Schroders

# Schroder AsiaPacific Fund plc

## Annual Report and Accounts

For the year ended
30 September 2021

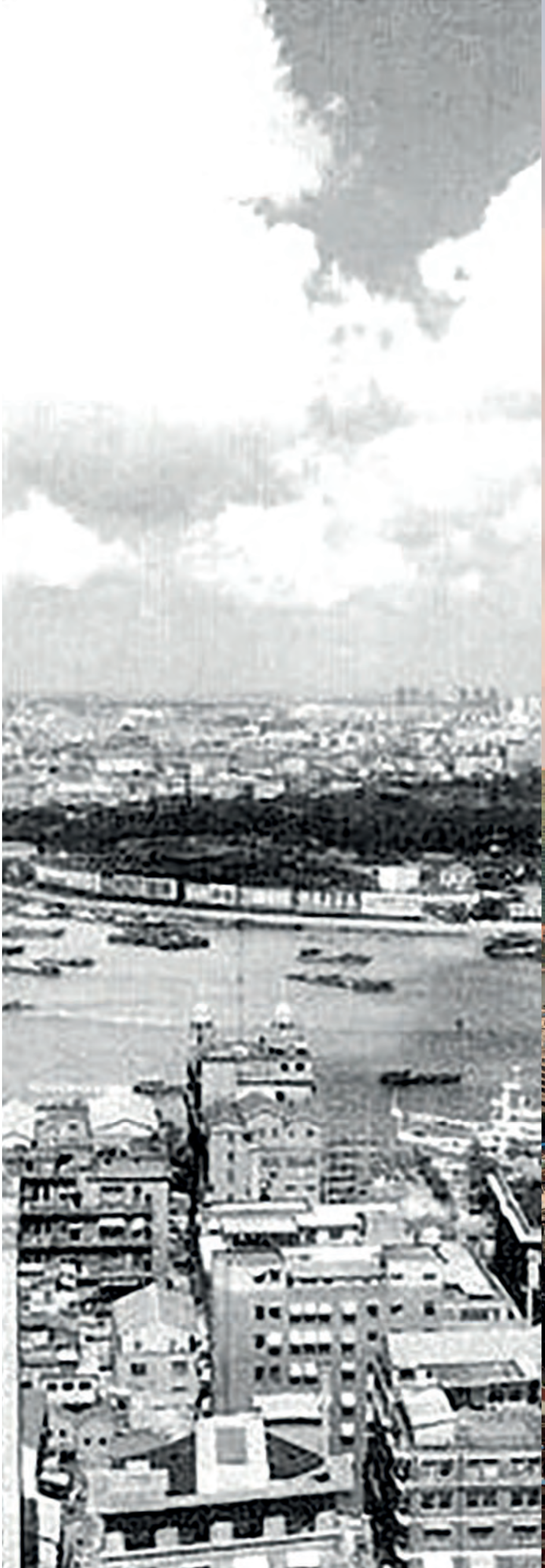
## Investment objective

Schroder AsiaPacific Fund plc's (the "Company") principal investment objective is to achieve capital growth through investment primarily in equities of companies located in the continent of Asia (excluding the Middle East and Japan), together with the Far Eastern countries bordering the Pacific Ocean. It aims to achieve growth in excess of the MSCI All Countries Asia excluding Japan Index in sterling terms (Benchmark Index) over the longer term.

## Investment policy

The Company principally invests in a diversified portfolio of companies located in the continent of Asia (excluding the Middle East and Japan) (for the purposes of this paragraph the "region"). Such countries include Hong Kong, China, Singapore, Taiwan, Malaysia, South Korea, Thailand, India, The Philippines, Indonesia, Pakistan, Vietnam and Sri Lanka and may include other countries in the region that permit foreign investors to participate in investing in equities, such as in their stockmarkets or other such investments in the future. 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 portfolio is predominantly invested in equities, but may also be invested in other financial instruments such as put options on indices and equities in the region. The Company does not use derivative contracts for speculative purposes. The Company may invest up to 5% of its assets in securities which are not listed on any stock exchange, but would normally not make such an investment except where the Manager expects that the securities will shortly become listed on a stock exchange. In order to maximise potential returns, gearing may be employed by the Company from time-to-time. Where appropriate the Directors may authorise the hedging of the Company's currency exposure.



**Front cover:** the front and inside front cover show Shanghai in 1990 and 2021.

# 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 63 together with supporting calculations where appropriate.**

## Total returns for the year ended 30 September 2021

**+14.6%**
2020: +17.7%
**Net asset value ("NAV") per share total return***

**+15.0%**
2020: +19.7%
**Share price total return***

**+9.7%**
2020: +12.3%
**Benchmark total return**[1]

[1]Source: Thomson Reuters.

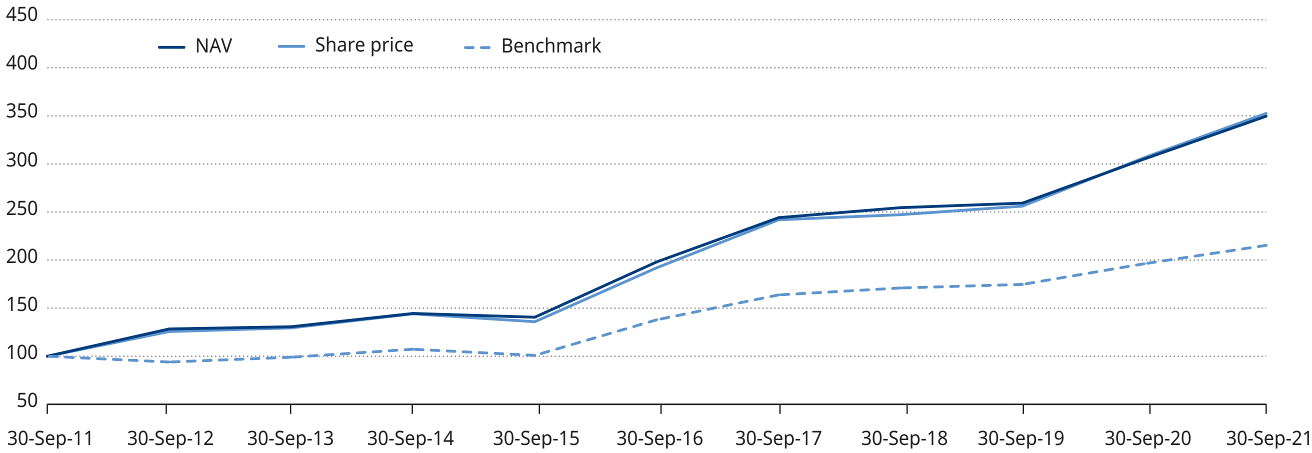
## Other financial information

| | 30 September 2021 | 30 September 2020 | % Change |
|---|---|---|---|
| Shareholders' funds (£'000) | **1,057,941** | 946,146 | +11.8 |
| Shares in issue | **164,860,716** | 166,820,716 | –1.2 |
| NAV per share (pence) | **641.72** | 567.16 | +13.1 |
| Share price (pence) | **579.00** | 510.00 | +13.5 |
| Share price discount to NAV per share* (%) | **9.8** | 10.1 | |
| Gearing* (%) | **0.6** | 0.2 | |

| | Year ended 30 September 2021 | Year ended 30 September 2020 | % Change |
|---|---|---|---|
| Net revenue return after taxation (£'000) | **16,080** | 13,253 | +21.33 |
| Revenue return per share (pence)[1] | **9.66** | 7.92 | +21.97 |
| Dividends per share (pence)[1] | **9.70** | 8.00 | +21.25 |
| Ongoing Charges* (%) | **0.86** | 0.90 | |

[1]The recommended dividend of 9.70p exceeds the revenue return per share of 9.66p. However the quantum of the dividend payable amounts to £15,991,000, which is less than the distributable revenue available of £16,080,000, allowing a small retention of £89,000. This anomaly arises because the revenue return per share is calculated using the weighted average number of shares in issue during the year.

