of voting rights in the Company at 31 March 2022 is 109,114,651. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 78. All shares in issue rank equally with respect to voting, dividends and any distribution on winding up.

The Board noted that the Company's shareholders appreciated the Board's discount and premium management control. The Board agreed to request renewal of the authorities to issue and buyback shares as described on page 87.

The Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Ordinary shares held as at 31 December 2021	% of total voting rights
Tilney Smith & Williamson Limited	10,264,905	10.06
Quilter PLC	9,994,906	9.99
Charles Stanley Group plc	5,857,502	5.85
Rathbones Management Limited and Rathbones Investment Management Limited	5,335,742	5.01
Investec Wealth & Investment Limited	5,432,256	4.99
F&C Asset Management plc	3,547,705	4.28

Following the year end and at the date of this report, Investec Wealth & Investment Limited notified the Company its holding of 5,428,126 represented 4.99% of the Company's total voting rights.

Provision of information to the auditor

The Directors at the date of approval of this report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' attendance at meetings

The number of scheduled meetings of the Board and its committees held during the financial year and the attendance of individual Directors is shown below. Whenever possible all Directors attend the AGM.

Director	Board	Audit and Risk Committee	Management Engagement Committee	Nomination Committee
Sarah MacAulay	5/5	2/2	1/1	1/1
Andrew Cainey	5/5	2/2	1/1	1/1
Caroline Hitch	5/5	2/2	1/1	1/1
Mike Holt	5/5	2/2	1/1	1/1

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place for the Directors throughout the year. The Company's articles of association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the court. This is a qualifying third party indemnity policy and was in place throughout the year under review for each Director and to the date of this report.

By order of the Board

Schroder Investment Management Limited
Company Secretary

1 April 2022

Audit and Risk Committee Report

The responsibilities and work carried out by the audit and risk committee during the year under review are set out in the following report. The duties and responsibilities of the committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail below, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/satric.

All Directors are members of the committee. Mike Holt is the chair of committee. The Board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and that the committee as a whole has competence relevant to the sector in which the Company operates.

Ongoing risk review

Half year report → Audit planning → Audit → Annual report → Post-audit review

Approach

The committee's key roles and responsibilities are set out in the table below.

Risks and Internal Controls	Financial Reports and Valuation	Audit
Principal risks To establish a process for identifying, assessing, managing and monitoring the principal risks of the Company.	**Financial statements** To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and valuation. To review the half year report.	**Audit results** To discuss any matters arising from the audit and recommendations made by the auditor.
Emerging risks and uncertainties To ensure a robust assessment of the Company's emerging risks and uncertainties and procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.	**Going concern** To review the position and make recommendations to the Board in relation to whether it considers it appropriate to adopt the going concern basis of accounting in preparing its annual and half-yearly financial statements.	**Auditor appointment, independence and performance** To make recommendations to the Board, in relation to the appointment, reappointment, effectiveness and removal of the external auditor, to review their independence, and to approve their remuneration and terms of engagement. Reviewing and agreeing the audit plan and engagement letter.

The below table sets out how the committee discharged its duties during the year. The committee met twice during the year. Further details on attendance can be found on page 51. An evaluation of the committee's effectiveness and review of its terms of reference was completed during the year.

Significant issues identified during the committee's review of the Company's principal risks and uncertainties, and key matters communicated by the auditor during its reporting are included below.

Application during the year

Risks and Internal Controls	Financial Reports and Valuation	Audit
Service provider controls Reviewing the operational controls maintained by the Manager, administrator, depositary and registrar.	**Recognition of investment income** Considered dividends received against forecast and the allocation of special dividends to income or capital.	**Effectiveness of the independent audit process and auditor performance** Evaluated the effectiveness of the independent audit firm and process prior to making a recommendation that it should be re-appointed at the forthcoming AGM. Evaluated the auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence was considered, alongside feedback from the Manager on the audit process. The committee noted the auditor had demonstrated its professional scepticism during the audit. The committee was satisfied with the auditor's replies.

Audit and Risk Committee Report

Application during the year		
Risks and Internal Controls	**Financial Reports and Valuation**	**Audit**
Internal controls and risk management Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance reports and presentations on these controls.	**Calculation of the investment management and performance fees** Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement. **Allocation rate of indirect expenses to capital** Consideration of policy of allocating certain indirect expenses to capital. Further details in Note 1(e).	**Auditor independence** Ernst & Young LLP has provided audit services to the Company, for three years, since it was appointed on 6 September 2019. The auditors are required to rotate the senior statutory auditor every five years. There are no contractual obligations restricting the choice of external auditors. This is the third year that the senior statutory auditor, Caroline Mercer has conducted the audit of the Company's financial statements.
Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010 Consideration of the Manager's report confirming compliance.	**Overall accuracy of the annual report and accounts** Consideration of the draft annual report and accounts and the letter from the Manager in support of the letter of representation to the auditor.	**Audit results** Met with and reviewed a comprehensive report from the auditor which detailed the results of the audit, compliance with regulatory requirements, safeguards that have been established, and on their own internal quality control procedures.
Principal risks Reviewing the principal risks faced by the Company and the system of internal control.	**Valuation and existence of holdings** Quarterly review of portfolio holdings and assurance reports.	**Meetings with the auditor** Met the auditors without representatives of the Manager present. Representatives of the auditors attended the committee meeting at which the draft annual report and accounts was considered.
Emerging risks and uncertainties Reviewing the emerging risks and uncertainties for the Company.	**Fair, balanced and understandable** Received the annual report and accounts to ensure that it was fair, balanced and understandable.	**Provision of non-audit services by the auditor** The committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's auditor. The committee has determined that the Company's appointed auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide other non-audit services which will be judged on a case-by-case basis. The auditor did not provide any non-audit services to the Company during the year.
	Going concern and viability Reviewed the impact of risks on going concern and longer-term viability.	**Consent to continue as auditor** Ernst & Young LLP indicated to the committee their willingness to continue to act as auditor.

Recommendations made to, and approved by, the Board:

As a result of the work performed, the committee has concluded that the annual report for the year ended 31 December 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 60.

Having reviewed the performance of the auditors as described above, and, subject to annual shareholder approval, agreed a three-year pricing model, the committee considered it appropriate to recommend the firm's re-appointment. Resolutions to re-appoint Ernst & Young LLP as auditor to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Mike Holt
Audit and risk committee chair

1 April 2022

Management Engagement Committee Report

The management engagement committee is responsible for (1) the monitoring and oversight of the Manager's performance and fees, and confirming the Manager's ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All Directors are members of the committee. Sarah MacAulay is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/satric.

Approach

Oversight of the Manager

The committee:

- reviews the Manager's performance, over the short and long term, against the Reference Index, peer group and the market.
- considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders.
- assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees.
- reviews the appropriateness of the Manager's contract, including terms such as notice period.
- assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager.

Oversight of other service providers

The committee reviews the performance and competitiveness of the following service providers on at least an annual basis:

- Depositary and custodian
- Corporate broker
- Registrar
- Lender

The committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.

The committee notes the audit and risk committee's review of the auditor.

Application during the year

The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term. The committee also reviewed the terms of the AIFM agreement, including the fee structure, and agreed they remained fit for purpose.

The committee reviewed the other services provided by the Manager and agreed they were satisfactory.

The annual review of each of the service providers was satisfactory.

The committee noted that the audit and risk committee had undertaken a detailed evaluation of the internal controls of Manager, registrar, depositary and custodian.

Recommendations made to, and approved by, the Board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement, including the fee, was in the best interests of shareholders as a whole.
- That the Company's service providers' performance remained satisfactory.

Nomination Committee Report

The nomination committee is responsible for (1) the recruitment, selection and induction of Directors, (2) their assessment during their tenure, and (3) the board's succession. All Directors are members of the committee. Sarah MacAulay is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/satric.

Oversight of Directors

Selection → Induction → Annual evaluation → Annual review of succession policy → Application of succession policy

Approach		
Selection and induction	**Board evaluation and Directors' fees**	**Succession**
• Committee prepares a job specification for each role, and an independent recruitment firm is appointed. For the Chairman and the chairs of committees, the committee considers current Board members too. • Job specification outlines the knowledge, professional skills, personal qualities and experience requirements. • Potential candidates assessed against the Company's diversity policy. • Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board. • Committee reviews the induction and training of new Directors.	• Committee assesses each Director annually, and considers if an external evaluation is appropriate. • Evaluation focuses on whether each Director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs. • Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of Directors at the AGM. • All Directors retire at the AGM and their re-election is subject to shareholder approval. • Committee reviews Directors' fees, taking into account comparative data and reports to shareholders. • Any proposed changes to the remuneration policy for Directors discussed and reported to shareholders.	• The Board's succession policy is that Directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each Director will be subject to annual re-election at the AGM. • Committee reviews the Board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process. • Committee oversees the handover process for retiring Directors.

For application see page 56.

Nomination Committee Report

Application during the year

Selection and induction

- The committee agreed to discuss the appointment of a recruitment agency and to agree a job description for the recruitment planned in 2022 to hire a successor for Mr Holt as audit and risk committee chair.

Board evaluation and Directors' fees

- The Board and committee evaluation process was undertaken in December 2021.
- The committee also reviewed each Director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each Director remained free from conflict and had sufficient time available to discharge each of their duties effectively. Notwithstanding that the Chairman is a director or chairman of four companies listed on the London Stock Exchange (as listed on page 47), the committee has noted the Chairman is a full-time non-executive Director and that the less-complex nature of the companies for which the Chairman acts as a Director means that the level of time commitment required to fulfil her duties is lower than larger trading companies. All Directors were considered to be independent in character and judgement.
- The committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and non-executive Directors, each Director had valuable skills and experience, as detailed in their biographies on pages 47 and 48.
- Based on its assessment, the committee provided individual recommendations for each Director's re-election.
- The committee reviewed Directors' fees, using external benchmarking, and recommended that Directors' fees, remain unchanged as detailed in the remuneration report. However, to accommodate future recruitment, the committee recommended increasing the aggregate level of Directors' fees to £300,000.

Succession

- The committee reviewed the succession policy and agreed it was still fit for purpose.
- The committee noted that Mr Holt would be retiring in 2023 and Ms Hitch in 2024 and identified the need to initiate the selection process.

Recommendations made to, and approved by, the Board:

- That the aggregate level of Directors' fees be increased to £300,000.
- That all Directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the board and remain free from conflicts with the Company and its Directors, so should all be recommended for re-election by shareholders at the AGM.

Directors' Remuneration Report

Introduction

The remuneration policy below is currently in force and is subject to a binding vote every three years. The next vote will take place at the 2023 AGM and the current policy provisions will apply until that date. The below Directors' annual report on remuneration is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 19 May 2020, 99.86% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the remuneration policy were in favour, while 0.14% were against. 31,561 votes were withheld.

At the AGM held on 7 May 2021, 99.81% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the annual report on remuneration for the year ended 31 December 2020 were in favour, while 0.19% were against. 9,043 votes were withheld.

Directors' remuneration policy

The determination of the Directors' fees is a matter dealt with by the Board and the nomination committee.

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's articles of association. This aggregate level of Directors' fees is currently set at £250,000 per financial year and any increase in this level requires approval by the Board and the Company's shareholders.

The Chairman of the Board and the chair of the audit and risk committee each receive fees at a higher rate than the other Directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary, and to promote the success of the Company in reaching its short and long-term strategic objectives.

The Board and its committees exclusively comprise non-executive Directors. No Director past or present has an entitlement to a pension from the Company and the Company has not, and does not intend to, operate a share scheme for Directors or to award any share options or long-term performance incentives to any Director. No Director has a service contract with the Company; however Directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to Directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

The terms of Directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

Implementation of policy

The Board did not seek the views of shareholders in setting this remuneration policy. Any comments on the policy received from shareholders would be considered on a case by case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this remuneration policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of Directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the Directors. New Directors are subject to the provisions set out in this remuneration policy.

Directors' annual report on remuneration

This report sets out how the remuneration policy was implemented during the year ended 31 December 2021.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the nomination committee and the Board in December 2020. The members of the Board at the time that remuneration levels were considered were as set out on pages 47 and 48. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment companies managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration as was independent third party research.

Following this review, the Board agreed that Directors' fees should not be increased. However, the Board would recommend to shareholders that the aggregate level of Directors' fees be increased to £300,000, as part of the proposed changes to the articles of association. Further details can be found in the Annual General Meeting – Recommendations on page 86.

Directors' Remuneration Report

Fees paid to Directors

The following amounts were paid by the Company to Directors for their services in respect of the year ended 31 December 2021 and the preceding financial year. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the financial year is presented on page 2, under the heading "Other financial information".

	Fees		Taxable benefits[1]		Total		Change in annual fee over years ended 31 December	
	2021 £	2020 £	2021 £	2020 £	2021 £	2020 £	2021 %	2020 %
Sarah MacAulay[2]	**45,000**	41,190	**203**	–	**45,203**	41,190	28.6	16.7
David Brief[3]	**–**	17,342	**–**	1,024	**–**	18,366	N/a	12.5
Andrew Cainey	**35,000**	35,000	**461**	281	**35,461**	35,281	0.0	16.7
Caroline Hitch	**35,000**	35,000	**366**	175	**35,366**	35,175	0.0	16.7
Mike Holt	**40,000**	40,000	**271**	746	**40,271**	40,746	0.0	14.3
Total	**155,000**	168,532	**1,301**	2,226	**156,301**	170,758		

[1] Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up, to include PAYE and NI contributions.
[2] Appointed Chairman on 19 May 2020.
[3] Retired as Chairman and from the board on 19 May 2020.

The information in the above table has been audited.

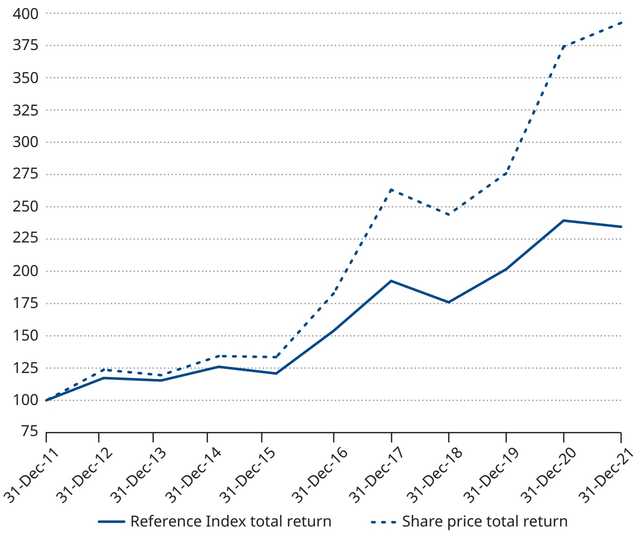
Distributions to shareholders

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000	Change (%)
Remuneration payable to Directors	**156**	171	(8.8)
Distributions paid to shareholders – Dividends	**7,435**	6,362	16.9

Performance graph

A graph showing the Company's share price total return compared with the Reference Index over the last 10 years is set out below. The Reference Index has been selected as an appropriate comparison based on the composition of the Company's investment portfolio.

Ten year share price and reference index total returns[1,2]



[1] Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2011.
[2] Definitions of terms and performance measures are given on page 91

Directors' Remuneration Report

Directors' share interests

The Company's articles of association do not require Directors to own shares in the Company. The interests of Directors, including those of connected persons, at the beginning and end of the financial year under review, are set out below.

	At 31 December 2021[1]	At 31 December 2020[1]
Sarah MacAulay	**53,975**	53,975
Andrew Cainey	**28,786**	24,636[2]
Caroline Hitch	**10,000**	10,000
Mike Holt	**10,000**	10,000

[1]Ordinary shares of 5p each

[2]It has been identified that the Annual Report and Accounts for the year ended 31 December 2020 incorrectly stated Mr Cainey's beneficial holding as being 24,726 ordinary shares. The figures shown in the table above reflect the correct beneficial holdings at their respective dates. The Company confirms that all announcements released via a regulatory news service in relation to Mr Cainey's shareholdings were correct.

There have been no changes notified to the Company since the year end.

The information in the above table has been audited.

The Portfolio Managers and connected persons' interests in the Company were approximately 500,000 ordinary shares as at the date of this report.

On behalf of the Board

Sarah MacAulay
Chairman

1 April 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). 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 return or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and accounting estimates that are reasonable and prudent;

– state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;

– notify the Company's shareholders in writing about the use of disclosure exemptions in FRS 102, used in the preparation of the financial statements; and

– prepare the financial statements on a 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 and the Directors' Remuneration Report 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 Manager is responsible for the maintenance and integrity of the webpage dedicated to the Company. 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 and functions are listed on pages 47 and 48, confirm that to the best of their knowledge:

– the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;

– the Strategic Report contained in the report and accounts 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; and

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

On behalf of the Board

Sarah MacAulay
Chairman

1 April 2022

Independent Auditor's Report to the Members of Schroder Asian Total Return Investment Company plc

Opinion

We have audited the financial statements of Schroder Asian Total Return Investment Company plc (the 'Company') for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

– give a true and fair view of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

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.