## NAV per share, share price and Benchmark total returns for the 10 years ended 30 September 2021




Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2011

# 10 Year Financial Record

**Definitions of terms and performance measures are provided on page 63.**

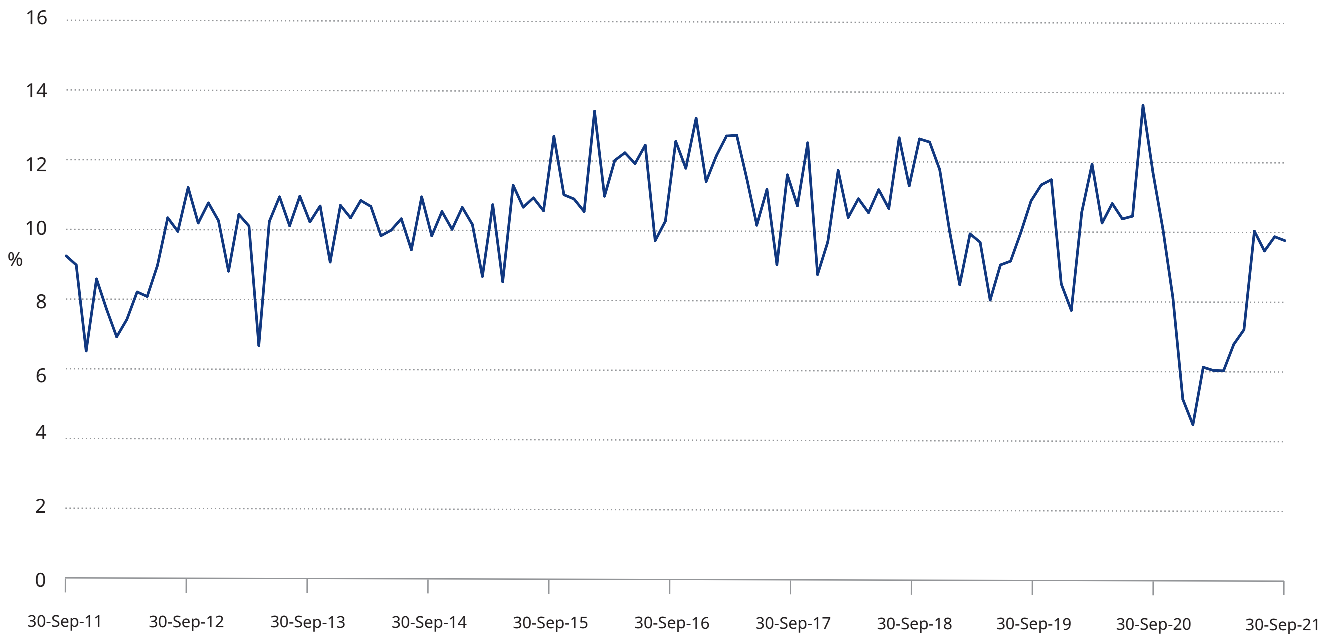
| At 30 September | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Shareholders' funds (£'000) | 395,340 | 455,024 | 495,527 | 477,870 | 658,321 | 799,942 | 825,042 | 822,182 | 946,146 | 1,057,941 |
| NAV per share, diluted where applicable (pence) | 266.64 | 268.13 | 292.82 | 282.39 | 392.33 | 477.38 | 492.35 | 490.94 | 567.16 | 641.72 |
| Share price (pence) | 236.75 | 240.70 | 264.00 | 246.50 | 343.00 | 426.00 | 430.00 | 435.00 | 510.00 | 579.00 |
| Share price discount to NAV per share* (%) | 11.2 | 10.2 | 9.8 | 12.7 | 12.6 | 10.8 | 12.7 | 11.4 | 10.1 | 9.8 |
| Gearing/(net cash)* (%) | 5.7 | (3.3) | (0.6) | 2.3 | 0.4 | 4.4 | 2.6 | (2.4) | 0.2 | 0.6 |

| For the year ended 30 September | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net revenue return after taxation (£'000)[1] | 4,916 | 5,000 | 4,749 | 7,151 | 8,040 | 9,537 | 16,885 | 16,590 | 13,253 | 16,080 |
| Revenue return per share (pence)[1] | 3.37 | 3.08 | 2.80 | 4.23 | 4.77 | 5.69 | 10.08 | 9.90 | 7.92 | 9.66 |
| Dividends per share (pence)[1] | 3.35 | 3.35 | 2.75 | 4.20 | 4.75 | 5.60 | 9.50 | 9.70 | 8.00 | 9.70 |
| Ongoing Charges* (%) | 1.18 | 1.10 | 1.08 | 1.03 | 1.10 | 0.99 | 0.94 | 0.93 | 0.90 | 0.86 |

| Performance[2] | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAV total return (diluted where applicable)* | 100.0 | 128.4 | 130.7 | 144.5 | 140.6 | 198.1 | 244.1 | 254.5 | 259.2 | 305.1 | 349.6 |
| Share price total return* | 100.0 | 125.7 | 129.5 | 144.1 | 135.9 | 192.0 | 241.9 | 247.2 | 256.1 | 306.5 | 352.5 |
| Benchmark | 100.0 | 94.0 | 99.0 | 107.3 | 100.9 | 137.9 | 163.8 | 171.0 | 174.7 | 196.2 | 215.3 |

[1]With effect from 1 October 2017, the Company adopted an allocation policy whereby 75% of indirect cost are allocated to the capital account.
[2]Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2011.
*Alternative performance measures.

## 10 year share price discount to NAV per share




Source: Morningstar/Thomson Reuters.

# Chairman's Statement

## Performance

For my first annual report as Chairman, I am pleased to report that the Company has again produced strong performance for the year to 30 September 2021, building on the significant out-performance against the Benchmark during the previous financial year.

The Company's NAV produced a total return of 14.6%, outperforming the Benchmark's total return of 9.7% while the share price produced a positive total return of 15.0%.

Richard Sennitt and Abbas Barkhordar took responsibility for the management of the portfolio on 1 April 2021. A more detailed comment on performance and investment policy may be found in the Manager's Review.

## Revenue and dividend

The Company's principal investment objective is to achieve capital growth, and the Directors continue to distribute substantially all of the revenue it receives each year. Last year, the Company's revenue was impacted as portfolio companies cut dividends due to the dramatic decrease in economic activity during the pandemic. During the financial year ended 30 September 2021, earnings increased by 22.0% but were boosted by some unusually large special dividends which may not recur.

The Directors are recommending a final dividend of 9.70 pence per share for the year ended 30 September 2021, representing an increase of 21.3% over the 8.00 pence paid in respect of the previous financial year.

This dividend will be paid on 7 February 2022 to shareholders on the register on 31 December 2021, subject to approval by shareholders at the Annual General Meeting ("AGM") on 1 February 2022.

## Gearing

During the year, the Company maintained its £100 million multi-currency revolving credit facility and also had access to an overdraft facility. These borrowings were only lightly utilised. At the start of the year the Company was 0.2% geared and it ended the year with gearing at 0.6%.

## Discount management

The Company was active in buying back its shares during the year and a total of 1,960,000 shares were bought back for cancellation. Since the year end, an additional 440,000 shares have also been bought back. The average level of discount during the year under review was 7.3%.

Overall, the Board's strategy is to limit discount volatility and to help maintain liquidity in the Company's shares. As such we believe that it is not necessarily in the best interests of shareholders as a whole to adopt a rigid discount control mechanism that seeks to target a defined maximum discount level regardless of market conditions. Our policy takes account of the level of discount at which the Company's peer group trades, prevailing market conditions and activity within our sector.

At the Company's last AGM, authority was given to purchase up to 14.99% of its issued share capital. We propose that the share buyback authority be renewed at the forthcoming AGM and that any shares so purchased be cancelled or held in treasury for potential reissue.

## Board succession

As set out in the 2020 annual report, Rosemary Morgan will not be seeking re-election at the forthcoming AGM. During the year, the nomination committee undertook a search to find a successor for Rosemary as audit and risk committee chair. The Board followed the committee's recommendation, and on 25 October, appointed Julia Goh. Julia's biography is included on page 21. She will be standing for election with the other Directors at the AGM.