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

– Confirming our understanding of the Company's going concern assessment process by engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
– Inspecting the Directors' assessment of going concern, including the forecast, for the period to 31 December 2023 which is at least 12 months from the date these financial statements were authorised for issue. In preparing the forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
– Reviewing the factors and assumptions, including the impact of the Covid-19 pandemic, as applied to the forecast and the liquidity assessment of the investments. We considered the appropriateness of the methods used to calculate the forecast and the liquidity assessment and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company.
– Considering the mitigating factors included in the revenue forecast that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments to cover the working capital requirements should revenue decline significantly.
– In relation to the Company's borrowing arrangements, our inspection of the Directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants in the scenarios assessed by the Directors and reviewed the Directors' reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants.
– Assessing the impact of the continuation vote at the 2022 AGM on the going concern basis of preparation by considering the current and historical performance of the Company, reviewing minutes from the Broker's discussions with certain shareholders about their current intentions in relation to the continuation vote and assessing the Directors' own analysis of the impact the continuation vote may have on going concern.
– Reviewing the Company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the Directors, being the period to 31 December 2023, which is at least 12 months from the date these financial statements were authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Independent Auditor's Report to the Members of Schroder Asian Total Return Investment Company plc

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	–	Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement.
	–	Risk of incorrect valuation or ownership of the investment portfolio.
Materiality	–	Overall materiality of £5.52m (2020: £4.84m) which represents 1% (2020: 1%) of shareholders' funds.

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. All audit work was performed directly by the audit engagement team

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments, and potentially shareholder returns. This is explained in the emerging risks and uncertainties section on page 43, which forms part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 1(a) and conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing as required by FRS102. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

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 Risk Committee
Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement (as described on page 52 in the Audit and Risk Committee's Report and as per the accounting policy set out on page 71). The total revenue for the year to 31 December 2021 was £12.28m (2020: £9.22m), consisting primarily of dividend income from listed investments. The Company received twelve (2020: eight) special dividends amounting to	**We performed the following procedures:** We obtained an understanding of the processes and controls surrounding revenue recognition and classification of special dividends by performing walkthrough procedures. For all dividends received and accrued 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, which was agreed to an independent data vendor. We also agreed all exchange rates to an	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital items in the Income Statement.

Independent Auditor's Report to the Members of Schroder Asian Total Return Investment Company plc

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
£4.35m (2020: £2.96 million), of which £1.01m (2020: £0.98m) were classified as revenue and £3.34m (2020: £1.98m) were 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 may be required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.	external source and, for a sample of dividends received and dividends accrued, we agreed amounts to bank statements. For all accrued dividends, we assessed whether the dividend obligations arose prior to 31 December 2021 with reference to an external source. To test completeness of recorded income, we tested that all expected dividends for each investee company had been recorded as income with reference to an external source. For all investments held during the year, we reviewed the type of dividends paid with reference to an external data source to identify those which were special dividends. We confirmed twelve special dividends, amounting to £4.35m, were received during the year. We have tested four special dividends, amounting to £3.94m, by recalculating the amount received and assessing the appropriateness of classification as revenue or capital by reviewing the underlying circumstances of the special dividends received.	
Incorrect valuation or ownership of the investment portfolio (as described on page 53 in the Audit and Risk Committee's Report and as per the accounting policy set out on page 71). The valuation of the portfolio at 31 December 2021 was £600.00m (2020: £513.67m) consisting of listed investments. The Company also holds exchange traded derivatives and these have been recognised separately in the Statement of Financial Position. The receivable in relation to the exchange traded derivatives as at 31 December 2021 was £0.18m (2020: £0.95m) and the amount payable was £0.73m (2020: nil). The valuation of the assets held by the Company is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the net asset value and the return generated for shareholders. The fair value of listed investments and exchange traded derivatives is determined using quoted market bid prices at close of business on the reporting date.	**We performed the following procedures:** We obtained an understanding of the Administrator's processes surrounding the existence and pricing of listed securities and exchange traded derivatives, by performing walkthrough procedures. For all listed investments and exchange traded derivatives, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the valuations as at the year end. We inspected the security price movement reports produced by the Administrator to identify prices that have not changed within seven days from year end and verified whether the listed price is a valid fair value through review of trading activity. No stale prices were identified. We agreed the Company's investments and derivative positions to independent confirmations received from the Company's Custodian and Depositary at 31 December 2021.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.

Independent Auditor's Report to the Members of Schroder Asian Total Return Investment Company plc

Our key audit matters are consistent with the prior year.

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 £5.52m (2020: £4.84m), which is 1% (2020: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

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% (2020: 75%) of our planning materiality, namely £4.14m (2020: £3.63m). We have set 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 also applied a separate testing threshold for the revenue column of the Income Statement of £0.52m (2020: £0.39m), being 5% of the revenue column profit before taxation.

Reporting threshold

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

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.28m (2020: £0.24m), 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 other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the 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' Reports have been prepared in accordance with applicable legal requirements;

Independent Auditor's Report to the Members of Schroder Asian Total Return Investment Company plc

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

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 46;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 46;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 46;
- Directors' statement on fair, balanced and understandable set out on page 60;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 43;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 43; and
- The section describing the work of the audit committee set out on page 52.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 60, 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.

Independent Auditor's Report to the Members of Schroder Asian Total Return Investment Company plc

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the Statement of Recommended Practice for the Financial Statements of Investment Trust Companies as issued by the Association of Investment Companies, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit and Risk Committee and Company Secretary, review of board and committee minutes and review of papers provided to the Audit and Risk Committee.
- 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 the incomplete or inaccurate revenue recognition, through incorrect classification of special dividends as revenue or capital items in the Income Statement. 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.

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

Following the recommendation from the audit committee, we were appointed by the Company on 6 September 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 December 2019 to 31 December 2021.

- The audit opinion is consistent with the additional report to the audit 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.

Signature
Caroline Mercer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

1 April 2022

Income Statement
for the year ended 31 December 2021

	Note	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Gains on investments held at fair value through profit or loss	2	–	35,882	35,882	–	111,853	111,853
Net (losses)/gains on derivative contracts		–	(7,881)	(7,881)	–	1,555	1,555
Net foreign currency (losses)/ gains		–	(502)	(502)	–	1,168	1,168
Income from investments	3	12,195	3,338	15,533	9,211	1,979	11,190
Other interest receivable and similar income	3	84	–	84	7	–	7
Gross return		12,279	30,837	43,116	9,218	116,555	125,773
Investment management fee	4	(913)	(2,740)	(3,653)	(675)	(2,026)	(2,701)
Performance fee	4	–	(133)	(133)	–	(4,552)	(4,552)
Administrative expenses	5	(793)	–	(793)	(689)	–	(689)
Net return before finance costs and taxation		10,573	27,964	38,537	7,854	109,977	117,831
Finance costs	6	(122)	(352)	(474)	(113)	(338)	(451)
Net return before taxation		10,451	27,612	38,063	7,741	109,639	117,380
Taxation	7	(642)	(1,110)	(1,752)	567	–	567
Net return after taxation		9,809	26,502	36,311	8,308	109,639	117,947
Return per share	9	9.25p	24.99p	34.24p	8.46p	111.59p	120.05p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return after taxation is also the total comprehensive income for the year.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The notes on pages 71 to 85 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 December 2021

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2019		4,895	60,135	11,646	29,182	234,828	17,185	357,871
Repurchase of the Company's own shares into treasury		–	–	–	–	(648)	–	(648)
Reissue of shares out of treasury		–	156	–	–	648	–	804
Issue of shares		152	13,784	–	–	–	–	13,936
Net return after taxation		–	–	–	–	109,639	8,308	117,947
Dividend paid in the year	8	–	–	–	–	–	(6,362)	(6,362)
At 31 December 2020		5,047	74,075	11,646	29,182	344,467	19,131	483,548
Issue of shares		392	38,929	–	–	–	–	39,321
Net return after taxation		–	–	–	–	26,502	9,809	36,311
Dividend paid in the year	8	–	–	–	–	–	(7,435)	(7,435)
At 31 December 2021		**5,439**	**113,004**	**11,646**	**29,182**	**370,969**	**21,505**	**551,745**

The notes on pages 71 to 85 form an integral part of these accounts.