I would like to take this opportunity to thank Rosemary on behalf of the Board, for her valuable contribution both as a non-executive and Senior Independent Director, and as audit and risk committee chair.

## Management fee

The Board agreed with the Manager to reduce its management fees and, with effect from 1 April 2021, the management fee decreased to 0.75% per annum on the first £600 million of net assets and 0.70% per annum on net assets in excess of £600 million. The full details of the fees paid to the Manager are set out in the Directors' Report on page 23.

## Environmental, Social and Governance issues ("ESG")

The Manager has always expressed the view that companies with good ESG often perform better and deliver superior returns over time. Our portfolio managers have provided more details in the Strategic Report on how ESG considerations are incorporated into the investment process and given details of the Manager's ESG research capability. This year, our portfolio managers have included a table showing sensitive sectors, as well as some comparative data on the portfolio's scope 1 and scope 2 carbon emissions (as detailed on page 15, this covers 88.67% of the portfolio and 88.63% of the measured Benchmark). It is interesting to note that the portfolio generated significantly less scope 1 and scope 2 carbon emissions than the Benchmark at 30 September 2021.

The Board hopes investors will appreciate this additional information and will continue to keep ESG issues under review, both from an investment perspective, but also on

# Chairman's Statement

behalf of the Company. On this latter point, the Board is pleased to see that Schroders, as the Company's key service provider, continues to evolve its approach towards sustainability, as set out on page 12.

## Outlook

Since reaching an aggregate all-time high in January 2021, Asian markets have lagged global markets primarily due to negative sentiment from regulatory announcements coming out of China. Other markets such as India have performed very strongly, resulting in a wide divergence of returns.

Asian markets remain volatile and dynamic with a wide range of valuation disparities across countries and sectors. Volatility is likely to continue in 2022 as a myriad of material issues evolve; be it China's regulatory policies, COVID-19, supply constraints, geopolitics, or changes in monetary policy.

As the Company's long-term outperformance of the Benchmark has demonstrated, the importance of active management during uncertain times cannot be understated. There is no doubt that continued shifts of sentiment and market dislocations will present attractive opportunities to our portfolio managers. Drawing on the strength and depth of Schroders' analysts in Asia, they will continue to focus on identifying attractively valued companies with the potential for growth, using a disciplined investment approach grounded on fundamental bottom-up research. I am sure this will continue to serve our shareholders well and look forward to the next year with cautious optimism.

## AGM

The AGM will be held on Tuesday, 1 February 2022 at 12.00 noon, at the Company's registered office. Subject to any restrictions on meetings at that time, shareholders are welcome to attend in person.

Last year, the Manager presented to shareholders using a webinar. We believe shareholders benefited from this, allowing anyone to watch remotely, and ask questions, without the need to travel. The Board is planning to continue with this format this year, and Richard and Abbas will be presenting to shareholders at a webinar on 20 January 2022 at 2.00 pm. You can sign up here: https://registration.duuzra.com/form/SAPFregistration2021.

One advantage of a webinar is that if you are not able to attend at this time, you will be able to watch it afterwards. It will be available on the Company's webpages at: www.schroders.co.uk/asiapacific. However, the Board appreciates that shareholders may also wish to travel to London and meet the Directors, Richard and Abbas in person and ask questions. A presentation from the portfolio managers will also be given at the AGM, and attendees will be able to ask questions in person then.

The formal business of the AGM will be held after the presentation. We recommend that shareholders cast their votes by proxy. If shareholders have any questions for the Board, please write in, or email using the details below. The questions and answers will be published on the Company's webpages before the AGM.

To email, please use: amcompanysecretary@schroders.com or write to us at the Company's registered office address: Company Secretary, Schroder AsiaPacific Fund plc, 1 London Wall Place, London, EC2Y 5AU.

For regular news about the trust, shareholders are also encouraged to sign up to the Manager's investment trusts update by visiting the Company's website: https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/.

## 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 to always 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 comply with Financial Conduct Authority's rules regarding restrictions on the transfer of shares, 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 Directors' report on pages 58 and 59.

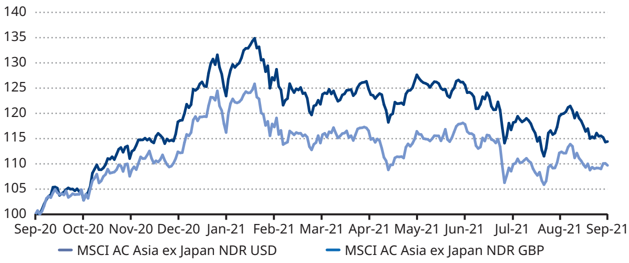
**James Williams**
Chairman

8 December 2021

# Investment Manager's Review

The net asset value per share of the Company recorded a total return of +14.6% over the twelve months to end September 2021. This was ahead of the performance of the benchmark, the MSCI All Country Asia ex Japan Index, which was up 9.7% over the same period. (Source: Morningstar, net of fees).

### Performance of the MSCI AC Asia ex Japan Net Dividends Reinvested Index in GBP and USD – 30 September 2020 to 30 September 2021




Source: Thomson Datastream as at 30 September 2021.

Past Performance is not a 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. Exchange rate changes may cause the value of any overseas investments to rise or fall.

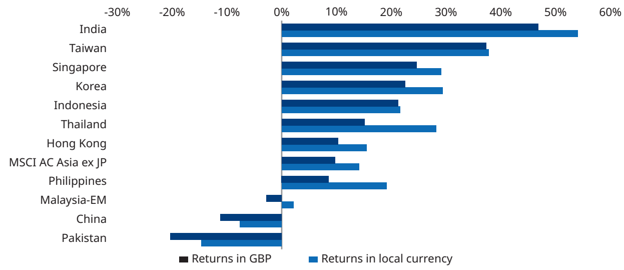
As the chart above illustrates, equity markets made strong progress through the latter part of 2020 and the start of 2021, buoyed by improving earnings revisions, expectations of greater fiscal stimulus following the US elections, strong liquidity, a weakening dollar and progress on the development of a number of vaccines for COVID-19. However, in the second half of the period Asian markets lagged global markets. This was in large part due to a significant increase in regulatory announcements coming out of China. Further outbreaks of COVID-19 across the region added to volatility given the relatively low levels of vaccinations compared to some Western economies.

The divergence of returns across the regional markets continued to be high with technology-heavy Korea and Taiwan both up strongly over the period, benefiting from upward earnings revisions driven by ongoing strong export demand for semiconductors and technology products. India though was the top performing market as it recovered from the severe first wave of COVID-19. Easy monetary policy and the announcement of some structural reforms in areas such as the labour market helped boost investor sentiment with both foreign investors and retail shareholders increasing market participation. Domestic cyclical and interest rate sensitive sectors such as materials, industrials, real estate and financials performed particularly well. Singapore also performed solidly, aided by a strong recovery in the financial and real estate sectors.

Of the larger markets, China was the clear underperformer. The market was unsettled by a marked increase in new regulations introduced including as part of President Xi's focus on 'Common Prosperity'. These initiatives are designed, in part, to help address growing inequality by rebalancing the benefits of economic growth towards labour and smaller businesses and reducing basic costs for the working population. Although the biggest market impact was felt by the internet names, the number of sectors covered by policy announcements expanded to include education, gaming and property, which led to a broad-based sell-off.

Smaller ASEAN markets continued to lag for most of the period, hampered by concerns over further outbreaks of COVID-19, given their relatively low vaccination rates. However these markets started to do better towards the end of the period in response to higher vaccination rates and improved prospects for reopening.

## Country returns of the MSCI AC Asia ex Japan Net Dividends Reinvested Index in GBP and local currency – 30 September 2020 to 30 September 2021




Source: Factset.

Past Performance is not a 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.

Sector returns across the region also diverged widely, in part reflecting the recovery in growth seen globally. More economically-sensitive sectors such as materials, information technology, and industrials as well as some financials did well. Although some of the defensive stocks in sectors such as healthcare and staples did lag, towards the end of the period we did see some of the more thematic growth stocks do well as people questioned whether global growth had peaked. The consumer discretionary sector was the worst performing sector in large part due to its heavy weighting in some of the Chinese e-commerce names which were at the forefront of new regulatory announcements.

## Performance and Portfolio Activity

The Company's positive NAV total return of 14.6% over the period compared favourably with that of the reference benchmark which rose 9.7% over the period. Our significant underweight to China, as well as our positions in India and Singapore contributed positively to relative performance, for the reasons outlined above. In both markets we increased our weights through the period, moving from an underweight to overweight in India and an increasing overweight allocation to Singapore. The portfolio also benefited from positive stock selection in Singapore and Korea. In Singapore, our portfolio profited from a significant overweight position in SEA, a regional e-commerce and mobile gaming company. In Korea, our overweight holdings in Samsung Electronics and battery manufacturer Samsung SDI contributed positively. Several of the Company's non-index holdings, for example semiconductor equipment manufacturer ASML and our exposure to Vietnam, also performed strongly in the year.

# Investment Manager's Review

Stock selection in China was negative, as some of our holdings in the internet, gaming and education sectors came under pressure as a result of the tougher regulatory environment. Not owning some of the more thematic areas of the market such as in electric vehicles and biotech where we felt valuations were excessive also detracted. However, this was more than offset by our large underweight to China in aggregate, as well as our positive stock selection in Hong Kong.

From a sector perspective, the most significant contribution was from information technology, where we saw positive value added from both our overweight allocation and our stock selection within that sector.

The geographic exposure in the Company's portfolio continues to be mainly spread between China, Korea, Taiwan, India and Hong Kong. China remains a substantial underweight but is, in part, offset by the overweight to Hong Kong.

During the period the underweight to China increased as we reduced exposure to a number of our holdings in companies facing higher regulatory uncertainty. In our view, the higher uncertainty over the outlook for returns under the new policy environment outweighs the lower valuations now seen in many of those companies most affected. Furthermore, concerns over increased regulation as well as ongoing restrictions on travel due to COVID-19 led us to sell our Macau gaming exposure.

Other moves over the period have tended to take advantage of the increased valuation spread that we saw through last year, reducing those stocks that performed particularly strongly and looked more fully valued in favour of those names that had lagged and looked more attractive from a valuation perspective. This involved adding to financials, including in some of the South East Asian markets such as Thailand, Singapore and Indonesia. During the first half of the period we also added to India, which had been under pressure for much of 2020, as it started to look relatively more attractive, whilst taking profits on some of the more growth-orientated names in North Asia that had done particularly well including some of the information technology names. However, the information technology sector saw increased volatility during the latter part of the period, in part due to ongoing COVID-19 disruptions and concerns around the sustainability of work from home demand looking into next year. This did provide some opportunity to add back to attractive names in the sector, which remains the biggest sectoral exposure in the fund. With India performing very strongly, valuations in some areas now look extended and have led to us to taking some profits. Although the long term growth drivers for India still look very attractive, in the short term the market does look more frothy as evidenced by the increasing numbers of IPOs and foreign inflows which have in part been driven by the increased concerns around investing in China.

## Outlook and Policy

Asian markets have lagged global ones over the last year. In part this has been driven by what's going on in China both from a regulatory and economic perspective. Regulatory announcements have accelerated to encompass more and more areas of the economy with the mention of 'common prosperity' becoming increasingly common in speeches and the press. This is being driven by concerns over growing inequality being seen across China, where growth may have all but eliminated 'extreme poverty', but the spoils of that growth are not being shared equally. Many of the measures that have been announced are looking to address this and in particular rebalance the benefits of growth towards labour and smaller businesses and reduce the 'costs' of property, education and healthcare for ordinary people. Although many of these objectives are understandable, for us as investors, the increased regulatory uncertainty makes it harder to assess the future returns that a business can potentially make and, therefore, what valuation we should attach to it. Although we don't believe that the authorities are seeking to eliminate the profitability of the private sector or indeed stop foreign investment into China, it does leave us circumspect in our approach there until we get greater clarity. We are of course still looking for new opportunities that are relatively unaffected by the regulatory changes but have been unfairly caught up in its fallout.

Outside of regulation in China there continue to be concerns over the indebtedness of some property companies, especially the residential developer Evergrande. Given the closed capital account and that the state effectively controls the banks and state owned developers, we believe the issue is manageable. However, policy error remains a risk given the importance of an already slowing property market to GDP and that, unlike many other countries, China has been deliberately keeping policy relatively tight post the COVID-19 crisis. Therefore, given China's economy is slowing, we would expect to see some easing going forward.

Elsewhere in the region there continue to be signs of shortages and rising costs, so a company's ability to pass through cost pressures is key. With price rises being seen globally in many areas, the question of whether inflation will be transitory or more structural remains and it is likely that we see renewed concerns over tightening and tapering going forward. Although most economies in Asia remain better placed than in 2013 when we last saw a prolonged tapering episode, and corporate balance sheets are generally strong versus other regions, valuations in some 'high growth' areas may come under scrutiny. Perhaps the biggest risk of rising prices, especially energy costs, is that they have a greater impact on consumer spending than currently expected thus reducing demand for Asian products. In the information technology sector we continue to see some strong long term drivers for growth around digitisation and the roll out of 5G and 'Internet of Things', but in the near term some areas have disproportionately benefited from increased demand for product in areas such as work from home.

Whilst vaccination rates for many Asian countries have lagged those of the likes of the UK, we have more recently seen rates increase materially and in some cases surpass that of the UK. This hopefully will allow economies to increasingly open up as we go into next year which, aside from the humanitarian benefit, should reduce the number of lockdowns and lost output as well as bringing benefits to countries more dependent on tourism, such as Thailand.

To conclude, markets have recovered materially from their COVID-19 lows in part due to the recovery that has been seen in global growth. So although markets are trading above their long-term average aggregate historic valuations this premium has come down reflecting the fact that earnings have been revised up significantly during the course of 2021.

# Investment Manager's Review

In the near term we believe further upside to the market is relatively limited owing to the ongoing regulatory overhang, where valuations sit and given we are at or close to maximum monetary and fiscal accommodation. However, this remains at an aggregate level and when we, as an active stock picker, look across the different industries and sectors there is a much wider range of valuations on offer, as well as a number of companies with attractive growth prospects. Therefore, a focus on attractive bottom-up ideas, in our view, remains essential.

## Country Weights – Company vs. Benchmark

| | Net Asset Value Weight (%) | | Benchmark Weight (%) |
|---|---|---|---|
| | 30-Sep-21 | 30-Sep-20 | 30-Sep-21 |
| Hong Kong | 12.4 | 15.9 | 7.3 |
| China | 18.3 | 30.1 | 38.8 |
| Korea | 16.7 | 14.8 | 14.5 |
| Taiwan | 16.2 | 12.9 | 16.9 |
| Singapore | 7.3 | 5.1 | 2.8 |
| Malaysia | – | – | 1.5 |
| Indonesia | 1.4 | 1.6 | 1.6 |
| Thailand | 1.6 | – | 1.9 |
| Australia | 2.9 | 3.6 | – |
| India | 15.2 | 8.1 | 14.0 |
| Philippines | 0.1 | 0.1 | 0.7 |
| Pakistan | – | – | – |
| Other equities* | 8.5 | 8.0 | – |
| Gearing/cash and other | -0.6 | -0.2 | – |
| **Total** | **100.0** | **100.0** | **100.0** |

*Source: Schroders, MSCI, 30 September 2021. *Vietnam, Netherlands, UK (a unit trust), Italy and Germany.*

**Schroder Investment Management Limited**

8 December 2021

# Investment Portfolio as at 30 September 2021



Investments are classified by the Manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 65.2% (30 September 2020: 70.1%).