Statement of Financial Position at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**600,002**	513,671
Current assets	11		
Debtors		**667**	2,411
Cash at bank and in hand		**2,876**	2,010
Derivative financial instruments held at fair value through profit or loss		**182**	947
		3,725	5,368
Current liabilities	12		
Creditors: amounts falling due within one year		**(24,159)**	(28,276)
Bank overdraft		**(25,983)**	(7,215)
Derivative financial instruments held at fair value through profit or loss		**(730)**	–
		(50,872)	(35,491)
Net current liabilities		**(47,147)**	(30,123)
Total assets less current liabilities		**552,855**	483,548
Non current liabilities			
Provision for overseas capital gains tax		**(1,110)**	–
Net assets		**551,745**	483,548
Capital and reserves			
Called-up share capital	13	**5,439**	5,047
Share premium	14	**113,004**	74,075
Capital redemption reserve	14	**11,646**	11,646
Special reserve	14	**29,182**	29,182
Capital reserves	14	**370,969**	344,467
Revenue reserve	14	**21,505**	19,131
Total equity shareholders' funds		**551,745**	483,548
Net asset value per share	**15**	**507.24p**	479.07p

The accounts were approved and authorised for issue by the Board of Directors on 1 April 2022 and signed on its behalf by:

Sarah MacAulay
Chairman

The notes on pages 71 to 85 form an integral part of these accounts.

Registered in England and Wales as a public company limited by shares.

Company registration number: 02153093

Financial

Cash Flow Statement
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net cash inflow from operating activities	16	**7,996**	3,841
Investing activities			
Purchases of investments		**(224,921)**	(169,974)
Sales of investments		**174,268**	136,762
Net cash flows on derivative instruments		**(6,386)**	1,085
Net cash outflow from investing activities		**(57,039)**	(32,127)
Net cash outflow before financing		**(49,043)**	(28,286)
Financing activities			
Dividends paid		**(7,435)**	(6,362)
Interest paid		**(451)**	(438)
Net bank loans drawn down		**–**	11,979
Repurchase of the Company's own shares into treasury		**–**	(648)
Reissue of shares out of treasury		**–**	804
Issue of new shares		**39,321**	13,936
Net cash inflow from financing activities		**31,435**	19,271
Net cash outflow in the year	17	**(17,608)**	(9,015)
Cash and cash equivalents at the beginning of the year		**(5,205)**	4,202
Net cash outflow in the year		**(17,608)**	(9,015)
Exchange movements		**(294)**	(392)
Cash and cash equivalents at the end of the year		**(23,107)**	(5,205)

Dividends received during the year amounted to £16,218,000 (2020: £10,171,000) and interest receipts amounted to £84,000 (2020: £8,000).

The notes on pages 71 to 85 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

Schroder Asian Total Return Investment Company plc ("the Company") is registered in England and Wales as a public company limited by shares. The Company's registered office is 1 London Wall Place, London EC2Y 5AU.

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in April 2021. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments held at fair value through profit or loss. The Directors believe that the Company has adequate resources to continue operating for the period to 31 December 2023, which is at least 12 months from the date of approval of these accounts. In forming this opinion, the Directors have taken into consideration: the controls and monitoring processes in place; the Company's low level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; the likely success of the continuation vote at the forthcoming AGM; and that the Company's assets comprise cash and readily realisable securities quoted in active markets. In forming this opinion, the Directors have also considered any potential adverse consequences of the COVID-19 pandemic on the viability of the Company.

In preparing these financial statements the Directors have considered the impact of climate change risk as an emerging risk as set out on page 43, and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with FRS102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the statement of financial position date and therefore reflect market participants view of climate change risk on the investments held.

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 December 2020.

No significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current or preceding financial year.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets and derivative financial instruments is managed, and its performance evaluated, on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are recognised by the Company as "held at fair value through profit or loss". Investments are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase, which are written off to capital at the time of acquisition. Subsequently, investments are valued at fair value, which are quoted bid prices at the close of each market on the accounting date, for investments traded in active markets. Participatory notes are valued using the quoted bid prices of the underlying securities.

Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both the AIFM's Fair Value Pricing Committee and by the directors.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments are included in the Income Statement and in capital reserves within "gains and losses on sales of investments". Increases and decreases in the valuation of investments held at the year end are included in the Income Statement and in capital reserves within "holding gains and losses on investments".

Foreign exchange gains and losses on cash and deposit balances are included in the Income Statement and in capital reserves.

The cost of repurchasing the Company's own shares for cancellation or to hold in treasury, including the related stamp duty and transactions costs is charged to a distributable capital reserve.

(d) Income

Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Notes to the Accounts

Dividends from overseas companies are included gross of any withholding tax.

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

Deposit interest outstanding at the year end is calculated and accrued on a time apportionment basis using market rates of interest.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the Income Statement with the following exceptions:

- The management fee is allocated 25% to revenue and 75% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Any performance fee is allocated 100% to capital.
- Expenses incidental to the purchase or sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 76.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method in accordance with FRS 102.

Finance costs are allocated 25% to revenue and 75% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.

(g) Other financial instruments

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Bank loans and overdrafts are initially recognised at cost, being the proceeds received net of direct issue costs, and subsequently at amortised cost.

(h) Taxation

The tax charge for the year includes a provision for all amounts expected to be received or paid.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of any related irrecoverable VAT.

(j) Foreign currency

In accordance with FRS 102, the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency and the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Monetary assets, liabilities and equity investments, denominated in foreign currencies at the year end, are translated at the rates of exchange prevailing at the year end.

(k) Dividends payable

In accordance with FRS 102, the final dividend is included in the accounts in the year in which it is approved by shareholders.

Notes to the Accounts

(l) Repurchases of shares into treasury and subsequent reissues

The cost of repurchasing shares into treasury, including the related stamp duty and transaction costs is dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis.

The sales proceeds of treasury shares reissued are treated as a realised profit up to the amount of the purchase price of those shares and is transferred to capital reserves. The excess of the sales proceeds over the purchase price is transferred to "share premium".

2. Gains on investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Gains on sales of investments based on historic cost	27,735	19,823
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(42,336)	(17,737)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(14,601)	2,086
Net movement in investment holding gains and losses	50,483	109,767
Gains on investments held at fair value through profit or loss	**35,882**	111,853

3. Income

	2021 £'000	2020 £'000
Income from investments:		
Overseas dividends	11,214	8,184
Overseas special dividends	971	975
Stock dividend	10	52
	12,195	9,211
Other interest receivable and similar income		
Interest received from HMRC on corporation tax recovered	84	–
Deposit interest	–	7
	84	7
	12,279	9,218
Capital:		
Special dividend allocated to capital	3,338	1,979

4. Investment management fee and performance fee

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Investment management fee	913	2,740	3,653	675	2,026	2,701
Performance fee	–	133	133	–	4,552	4,552
	913	2,873	3,786	675	6,578	7,253

The bases for calculating the investment management and performance fees are set out in the Directors' Report on page 49 and details of all amounts payable to the Manager are given in note 18 on page 79.

Financial

Notes to the Accounts

5. Administrative expenses

	2021 £'000	2020 £'000
Administration expenses	299	288
Directors' fees[1]	155	169
Custody fees	238	131
Secretarial fee	75	75
Auditor's remuneration for audit services	26	26
	793	689

[1]Details of all amounts payable to Directors are given in the Remuneration Report on page 58.

6. Finance costs

		2021			2020	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	122	352	474	113	338	451

7. Taxation

(a) Analysis of charge in the year:

		2021			2020	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Irrecoverable overseas tax	634	–	634	753	–	753
Corporation tax relating to prior years	8	–	8	(1,320)	–	(1,320)
Provision for overseas capital gains tax	–	1,110	1,110	–	–	–
Taxation for the year	642	1,110	1,752	(567)	–	(567)

The Company has no corporation tax liability for the year (2020: nil).

The provision for overseas capital gains tax relates to the deferred tax liability on unrealised gains on Indian investments held at the year end.

(b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK is 19%, effective from 1 April 2017. Accordingly, the Company's profits for this accounting year would be taxed at a rate of 19.0% (2020: 19.0%). However the corporation tax charge for the year is nil (2020: nil), as dividends and capital gains are not subject to corporation tax. The tax charge comprises irrecoverable withholding tax deducted at source from dividends receivable and a provision for overseas capital gains tax.

Notes to the Accounts

The table below reconciles the expected corporation tax due on the net return before tax based on current tax rates, to the actual tax charge for the year.