| | £'000 | % |
|---|---|---|
| **Mainland China** | | |
| **Tencent Holdings[1]** | **54,134** | **5.0** |
| **Alibaba[1]** | **40,094** | **3.7** |
| **Midea (including A shares and LEPO[2])** | **28,949** | **2.7** |
| JD.com[1] | 15,705 | 1.5 |
| Ping An Insurance H[1] | 14,668 | 1.4 |
| Yum China[2] | 14,045 | 1.3 |
| Shenzhou International[1] | 10,632 | 1.0 |
| Hongfa Technology A | 10,360 | 1.0 |
| Oppein Home | 5,991 | 0.6 |
| **Total Mainland China** | **194,578** | **18.2** |
| **South Korea** | | |
| **Samsung Electronics (including preference shares)** | **103,133** | **9.6** |
| **Naver** | **25,630** | **2.4** |
| **Samsung SDI** | **20,291** | **1.9** |
| LG Household & Health Care | 11,017 | 1.0 |
| SK Hynix | 10,817 | 1.0 |
| NHN KCP | 6,054 | 0.6 |
| Amorepacific Group (preference shares) | 1,395 | 0.1 |
| **Total South Korea** | **178,337** | **16.6** |
| **Taiwan** | | |
| **Taiwan Semiconductor Manufacturing** | **98,978** | **9.3** |
| **Hon Hai Precision Industries** | **21,793** | **2.0** |
| **Mediatek** | **19,273** | **1.8** |
| Delta Electronics | 11,462 | 1.1 |
| Largan Precision | 7,445 | 0.7 |
| Giant Manufacturing | 6,810 | 0.6 |
| Novatek Microelectronics | 6,210 | 0.6 |
| **Total Taiwan** | **171,971** | **16.1** |

| | £'000 | % |
|---|---|---|
| **India** | | |
| **HDFC Bank** | **36,085** | **3.3** |
| **Reliance Industries** | **30,545** | **2.9** |
| **Maruti Suzuki** | **25,199** | **2.4** |
| **ICICI Bank (including ADR[2])** | **23,450** | **2.2** |
| **Apollo Hospitals Enterprise** | **19,691** | **1.8** |
| Container Corporation | 11,626 | 1.1 |
| Gujarat Pipavav Port | 8,077 | 0.8 |
| Alembic Pharmaceuticals | 3,221 | 0.3 |
| Multi Commodity Exchange of India | 3,216 | 0.3 |
| **Total India** | **161,110** | **15.1** |
| **Hong Kong (SAR)** | | |
| **AIA** | **28,147** | **2.6** |
| BOC Hong Kong | 18,246 | 1.7 |
| Techtronic Industries | 16,716 | 1.6 |
| Kerry Properties | 13,584 | 1.3 |
| Hong Kong Exchanges and Clearing | 12,752 | 1.2 |
| Hang Lung Properties | 11,110 | 1.0 |
| Swire Properties | 8,495 | 0.8 |
| ASM Pacific Technology | 6,596 | 0.6 |
| Fortune Real Estate Investment Trust | 6,540 | 0.6 |
| Johnson Electric | 5,563 | 0.5 |
| NetEase | 2,789 | 0.3 |
| Chow Sang Sang | 894 | 0.1 |
| **Total Hong Kong (SAR)** | **131,432** | **12.3** |
| **Singapore** | | |
| **Sea ADR[2]** | **31,708** | **2.9** |
| Oversea-Chinese Banking | 15,288 | 1.4 |
| Singapore Exchange | 13,828 | 1.3 |
| United Overseas Bank | 10,305 | 1.0 |
| Jardine Cycle & Carriage | 6,955 | 0.7 |
| **Total Singapore** | **78,084** | **7.3** |

# Investment Portfolio as at 30 September 2021

| | £'000 | % |
|---|---|---|
| **Australia** | | |
| **BHP Billiton[3]** | **22,496** | **2.1** |
| Orica | 8,053 | 0.8 |
| **Total Australia** | **30,549** | **2.9** |
| **Vietnam** | | |
| **Dragon Capital Vietnam Enterprise Investments[3]** | **25,255** | **2.4** |
| **Total Vietnam** | **25,255** | **2.4** |
| **Netherlands** | | |
| **ASML** | **24,944** | **2.3** |
| **Total Netherlands** | **24,944** | **2.3** |
| **United Kingdom** | | |
| **Schroder Small Cap Discovery Fund Z Acc[4]** | **20,216** | **1.9** |
| **Total United Kingdom** | **20,216** | **1.9** |
| **Thailand** | | |
| Kasikornbank NVDR | 12,232 | 1.1 |
| Bangkok Dusit Medical Services NVDR | 4,985 | 0.5 |
| **Total Thailand** | **17,217** | **1.6** |
| **Indonesia** | | |
| Bank Mandiri | 14,719 | 1.4 |
| **Total Indonesia** | **14,719** | **1.4** |
| **Italy** | | |
| Prada[1] | 10,117 | 0.9 |
| **Total Italy** | **10,117** | **0.9** |
| **Germany** | | |
| Adidas | 9,881 | 0.9 |
| **Total Germany** | **9,881** | **0.9** |
| **Philippines** | | |
| Holcim Philippines | 578 | 0.1 |
| **Total Philippines** | **578** | **0.1** |
| **Total Investments[5]** | **1,068,988** | **100.0** |

[1]Listed in Hong Kong.
[2]Listed in the USA.
[3]Listed in the United Kingdom.
[4]Predominantly invested in Asia.
[5]Total investments comprises the following:

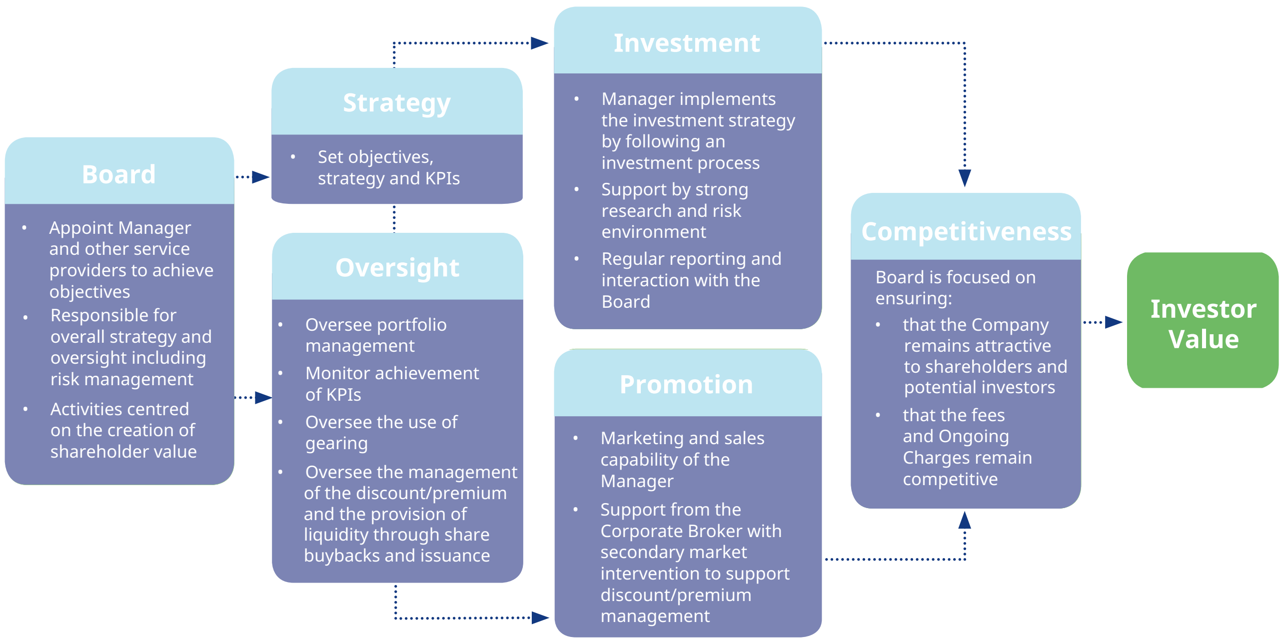
| | £'000 | % |
|---|---|---|
| Equities, including ADRs, LEPOs and NVDRs | 1,002,509 | 93.7 |
| Collective investment funds | 45,471 | 4.3 |
| Preference shares | 21,008 | 2.0 |
| Total investments | 1,068,988 | 100.0 |

The following abbreviations have been used above:
ADR: American Depositary Receipt
LEPO: Low Exercise Price Option
NVDR: Non Voting Depositary Receipt

# 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 process and promotion activities are described in more detail below.