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Net return on ordinary activities before taxation	**10,451**	**27,612**	**38,063**	7,741	109,639	117,380
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2020: 19.0%)	**1,986**	**5,246**	**7,232**	1,471	20,831	22,302
Effects of:						
Capital gains on investments	**–**	**(5,225)**	**(5,225)**	–	(21,769)	(21,769)
Income not subject to taxation	**(2,240)**	**(635)**	**(2,875)**	(1,695)	(376)	(2,071)
Provision for overseas capital gains tax	**–**	**1,110**	**1,110**	–	–	–
Irrecoverable overseas tax	**634**	**–**	**634**	753	–	753
Corporation tax relating to prior years	**8**	**–**	**8**	(1,320)	–	(1,320)
Relief for overseas tax expensed	**(6)**	**–**	**(6)**	(5)	–	(5)
Unrelieved expenses	**260**	**614**	**874**	229	1,314	1,543
Taxation on ordinary activities	**642**	**1,110**	**1,752**	(567)	–	(567)

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £14,888,000 (2020: £10,442,000) based on a prospective corporation tax rate of 25.0% (2020: 19%). In 2021 budget, the government announced that the main rate of corporation tax would increase to 25% for the fiscal year beginning on 1 April 2023. This deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's intention to meet the conditions required to retain its status as an Investment Trust Company, no provision has been made for UK capital gains tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

Dividends paid and declared

	2021 £'000	2020 £'000
2020 final dividend of 7.1p (2019: 6.5p), paid out of revenue profits[1]	**7,435**	6,362

	2021 £'000	2020 £'000
2021 final dividend proposed of 8.5p (2020: 7.1p), to be paid out of revenue profits[2]	**9,246**	7,166

[1] The proposed 2020 final dividend amounted to £7,166,000. However the amount actually paid was £7,435,000 due to share issues after the accounting date but prior to the dividend Record Date.

[2] The proposed final dividend amounting to £9,246,000 (2020: £7,166,000) is the amount used for the basis of determining whether the Company has satisfied the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £9,809,000 (2020: £8,308,000).

Notes to the Accounts

9. Return per share

	2021 £'000	2020 £'000
Revenue return	**9,809**	8,308
Capital return	**26,502**	109,639
Total return	**36,311**	117,947
Weighted average number of shares in issue during the year	**106,058,048**	98,248,381
Revenue return per share	**9.25p**	8.46p
Capital return per share	**24.99p**	111.59p
Total return per share	**34.24p**	120.05p

10. Investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Opening book cost	**331,222**	278,119
Opening investment holding gains	**182,449**	90,418
Opening fair value	**513,671**	368,537
Analysis of transactions made during the year		
Purchases at cost	**224,817**	170,043
Sales proceeds	**(174,368)**	(136,762)
Gains on investments held at fair value	**35,882**	111,853
Closing fair value	**600,002**	513,671
Closing book cost	**409,406**	331,222
Closing investment holding gains	**190,596**	182,449
Closing fair value	**600,002**	513,671

Sales proceeds amounting to £174,368,000 (2020: £136,762,000) were receivable from disposals of investments in the year. The book cost of these investments when they were purchased was £146,633,000 (2020: £116,940,000). These investments have been revalued over time and until they were sold any unrealised gains and losses were included in the fair value of the investments.

The following transaction costs, mainly comprising brokerage commissions, were incurred during the year:

	2021 £'000	2020 £'000
On acquisitions	**344**	174
On disposals	**229**	162
	573	336

Notes to the Accounts

11. Current assets

Debtors

	2021 £'000	2020 £'000
Dividends and interest receivable	526	1,061
Securities sold awaiting settlement	100	–
Taxation recoverable	9	7
Reimbursement of corporation tax receivable	–	1,320
Other debtors	32	23
	667	2,411

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash at bank and in hand

The carrying amount of cash, amounting to £2,876,000 (2020: £2,010,000), represents its fair value.

	2021 £'000	2020 £'000
Derivative financial instruments held at fair value through profit or loss		
Index put options	182	947

Details of the index put options held at the year end are given on page 35.

12. Current liabilities

Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loan	22,780	22,572
Purchases awaiting settlement	–	114
Other creditors and accruals	1,379	5,590
	24,159	28,276

The directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

The bank loan comprises US$30.9 million (2020: US$15 million) drawn down on the Company's £25 million, 364 day multi-currency credit facility with Scotiabank Europe plc. The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with during the year. Further details of this facility are given in note 21(a)(ii) on page 82.

Bank overdraft

The carrying amount of bank overdraft, amounting to £25,983,000 (2020: £7,215,000), represents its fair value.

	2021 £'000	2020 £'000
Derivative financial instruments held at fair value through profit or loss		
Index futures	730	–

Details of the index futures held at the year end are given on page 35.

Notes to the Accounts

13. Called-up share capital

	2021 £'000	2020 £'000
Allotted, called-up and fully paid:		
Ordinary shares of 5p each:		
Opening balance of 100,934,651 (2020: 97,895,159) shares	**5,047**	4,895
Issue of 7,840,000 (2020: 3,039,492) new shares	**392**	152
Repurchase of nil (2020: 180,508) shares into treasury	**–**	(9)
Reissue of nil (2020: 180,508) shares out of treasury	**–**	9
Total of 108,774,651 (2020: 100,934,651) shares	**5,439**	5,047

During the year, 7,840,000 new shares, nominal value £392,000, were issued to the market at a premium to NAV per share to satisfy demand. These shares were issued at an average price of 501.5p per share and the net consideration received amounted to £39,321,000.

14. Reserves

			Capital reserves			
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Special reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	74,075	11,646	29,182	162,367	182,100	19,131
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	(14,601)	–	–
Net movement in investment holding gains and losses	–	–	–	–	50,483	–
Transfer on disposal of investments	–	–	–	42,336	(42,336)	–
Realised losses on derivatives	–	–	–	(7,900)	–	–
Unrealised gains on open derivative contracts	–	–	–	–	19	–
Realised exchange losses on cash and short-term deposits	–	–	–	(294)	–	–
Exchange losses on foreign currency loans	–	–	–	–	(208)	–
Special dividend allocated to capital	–	–	–	3,338	–	–
Issue of new shares	38,929	–	–	–	–	–
Performance fee allocated to capital	–	–	–	(133)	–	–
Management fee and finance costs allocated to capital	–	–	–	(3,092)	–	–
Capital gains tax provision	–	–	–	–	(1,110)	–
Dividend paid	–	–	–	–	–	(7,435)
Retained revenue for the year	–	–	–	–	–	9,809
Closing balance	113,004	11,646	29,182	182,021	188,948	21,505

[1]These reserves are not distributable.
[2]These are realised (distributable) capital reserves which may be used for the payment of dividends or to repurchase the Company's own shares.
[3]This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be used for the payment of dividends or to repurchase the Company's own shares) and those that are unrealised.
[4]The revenue reserve may be used for the payment of dividends or to re-purchase the Company's own shares.

Notes to the Accounts

15. Net asset value per share

	2021	2020
Total equity shareholders' funds (£'000)	**551,745**	483,548
Shares in issue at the year end	**108,774,651**	100,934,651
Net asset value per share	**507.24p**	479.07p

16. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	2021 £'000	2020 £'000
Total return on ordinary activities before finance costs and taxation	**38,537**	117,831
Less capital return on ordinary activities before finance costs and taxation	**(27,964)**	(109,977)
Decrease/(increase) in prepayments and accrued income	**698**	(967)
(Increase)/decrease in other debtors	**(2)**	7
(Decrease)/increase in other creditors	**(4,233)**	2,028
Special dividend allocated to capital	**3,338**	1,979
Less stock dividend	**(10)**	(52)
Management fee allocated to capital	**(2,740)**	(2,026)
Performance fee allocated to capital	**(133)**	(4,552)
Corporation tax recovered, relating to prior years	**1,312**	–
Overseas withholding tax deducted at source	**(807)**	(430)
Net cash inflow from operating activities	**7,996**	3,841

17. Analysis of changes in net debt

	2020 £'000	Cash flow £'000	Exchange movements £'000	2021 £'000
Cash at bank and in hand	(5,205)	(17,608)	(294)	(23,107)
Bank loan	(22,572)	–	(208)	(22,780)
Net debt	(27,777)	(17,608)	(502)	(45,887)

18. Transactions with the Manager

Under the terms of the Alternative Investment Fund Manager Agreement, the Manager is entitled to receive management, secretarial and performance fees. Details of the basis of these calculations are given in the Directors' Report on page 49. If the Company invests in funds managed or advised by the Manager, any fees earned by the Manager are rebated to the Company. The management fee payable in respect of the year ended 31 December 2021 amounted to £3,653,000 (2020: £2,701,000) of which £966,000 (2020: £825,000) was outstanding at the year end.

A performance fee amounting to £133,000 (2020: £4,552,000) is payable in respect of the year, and the whole of this amount (2020: same) was outstanding at the year end.

The secretarial fee payable for the year amounted to £75,000 (2020: £75,000) of which £19,000 (2020: £19,000) was outstanding at the year end.

No Director of the Company served as a Director of any company within the Schroder Group at any time during the year.

19. Related party transactions

Details of the remuneration payable to Directors are given in the Directors' Remuneration Report on page 58 and details of directors' shareholdings are given in the Directors' Remuneration Report on page 59. Details of transactions with the Manager are given in note 18 above. There have been no other transactions with related parties during the year (2020: nil).

20. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value include its investment portfolio and derivative financial instruments.

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.

Level 2 – valued using observable inputs other than quoted prices included within Level 1.

Level 3 – valued using inputs that are unobservable.

Details of the Company's policy for valuing investments and derivative instruments are given in note 1(b) on page 71.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31 December:

	2021 Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	**600,002**	**–**	**–**	**600,002**
Derivative financial instruments – index put options and index futures	**(548)**	**–**	**–**	**(548)**
Total	**599,454**	**–**	**–**	**599,454**

	2020 Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	502,401	–	–	502,401
Derivative financial instruments – index put options	947	–	–	947
Participatory notes[1]	–	11,270	–	11,270
Total	503,348	11,270	–	514,618

[1]Participatory notes are valued using the quoted bid prices of the underlying securities and have been allocated to Level 2 as strictly, they are not identical assets.

21. Financial instruments' exposure to risk and risk management policies

In pursuing its objective, the Company is exposed to a variety of financial risks including market risk (comprising currency risk, interest rate risk and market price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below.

The process for managing risk is unchanged from the previous year. The Company's financial instruments may comprise:

- investments in equities and equity related securities which are held in accordance with the Company's investment objective;
- short-term debtors, creditors and cash arising directly from its operations;
- a multi-currency overdraft facility with HSBC, the purpose of which is to assist in financing the Company's operations;
- a multi-currency credit facility with Scotiabank, the purpose of which is to assist in financing the Company's operations; and
- index put options and index futures, which are used to protect the capital value of the portfolio.

(a) Market risk

Market risk comprises three elements – currency risk, interest rate risk and market price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate.

Notes to the Accounts

(i) Currency risk

The majority of the Company's assets, liabilities and income are denominated in currencies other than sterling, which is the Company's functional currency and the presentational currency of the accounts. As a result, movements in exchange rates will affect the sterling value of those items.

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board. The Board has authorised the use of derivative instruments to hedge currency exposure as part of the investment strategy to protect the capital value of the portfolio, or for efficient portfolio management.

The fair value of the Company's monetary items that have foreign currency exposure at 31 December are shown below. The Company's investments, index futures and index put options (which are not monetary items) have been included separately in the analysis so as to show the overall level of exposure.

	2021									
	Hong Kong dollars £'000	US dollars £'000	Taiwanese dollars £'000	South Korean won £'000	Indian Rupees £'000	Singaporean dollars £'000	Chinese Yuan £'000	Australian dollars £'000	Other £'000	Total £'000
Current assets	**45**	**2,450**	**281**	**228**	**–**	**75**	**–**	**55**	**277**	**3,411**
Current liabilities	**–**	**(22,794)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,794)**
Non current liabilities	**–**	**–**	**–**	**–**	**(1,110)**	**–**	**–**	**–**	**–**	**(1,110)**
Foreign currency exposure on net monetary items	**45**	**(20,344)**	**281**	**228**	**(1,110)**	**75**	**–**	**55**	**277**	**(20,493)**
Investments held at fair value through profit or loss	**113,214**	**23,031**	**160,188**	**64,613**	**43,999**	**37,758**	**21,779**	**58,194**	**42,235**	**565,011**
Derivative instruments held at fair value through profit or loss – index put options and index futures	**–**	**71**	**(619)**	**–**	**–**	**–**	**–**	**–**	**–**	**(548)**
Total net foreign currency exposure	**113,259**	**2,758**	**159,850**	**64,841**	**42,889**	**37,833**	**21,779**	**58,249**	**42,512**	**543,970**

	2020									
	Hong Kong dollars £'000	US dollars £'000	Taiwanese dollars £'000	South Korean won £'000	Indian Rupees £'000	Singaporean dollars £'000	Chinese Yuan £'000	Australian dollars £'000	Other £'000	Total £'000
Current assets	1,789	53	293	841	–	37	–	51	6	3,070
Current liabilities	–	(22,588)	(114)	–	–	–	–	(31)	–	(22,733)
Foreign currency exposure on net monetary items	1,789	(22,535)	179	841	–	37	–	20	6	(19,663)
Investments held at fair value through profit or loss	160,610	73,111	96,323	59,084	–	22,939	–	64,084	19,507	495,658
Derivative instruments held at fair value through profit or loss – index put options	947	–	–	–	–	–	–	–	–	947
Total net foreign currency exposure	163,346	50,576	96,502	59,925	–	22,976	–	64,104	19,513	476,942

The above year end amounts are broadly representative of the exposure to foreign currency risk during the current and comparative year.

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2020: 10%) appreciation or depreciation in sterling against the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

If sterling had weakened by 10% this would have had the following effect:

	2021 £'000	2020 £'000
Income Statement – return after taxation		
Revenue return	**1,152**	835
Capital return	**(1,862)**	(1,802)
Total return after taxation	**(710)**	(967)
Net assets	**(710)**	(967)

Conversely if sterling had strengthened by 10% this would have had the following effect:

	2021 £'000	2020 £'000
Income Statement – return after taxation		
Revenue return	**(1,152)**	(835)
Capital return	**1,862**	1,802
Total return after taxation	**710**	967
Net assets	**710**	967

In the opinion of the Directors, the above sensitivity analyses with respect to monetary financial assets and liabilities is broadly representative of the whole of the current and comparative year. The sensitivity with regard to the Company's investments, index futures and index put options to changes in foreign currency exchange rates is subsumed into market price risk sensitivity below.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings when rates are re-set.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Board would not expect gearing to exceed 30% where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company draws on its overdraft facility or its credit facility. However, amounts drawings on these facilities are for short-term periods and therefore exposure to interest rate risk is not significant.

Interest rate exposure

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2021 £'000	2020 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	**2,876**	2,010
Creditors: amounts falling due within one year:		
Bank loan	**(22,780)**	(22,572)
Bank overdraft	**(25,983)**	(7,215)
Total exposure	**(45,887)**	(27,777)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above the applicable Risk Free Reference Rates, respectively (2020: same).

During the year, the Company extended its £25 million multi-currency credit facility with Scotiabank Europe plc to 5 July 2022. The limit may be further extended to £50 million, subject to credit approval by the lender. Amounts are normally drawn down on the facility for one month periods. Interest is payable at a rate based on the Secured Overnight Financing Rate, plus a margin, plus the Credit Adjustment Spread. At 31 December 2021, the Company had drawn down US$30.9 million (£22.8 million) at an interest rate of 0.91448%, repayable on 10 January 2022.

At 31 December 2020, the Company had drawn down US$30.9 million (£22.6 million) at an interest rate of 1.50% based on LIBOR plus a margin, repayable on 14 January 2021.

The above year end amounts are not representative of the exposure to interest rates during the year as the level of cash balances and drawings on the credit facility have fluctuated. The maximum and minimum net debt balances during the year are as follows:

	2021 £'000	2020 £'000
Maximum debit interest rate exposure during the year – net debt	**(45,887)**	(41,927)
Minimum debit interest rate exposure during the year – net debt	**(22,514)**	(11,651)

Notes to the Accounts

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2020: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2021		2020	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	(47)	47	(27)	27
Capital return	(183)	183	(112)	112
Total return after taxation	(230)	230	(139)	139
Net assets	(230)	230	(139)	139

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and drawings on the credit facility.

(iii) Market price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of equity investments.

Management of market price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular countries and industry sectors. The Board has authorised the Manager to enter derivative transactions as a means of seeking capital preservation, subject to limits on the percentage of the portfolio hedged and the duration of derivatives used.

Market price risk exposure

The Company's total exposure to changes in market prices at 31 December comprises the following investments:

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss	600,002	513,671
Derivative financial instruments held at fair value through profit or loss:		
Index put options	182	947
Index futures	(730)	–
	599,454	514,618

The above data is broadly representative of the exposure to market price risk during the year.

An analysis of the Company's investments is given on page 34. This shows that the portfolio mainly comprises investments quoted on Asian stock markets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of classification.

Market price risk sensitivity

The following table illustrates the sensitivity of net return after taxation for the year and net assets to an increase or decrease of 10% (2020: 10%) in market prices. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments, adjusting for the hedging effect of the index put options and including the resulting effect on the management fee, but with all other variables held constant. The sensitivity analysis also takes account of the "beta coefficient" of the portfolio. This is a measure of the volatility of the portfolio compared to the systemic risk of the entire market. As a result, the percentages in the table below represent a 6.59% (2020: 7.40%) increase in fair value and a 6.32% (2020: 6.55%) decrease in fair value.