## Investment process

Stock selection is at the heart of the investment approach. A key strength of the Manager is its network of analysts in Asia whose focus is on identifying companies able to grow shareholder value in the long term. Although the in-house analysts are the primary source of stock ideas, the portfolio managers also generate stock ideas through their own research and draw on a number of other sources including other investment professionals within Schroders, a proprietary quantitative screen and sell-side analysts. A country allocation process is carried out on a monthly basis, combining the output of a proprietary quantitative model and the qualitative views of the portfolio manager.

### Stock research

The Manager believes that equity markets are not efficient in Asia, and to generate alpha over the long term the best approach is to focus on fundamental bottom-up stock analysis. In particular, the Manager's analytical focus is on the future trend in a company's return on invested capital ("ROIC"), in the belief that this reflects the attractiveness and sustainability of the business model and serves as a predictor of long-term shareholder returns.

Given this focus on fundamental research, it forms a key input into the fund manager's stock selection decisions. The Manager has 40 dedicated equity analysts across the Asia Pacific ex Japan region, who have an average of over 15 years' investment experience, seven of which have been with Schroders (September 2021). As a result of their level of experience, these analysts have an exceptional knowledge of Asian markets and the companies within them. The foundation of the Manager's internal research is a programme of over 2,300 (calendar year 2020) company contacts each year from their local offices, with the majority of Schroders' analysis being done using internal research and company valuation models.

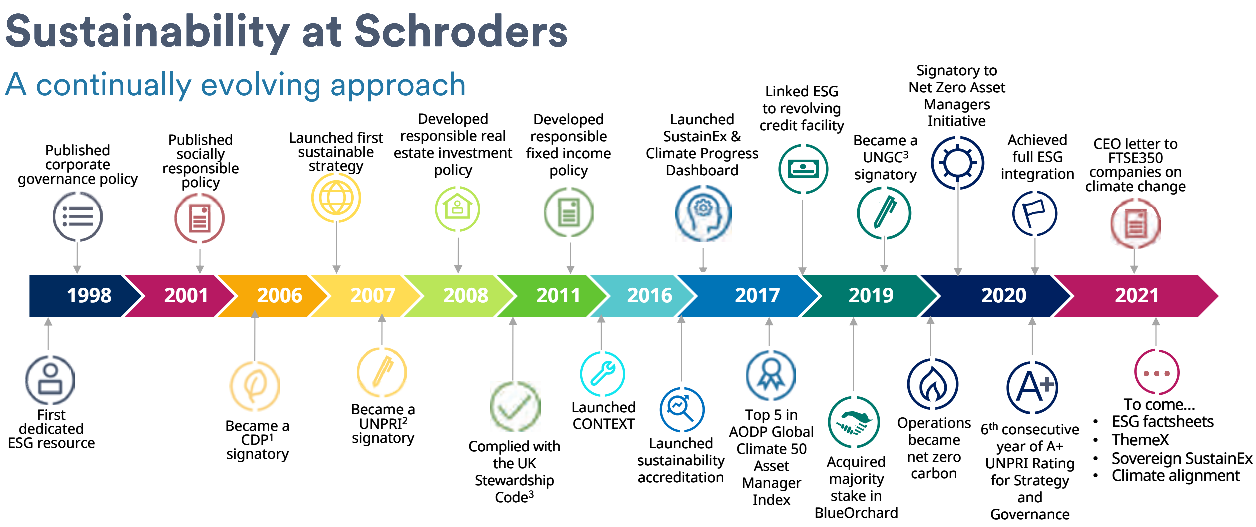
This is supplemented by other resources across the Schroders group including the ESG and Data Insight Unit teams as well as other equity teams focussed on Global and Emerging markets.

# Strategic Report

## Integration of ESG into the investment process

### How are ESG factors incorporated 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.




'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, January 2021
[1]Carbon Disclosure Project. [2]UN Principles for Responsible Investing. 3UN Global Compact

For a long time, the Manager has incorporated into its decision making a thorough assessment of management quality, environmental, social and governance factors, whether implicitly or explicitly. Schroders recognises the importance of appraising both financial and non-financial factors when analysing a company and its security. The Manager believes that integrating an analysis and evaluation of ESG factors in the security valuation and selection process is key to enhancing and protecting long-term shareholder value. The appraisal of non-financial factors, including ESG considerations, contributes to a better understanding of a company's risk characteristics and return potential.

As long-term, bottom-up investors, assessing the sustainability of a company's returns and financial position has always been at the core of the Manager's research and investment decisions in Asia. Consistent with this approach the Manager engages with company management teams (Schroders conducts over 2,300 meetings a year (calender year 2020)), as well as voting at all investee company general meetings where practically possible. Schroders' analysts are directly responsible for assessing ESG risks and opportunities as the Manager believes they are best placed to understand their companies and determine the impact of ESG issues on the sustainability of the business.

ESG analysis is an integrated and important part of the investment process from initial screening through to final portfolio construction. ESG analysis impacts the investment process in four direct ways:

1. Initial screening – ESG helps determine which companies the Manager consider to be investable as part of the initial screening.

2. Sustainability of earnings – ESG analysis helps understand the impact ESG externalities may have on the future earnings power of the business and with it the assessment of the return on invested capital ("ROIC") and shareholder return classification ("SRC") of the company.

3. Fair Value and recommendation – ESG is an indirect and direct input into the fair value estimate of a company. Indirect, to the extent that a company's SRC may influence the assumptions used in establishing the fair value estimate of a company; and direct, to the extent that Schroders may apply an additional explicit discount/premium to that fair value estimate.

4. Portfolio construction – ESG helps shape portfolio construction and may influence how the Manager assesses investments. For example, poor ESG performance or heightened ESG risks may result in a decision to underweight a security, hold a smaller position size or avoid an investment completely. There is no automatic rule – each investment opportunity is assessed on a case-by-case basis, with the focus on the materiality of ESG factors on a company's valuation and risk profile.

*The above ESG research framework covers investments in companies covered by our team of locally based Asia ex Japan analysts. The detail of ESG coverage in other regions where analysts report locally (eg Australia, India) may differ, but is underpinned by the same broad approach.

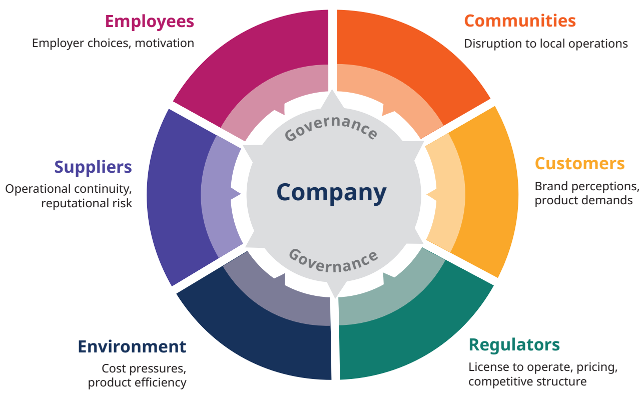
In summary, ESG analysis helps determine which companies the Manager looks at, how Schroders assesses their sustainability and, hence, how they value them. And while company valuations ultimately drives portfolio construction, ESG insights play a crucial role in the investment process and influence the size of positions in the portfolio. Furthermore, ESG analysis is broad reaching and the Manager is not only interested in the potential downside risks that they may identify, but also the upside return implications for stocks the Company invests in.