	2021 Impact on fair value from 10% increase in markets £'000	2021 Impact on fair value from 10% decrease in markets £'000	2020 Impact on fair value from 10% increase in markets £'000	2020 Impact on fair value from 10% decrease in markets £'000
Income statement – return after taxation				
Revenue return	(64)	62	(62)	55
Capital return	39,348	(37,734)	37,826	(33,480)
	39,284	(37,672)	37,764	(33,425)
Percentage change in net asset value	7.1%	(6.8%)	7.8%	(6.9%)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of overdraft and credit facilities.

Liquidity risk exposure

Contractual maturities of financial liabilities, based on the earliest date on which payment can be required are as follows:

	2021 Three months or less £'000	2020 Three months or less £'000
Creditors: amounts falling due within one year		
Bank loan – including interest	22,799	22,601
Bank overdraft – including interest	26,016	7,223
Securities purchased awaiting settlement	–	114
Other creditors and accruals	1,333	5,566
	50,148	35,504

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

This risk is not significant and is managed as follows:

The Company invests in markets that operate a "Delivery Versus Payment" settlement process which mitigates the risk of losing the principal of a trade during settlement.

Counterparties are subject to daily credit analysis by the Manager. Cash balances are deposited with the custodian of the Company's assets, HSBC Bank plc, which has Long Term Credit Ratings of AA- with Fitch and Aa3 with Moody's.

The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

The amounts shown in the balance sheet under cash at bank and in hand and debtors represents the maximum exposure to credit risk at the current and comparative year ends. No debtors are past their due date and none have been provided for.

There has been no stock lending during the year (2020: nil).

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried in the balance sheet at fair value or the balance sheet amount is a reasonable approximation of fair value.

22. Capital management policies and procedures

The Company's capital is represented by its net assets and borrowings, which are managed to achieve the Company's investment objective, as set out on the inside front cover of this annual report.

The Company has overdraft and credit facilities in place which may be used to maximise the return to shareholders through an appropriate level of gearing. The Board would not expect the level of gearing to exceed 30%, where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

The Board, with the assistance of the 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 Manager's views on the market;
- the need to buy back the Company's own shares for cancellation or to hold in treasury, which takes into account the share price discount;
- the opportunities for issues of new shares or to reissue shares out of treasury; and
- the amount of dividend to be paid, in excess of that which is required to be distributed.

23. Events after the accounting date that have not been reflected in the financial statements

Post the accounting date, the Company has agreed with Scotiabank Europe plc to extend the limit on its multi-currency credit facility from £25 million to £45 million. An additional USD 26.8 million was subsequently drawn down on the facility and the overdraft with HSBC reduced accordingly.

Annual General Meeting – Recommendations

The Annual General Meeting ("AGM") of the Company will be held on Wednesday, 11 May 2022 at 1.00 p.m. The formal Notice of Meeting is set out on page 88.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once 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.

COVID-19 and the AGM

Shareholders are encouraged to vote by proxy, appointing the chair of the meeting as their proxy.

Ordinary business

Resolutions 1 to 9 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 invites shareholders to approve the final dividend. Resolution 3 concerns the Directors' Remuneration Report, on pages 57 to 59. Resolutions 4 to 7 invite shareholders to re-elect each of the Directors for another year, following the recommendations of the nomination committee, set out on pages 55 and 56 (their biographies are set out on pages 47 and 48). Resolutions 8 and 9 concern the re-appointment and remuneration of the Company's auditor, discussed in the Audit and Risk Committee Report on pages 52 to 53.

Special business

Resolution 10: Continuation (Ordinary Resolution)

In accordance with the Company's articles of association, the Directors are required to put forward a proposal for the continuation of the Company to shareholders at three yearly intervals. The Board considers that the long-term investment objectives of the Company remain appropriate and that the current Manager has delivered superior returns over the last three years and remains well placed to continue to do so over the long-term. An ordinary resolution has therefore been proposed at the AGM to agree that the Company should continue as an investment trust for a further three year period.

Resolution 11 – Amendment of the Articles (special resolution)

The Board is proposing to make amendments to the Articles to give the Company the flexibility to hold general meetings (wholly or partially) by electronic means and to enable members to attend and participate in general meetings at one or more satellite meeting places. In addition, the Board is proposing to amend the Articles to give it certain additional powers in respect of postponing or adjourning meetings in appropriate circumstances and the security arrangements at meetings. The amendments are being proposed in response to restrictions on social interactions during the COVID-19 pandemic which have, on occasion, made it impossible or impractical 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 to ensure appropriate security measures are in place for the protection and wellbeing of shareholders.

The Board is also proposing to update the Articles to deal with certain US and tax matters and to correct certain typographical errors.

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 (at one or more locations), through an electronic facility, or partly in one way and partly in another.

(ii) Adjournment of general meetings

The chairman of the meeting will have the ability to interrupt or adjourn general meetings to such time and with such means of attendance and participation as the chairman may determine without the consent of the meeting if it appears to the chairman that the facilities at any general meeting (including those conducted wholly or partly electronically) have become inadequate.

(iii) Postponement of general meeting

The Board's existing powers to postpone and/or move the location of a general meeting will be expanded to allow the Board to change a physical meeting to an electronic meeting and vice versa. The Board may exercise its ability to postpone a 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 may make such arrangements as the Board shall in its absolute discretion consider to be appropriate to ensure the security and orderly conduct of the meeting and to control the level of attendance at any meeting (including at any principal meeting place, satellite meeting place or electronic facility). Similarly, if a general meeting is held wholly or partly by means of an electronic facility, the Board may make any arrangement and impose any 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.

(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.

(vii) US and other tax matters

The Board is seeking the addition of a new Article 144 to deal with certain US and tax matters. The new article will allow the Board to require the transfer of any shares that are held by a "Non-Qualified Holder" (broadly, any shareholder who fails to supply information that is required by the Company to comply with applicable law, including the US Foreign Account Tax Compliance Act 2010, or whose holding of shares may subject the Company to certain onerous overseas legislative requirements).

(viii) Directors' aggregate fees

The Company's articles of association currently limit the fees payable to Directors to £250,000 in aggregate per annum. The Directors believe that the Board should have additional flexibility in setting the level of Directors' remuneration, taking into account their increasing responsibilities. In particular, the Board is mindful of the fact that it in order to manage succession it may, from time to time, need to temporarily increase the size of the Board which would increase the aggregate total Director fees for that time period. The Board is proposing to increase the limit to £300,000.

(ix) Continuation vote

In 2013, at the time of the appointment of Schroders as investment manager, the Board committed to put a continuation vote at the AGM to be held in 2016 and at every third AGM thereafter. Continuations votes were proposed and passed at the AGMs held in 2016 and 2019, and a further continuation vote will be proposed at the 2022 AGM. It is proposed to include the obligation to hold future continuation votes in the Articles.

Resolution 12 – Directors' authority to allot shares (ordinary resolution) and resolution 13 – power to disapply pre-emption rights (special resolution)

The Directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £545,573 (being 10% of the issued share capital (excluding any shares held in treasury) as at 31 March 2022).

A special resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £545,573 (being 10% of the issued share capital as at 31 March 2022) on a non pre-emptive basis. This authority includes shares that the Company sells or transfers that have been held in treasury. The Directors do not intend to allot ordinary shares or sell treasury shares, on a non pre-emptive basis, pursuant to this authority other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company as a whole. Shares issued or treasury shares reissued, under this authority, will be at a price that is equal to or greater than the Company's NAV per share, plus any applicable costs, as at the latest practicable date before the allotment of such shares.

If approved, both of these authorities will expire at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Resolution 14: authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 7 May 2021, the Company was granted authority to make market purchases of up to 15,459,884 ordinary shares of 5p each for cancellation or holding in treasury. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 15,459,884 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to NAV. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at 31 March 2022 (excluding treasury shares). The Directors will exercise this authority to buy back shares only when the share price is at a discount to the Company's NAV and only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue.