## Asia ex Japan ESG analysis in practice

Schroders' Asian Equity analysts are expected to provide written ESG analysis for all companies under coverage. This identifies and assesses the potential effect of ESG issues on the investment case.

To help the ESG analysis to be more robust and more integrated, it draws on the proprietary tools developed by Schroders such as Context and SustainEx. Asia Context, which is the principal tool employed, captures the ESG analysis in one template using a stakeholder-based framework and is a key step in the overall assessment of a company. In addition to separate rankings for 'E', 'S' & 'G', the Manager generates an overall score for each company's ESG rating.

## Chart 1: Schroders Context Framework:




*Source: Schroders*

Schroders has always engaged with the companies that it invests in, and direct company contact is an important component of the initial due diligence and ongoing monitoring process. The Asia Context template provides a clearer, and broader, roadmap on the issues requiring engagement. It has also helped refresh the team's focus on ROIC and enhances appreciation of the downside and upside risks to a company's business model. The analysts have the option to apply an explicit discount or premium to their fair value estimate as a result of their ESG analysis.

One of the Asian Equities team's greatest strengths is having experienced analysts working hand-in-hand with the experienced fund managers – often involving discussions from the beginning to the end of the research on a company. Many of the fund managers are ex-analysts and they are heavily involved in the discussions that underpin the ESG conclusions – especially given the inherent subjectivity of how certain ESG considerations will impact a company. Schroders does not expect its analysts to score the Asia Context templates in isolation – in many instances the team needs to build a team consensus on which issues to address and how to score them.

Portfolio managers will also take into consideration the overall balance of the portfolio when selecting stocks and sizing positions – looking, for instance, at overall sector and country weights. As part of that process a company's ESG characteristics may influence how portfolio managers size positions within a portfolio. The portfolio managers may elect to limit, or even rule out, exposure to a particular stock in view of a specific ESG concern. They assess each situation on its merits, focusing on the materiality of ESG factors on a stock's valuation and risk profile.

## Working with the Schroders Group's Sustainable Investment Team

Schroders has a team of 22** dedicated ESG professionals who develop proprietary ESG tools and oversee ESG analysis across Schroders.

The ESG specialists will also engage directly with companies, prioritising those with exposure to higher ESG risk and low ESG ratings. They attend company meetings with portfolio managers and analysts to discuss specific sustainability issues directly with company management, in addition to financial performance, as well as engaging with company sustainability experts directly.

Corporate Governance analysts in the team will also work alongside investors, and internal compliance and legal teams to ensure voting activities comply with the ESG policy.

To enhance the Asian team's ESG expertise, Schroders has a member of the Sustainable Investment team based in Asia attached to the team. This individual brings additional insight and perspective to the ESG analysis and ensures the investment team in Asia is kept fully informed of the relevant output of the ESG team in London.

In addition the Asian investment team collaborates with the Sustainable Investment team, participating both formally and informally, for instance, in a monthly ESG conference call together with other investors globally to discuss topical issues as well as ESG best practice.

**As at June 2021.

## Outcome of ESG integration into the investment process

### What is the outcome for the Company?

The process described above in relation to how the Manager approaches ESG results in a portfolio that is likely to be less exposed to areas that could be deemed 'sensitive' from an ESG perspective, and where there is 'sensitivity' it is likely to be to markets that are generally well regulated with a focus on the better practitioners. It should be noted that the Company does not screen out all companies in sensitive sectors, rather the process results in a much higher hurdle for stocks to get into the portfolio than might otherwise be the case. Below is a table that covers some of the more 'sensitive' sectors and the Company's exposure to them. Exposure to the more sensitive areas is limited. Where there is exposure in areas such as resources or gaming it has typically been to stocks that Schroders believes to be the better governed companies in those well regulated markets.

| Sector | Reasons for Caution | Approach | Approximate Company Exposure |
|---|---|---|---|
| **Agribusinesses/ Aquaculture** | Environmental, Social, Governance, (low barriers of entry, widespread questionable practices) | Avoid/small exposure | 0% |
| **Tobacco** | Social | Avoid | 0% |
| **Gambling** | Social, Governance. Licence to operate/promotional practices | Limited exposure to best-in-class players in well-regulated markets (eg Macau) | 0% |
| **Utilities (traditional)** | 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 | 0% |
| **Auto** | Environmental (regulations against the sector – too much hot money in EVs and multiple players will mean poor returns for all) | Avoid exposure to traditional OEMs, minimise exposure to supply chains/EV batteries | 3.1% OEMs (2 stocks*)<br>0.5% Supply chain<br>1.9% EV battery manufacture |
| **Resources** | Environmental, Social, Governance (questionable practices such as bribery and poor environmental and safety controls concerns widespread in Asia ex Australia) | Avoid except for Australian blue chips, with minimal thermal coal exposure | 2.1% (1 stock) |
| **Oil and Gas** | Environmental, Governance (regulations, unfavourable taxes, price takers, big carbon producers) | Limited exposure to sector ideally with a gas focus or self-help story | 2.9% (1 stock) O&G exposure principally downstream |
| **Property** | Environmental, Social, Governance (bribery issues, flooding, land clearance compensation, labour practices) | Exposure mainly Hong Kong and Singapore. | 3.7% (4 stocks) |
| **Defence** | Monopsony structure, corruption | Avoid | 0% |

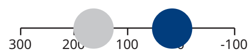
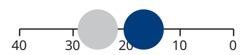
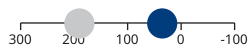
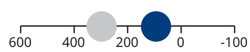
As at 30 September 2021

*Includes a conglomerate (0.7%) whose largest busienss is Auto but also has resource, energy and agri exposure.

# Strategic Report

Although the Company doesn't explicitly target a lower carbon footprint from its holdings than the Benchmark, the table below shows that this is currently the case. Whilst there are variations depending on the data source, and there isn't complete coverage of all stocks in the universe, on most measures below the Company appears better positioned than the Benchmark.

**Climate Portfolio Measures**

| Metric | Description | Portfolio | Benchmark | Units | Benchmark / Portfolio |
|---|---|---|---|---|---|
| Total scope 1 carbon emissions | The scope 1 GHG emissions attributable to $1mn invested in the portfolio (in tonnes), based on each company's emissions and the economic share of that company implied by a $1mn investment in the fund (Mtco2) | 16.45 | 164.80 | MtCO2 |  |
| Total scope 2 carbon emissions | The scope 2 GHG emissions attributable to $1mn invested in the portfolio (in tonnes), based on each company's emissions and the economic share of that company implied by a $1mn investment in the fund (Mtco2) | 16.44 | 24.83 | MtCO2 |  |
| Total scope 1&2 carbon emissions | The scope 1&2 GHG emissions attributable to $1mn invested in the portfolio (in tonnes), based on each company's emissions and the economic share of that company implied by a $1mn investment in the fund (Mtco2) | 32.90 | 189.63 | MtCO2 |  |
| Scope 1&2 carbon intensity | The average carbon intensity (tonnes CO2e/$mn of revenues) of portfolio companies, weighted by their position size | 92.04 | 295.33 | tCO2/$mn sales |  |
| **% AUM with data** | | **88.67** | **88.63** | | |

Source: MSCI, September 2021. Data is based on Schroders AsiaPacific Fund plc holdings at 30 September 2021. Reference benchmark is MSCI AC Asia ex Japan.

## Investment restrictions and spread of risk

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;

(b) no more than 10% of the Company's total net assets, at the date of acquisition, may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed investment companies;

(c) the Company will not invest more than 15% of its gross assets in other listed investment companies or investment trusts;

(d) no more than 15% of the Company's total net assets may be invested in open-ended funds; and

(e) no more than 25% of the Company's total net assets may be invested in the aggregate of unlisted investments and holdings representing 20% or more of the equity capital of any company. No breaches of these investment restrictions took place during the financial year.