If renewed, this authority will lapse at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Recommendations

The Board considers that the resolutions relating to the above items of business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

Notice of Annual General Meeting

Notice is hereby given that the thirty-fourth Annual General Meeting of Schroder Asian Total Return Investment Company plc will be held on Wednesday, 11 May 2022 at 1.00 p.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions, of which resolutions 1 to 10 and 12 will be proposed as ordinary resolutions, and resolutions 11, 13 and 14 will be proposed as special resolutions:

1. To receive the Directors' Report and the audited accounts for the year ended 31 December 2021.
2. To approve a final dividend of 8.50 pence per share for the year ended 31 December 2021.
3. To approve the Directors' Remuneration Report for the year ended 31 December 2021.
4. To approve the re-election of Andrew Cainey as a Director of the Company.
5. To approve the re-election of Caroline Hitch as a Director of the Company.
6. To approve the re-election of Mike Holt as a Director of the Company.
7. To approve the re-election of Sarah MacAulay as a Director of the Company.
8. To re-appoint Ernst & Young LLP as auditor to the Company.
9. To authorise the Directors to determine the remuneration of Ernst & Young LLP as auditor to the Company.
10. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

    "THAT in accordance with the articles of association, the Company should continue as an investment trust for a further three year period."
11. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "That the amended Articles as set out in the printed document produced to the meeting (and initialled by the Chairman of the meeting for the purposes of identification) be and are 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."
12. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

    "THAT in substitution for all existing authorities the Directors be 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 relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £545,573 (being 10% of the issued ordinary share capital at 31 March 2022) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2023, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."
13. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "That, subject to the passing of Resolution 12 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 11 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £545,573 (representing 10% of the aggregate nominal amount of the share capital in issue at 31 March 2022); and where equity securities are issued pursuant to this power they will only be issued at a price which is equal or greater than the Company's NAV per share as at the latest practicable date before the allotment; and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
14. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 5p each in the capital of the Company ("Share") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

    (a) the maximum number of Shares which may be purchased is 16,356,286, representing 14.99% of the Company's issued ordinary share capital as at 31 March 2022 (excluding treasury shares);

    (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;

    i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and

    ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;

    (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 5p, being the nominal value per Share;

    (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2023 (unless previously renewed, varied or revoked by the Company prior to such date);

    (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and

    (f) any Shares so purchased will be cancelled or held in treasury."

By order of the Board

Schroder Investment Management Limited
Company Secretary

1 April 2022

Registered Office:
1 London Wall Place,
London EC2Y 5AU

Registered Number: 02153093

Explanatory Notes to the Notice of Meeting

1. Ordinary shareholders are entitled to attend, ask questions and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. Due to COVID-19 shareholders are asked not to attend.

   A proxy form is attached. Due to COVID-19 shareholders are encouraged to appoint the Chairman as proxy. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 or +44(0) 121 415 0207 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

   On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder. Voting will be by poll.

   The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12.00 p.m. on 9 May 2022. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers).

   If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

   Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

   Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 9 May 2022, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 9 May 2022 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted

Explanatory Notes to the Notice of Meeting

so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of their family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.

6. The biographies of the Directors offering themselves for election and re-election are set out on pages 47 and 48 of the Company's annual report and accounts for the year ended 31 December 2021.

7. As at 31 March 2022, 109,114,651 ordinary shares of 5 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 31 March 2022 was 109,114,651.

8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpage, www.schroders.co.uk/satric.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information. Due to COVID-19 shareholders are asked to send their questions by post or by email (amcompanysecretary@schroders.com).

10. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to:

    (a) the audit of the Company's Accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or

    (b) any circumstance connected with an auditor of the Company ceasing to hold office since the last AGM, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

11. The Company's privacy policy is available on its webpages: www.schroders.co.uk/satric. Shareholders can contact Equiniti for details of how Equiniti processes their personal information as part of the AGM.

Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority, and some numerical calculations are given for those.

Net asset value ("NAV") per share

The NAV per share of 507.24p (2020: 479.07p) represents the net assets attributable to equity shareholders of £551,745,000 (2020: £483,548,000) divided by the number of shares in issue, excluding any shares held in treasury, of 108,774,651 (2020: 100,934,651).

The change in the NAV amounted to +5.9% (2020: +31.0%) over the year. However this performance measure excludes the positive impact of the dividend paid out by the Company during the year. When the dividend is factored into the calculation, the resulting performance measure is termed the "total return". Total return calculations and definitions are given below.

Total return

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the year ended 31 December 2021 is calculated as follows:

Opening NAV at 31/12/20				479.07p
Closing NAV at 31/12/21				507.24p
Dividend paid 7.10p	XD date 15/4/21	NAV on XD date 501.09p	Factor 1.0142	
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV:				+7.4%

The NAV total return for the year ended 31 December 2020 is calculated as follows:

Opening NAV at 31/12/19				365.57p
Closing NAV at 31/12/20				479.07p
Dividend paid 6.50p	XD date 9/4/20	NAV on XD date 319.05p	Factor 1.0204	
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV:				+33.7%

The share price total return for the year ended 31 December 2021 is calculated as follows

Opening share price at 31/12/20				489.00p
Closing share price at 31/12/21				506.00p
Dividend paid 7.10p	XD date 15/4/2021	Share price on XD date 508.00p	Factor 1.014	
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price:				+4.9%

The share price total return for the year ended 31 December 2020 is calculated as follows

Opening share price at 31/12/19				368.00p
Closing share price at 31/12/20				489.00p
Dividend paid 6.50p	XD date 9/4/2020	Share price on XD date 319.00p	Factor 1.020	
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price:				+35.6%

Reference Index

The measure against which the Company compares its performance. With effect from 15 March 2013, the Reference Index has been the MSCI AC Asia Pacific ex-Japan Index (with net income reinvested), sterling adjusted. Prior to that date it was the MSCI AC Asia Pacific ex-Japan Index (with gross income reinvested), sterling adjusted

Definitions of Terms and Performance Measures

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The discount at the year end amounted to 0.2% (2020: 2.1% premium), as the closing share price at 506.0p (2020: 489.0p) was 0.2% lower (2020: 2.1% higher) than the closing NAV of 507.24p (2020: 479.07p).

Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) which the Company has drawn down and invested in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the figure so calculated is negative, this is shown as a "Net cash" position. The gearing figure at the year end is calculated as follows:

	2021 £'000	**2020 £'000**
Borrowings used for investment purposes, less cash	45,887	27,777
Net assets	551,745	483,548
Gearing	8.3%	5.7%

Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable, expressed as a percentage of the average daily net assets values during the year, as follows:

	2021	**2020**
Management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable (£'000)	4,446	3,390
Average daily net asset values during the year (£'000)	530,595	384,472
Ongoing charges (%)	0.8	0.9

Leverage

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure to financial risk, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

Shareholder Information

Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/satric. The webpages have been designed to be used as the Company's primary method of electronic communication with shareholders. They contain details of the Company's share price and copies of annual report and other documents published by the Company as well as information on the Directors, terms of reference of committees and other governance arrangements. In addition, the webpages contain links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest".

The Company releases its NAV per share on both a cum and ex-income basis, diluted where applicable, to the market on a daily basis.

Share price information may also be found in the Financial Times and at the Company's webpages.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on the Association can be found on its website, www.theaic.co.uk.

ISA status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments Status

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

Financial calendar

Annual results announced	April
Annual General Meeting	May
Final dividend paid	May
Half year results announced	September
Financial year end	31 December

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this annual report, or in the Company's AIFMD information disclosure document published on the Company's webpages.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the Company's webpages. The Company is also required to periodically publish its actual leverage exposures. As at 31 December 2021 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.50	1.24
Commitment method	2.00	1.20

Illiquid assets

As at the date of this report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the Company's AIFMD information disclosure document published on the Company's webpages.

Publication of Key Information Document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance-based Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages.

Complaints

The Company has adopted a policy on complaints and other shareholder communications which ensures that shareholder complaints and communications addressed to the Company Secretary, the Chairman or the Board are, in each case, considered by the Chairman and the Board.

www.schroders.co.uk/satric

Directors

Sarah MacAulay (Chairman)
Andrew Cainey
Caroline Hitch
Mike Holt

Advisers

Alternative Investment Fund Manager (the "Manager")

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 3847

Registered Office

1 London Wall Place
London EC2Y 5AU

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

Scotiabank Europe PLC
201 Bishopsgate
6th Floor
London EC2M 3NS

Corporate Broker

Winterflood Investment Trusts
The Atrium Building
Canon Bridge House
Dowgate Hill
London EC4R 2GA

Independent Auditors

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder helpline: 0800 389 0306[1]
Website: www.shareview.co.uk

[1]Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the above address and telephone number above.

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's Registered Office.

Dealing Codes

ISIN:	GB0008710799
SEDOL:	0871079
Ticker:	ATR

Global Intermediary Identification Number (GIIN)

TRPJG6.99999.SL.826

Legal Entity Identifier (LEI)

549300TQNNGZ0JHO2L78

The Company's privacy notice is available on its webpages.

MIX
Paper from responsible sources
FSC® C005739

Schroders