The investment portfolio on pages 9 and 10 demonstrates that, as at 30 September 2021, the Company held 59 investments spread over multiple countries and in a range of industry sectors. The largest investment, Samsung Electronics, represented 9.6% of total investments. At the end of the year, the Company did not hold any unlisted investments or open-ended funds, except for the holdings in Dragon Capital Vietnam Enterprise Investments and the open-ended Schroder Small Cap Discovery Fund Z Acc, which represent 4.3% of total investments. The Board believes that the objective of spreading risk has been achieved.

# Strategic Report

## Gearing

The Company has a £100 million multi-currency revolving credit facility with SMBC. $15 million was drawn down at the year end. In addition, the Company has a £30 million multi-currency overdraft facility with HSBC, which was not utilised during the year. The Board has set parameters within which the Manager is authorised to use the credit facilities and draw down funds.

While the articles of association limit the amount of gearing the Company may have to a maximum of the Company's adjusted capital and reserves, Directors do not anticipate net effective gearing levels in excess of 20% of shareholders' funds.

## 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.

During the restrictions related to the COVID-19 pandemic, the Manager 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 attendances 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 professional investors where 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/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/.

Details of the Board's approach to discount management may be found in the Chairman's Statement on page 2 and in the Annual General Meeting – Recommendations on page 58.

## 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 63.

## Purpose, Values and Culture

The Company's purpose is to create long-term shareholder value.

The Company's culture is driven by its values: Openness, Responsiveness, Diligence and the pursuit of Excellence, with collegial behaviour and constructive challenge at Board level and when engaging with stakeholders. 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 potential risks faced by the Company. To the extent it does not conflict with the investment objective, the Company's operations are structured 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 30 September 2021, the Board comprised three men and two women. Since the end of reporting period, Julia Goh has been appointed as a Director. 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 and ethnic backgrounds or cognitive and personal strengths. It will encourage any recruitment agencies it engages to find a range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit. 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.

#### Financial crime policy

The Company continues to be committed to carrying out its business fairly, honestly and openly operates a financial crime policy, covering bribery and corruption, tax evasion, money laundering, terrorist financing and sanctions, as well as seeking confirmations 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 has no significant greenhouse gas emissions and energy usage to report.

### 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 below, 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 requires the Manager to exercise the Company's voting rights in consideration of these issues, and receive reporting on them. The Company voted all of its proxy votes in line with the Manager's corporate governance policy. This covered 623 resolutions, of which the Company voted against management recommendations or abstained on 8.34%. This primarily involved votes where the Manager felt the interest of minority shareholders such as the Company was not adequately protected, for example on issuing shares without pre-emptive rights for existing shareholders, and where it was judged that the Board was insufficiently independent.

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-an-impact-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 compliance with the principles therein is reported on its website: https://www.schroders.com/en/sustainability/active-ownership/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 16 and Relations with Shareholders on page 17, the Company engages with its shareholders. The Board considers feedback from shareholders throughout the year when making decisions relating to, amongst other matters, discount management, the dividend and review of Board composition.

As detailed in "Purpose, Values and Culture" on page 16, 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, Nomination Committee and Management Engagement Committee Report.

Principal decisions by the Board during the year were: (1) to discuss and agree a plan for promotion strategy with the Manager; (2) to review the Company's discount management policy; (3) 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; and (4) to review and agree a revised investment management fee structure with the Manager. For each of 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 control 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 robust review at least annually. The last review took place in November 2021.

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 has determined they are not currently material for the Company.

Political risk includes the impact of trade wars and regional tensions. The Board believes that the Company's portfolio of equities in the Asia Pacific region shields the Company from Brexit-related risks. However, currency rates and borrowings drawn down by the Company 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**<br>The requirements of investors change or develop in such a way as to diverge from the Company's investment objectives, resulting in a wide discount of the share price to 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.<br>The share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis.<br>The marketing and distribution activity is regularly reviewed. The Company engages proactively with investors. |
| 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.<br>Annual consideration of management fee levels is undertaken. |
| **Investment management**<br>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.<br>The Manager also reported on the impact of COVID-19 on the Company's portfolio, and the market generally. The Manager reports on macro-economic events, including regional policies, quarterly.<br>Annual review of the ongoing suitability of the Manager.<br>Regular meetings with major shareholders to seek their views with respect to Company matters. |
| **Financial and currency**<br>The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in regional equity markets or a substantial currency fluctuation could have an adverse impact on the market value of the Company's investments. | The risk profile of the portfolio is considered and appropriate strategies to mitigate any negative impact of substantial changes in markets or currency are discussed with the Manager.<br>The Company has no formal policy of hedging currency risk but may use foreign currency borrowings or forward foreign currency contracts to limit exposure. |

| Risk | Mitigation and management |
|---|---|
| **Custody**<br>Safe custody of the Company's assets may be compromised through control failures by the depositary. | The depositary reports on the safe custody of the Company's assets, including cash and portfolio holdings which are independently reconciled with the Manager's records.<br>The review of audited internal controls reports covering custodial arrangements is undertaken.<br>An annual report from the depositary on its activities, including matters arising from custody operations is received. |
| **Gearing and leverage**<br>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 are imposed: gearing continues to operate within pre-agreed limits so as not to exceed 20% of shareholders' funds. |
| **Accounting, legal and regulatory**<br>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.<br>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. | The confirmation of compliance with relevant laws and regulations by key service providers is reviewed.<br>Shareholder documents and announcements, including the annual report, are subject to stringent review processes.<br>Procedures are established to safeguard against the disclosure of inside information. |
| **Service provider**<br>The Company has no employees and has delegated certain functions to a number of service providers. 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.<br>Regular reporting is provided by key service providers and monitoring of the quality of their services provided. The Directors also receive presentations from the Manager, depositary and custodian, and the registrar on an annual basis.<br>Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls is undertaken. |
| **Cyber**<br>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.<br>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 19 to the accounts on pages 51 to 56.

## Viability statement

The Directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 30 September 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 18 and 19 and in particular the impact of a significant fall in regional equity markets on the value of the Company's investment portfolio. 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.

The Directors also 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.

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 in 2026, the Directors have no reason to believe that such a resolution will not be passed by shareholders.

The Directors also considered 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.

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. 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 2022 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

8 December 2021

# Board of Directors



## James Williams

### Status: Independent non-executive Chairman

**Length of service:** 7 years – appointed a Director in August 2014
**Experience:** Mr Williams worked for 18 years in the investment banking industry for ING Barings, ABN AMRO and Commerzbank Securities including senior roles in Hong Kong, Bangkok and London. After leaving Commerzbank Securities in 2005 he became a partner at Saginaw Capital LLP until 2008.
**Committee membership:** audit and risk, management engagement and nomination committees
**Current remuneration:** £45,000 per annum (from 1 October 2021)
**Number of shares held:** 15,125*

## Keith Craig

### Status: Independent non-executive Director

**Length of service:** 6 years – appointed a Director in May 2015
**Experience:** Mr Craig served with the British Army after university and subsequently joined the Swire Group in Hong Kong and Manila in the 1980s and early 1990s. He was then a diplomat with the Foreign & Commonwealth Office for some years before moving back to Asia as a stockbroker, establishing WI Carr's business in the Philippines and subsequently running their global equity sales and trading operation, based in Hong Kong. He returned to London in 2000 and was CEO of Hakluyt, a strategic intelligence company, until 2017, when he founded Westbury Partners. He is a non-executive director of Oxford Nanoimaging, Chairman of the International Advisory Council of PJT Partners and a member of the advisory boards of the Bodleian Library and Cancer Research UK.
**Committee membership:** audit and risk, management engagement and nomination committees (chair of nomination committee)
**Current remuneration:** £33,000 per annum (from 1 October 2021)
**Number of shares held:** 12,587*

## Julia Goh

### Status: Independent non-executive Director

**Length of service:** 2 months – appointed a Director in October 2021
**Experience:** Ms Goh has 27 years of broad-based financial services experience in London. She was a Managing Director at Barclays Investment Bank from 2010-2018 in various senior front office positions including from 2017 the COO of Global Markets. She was a Managing Director and the Global Head of Prime Services Risk at Credit Suisse from 1998-2009. Prior to that, she was a risk manager at Nomura International. A Singaporean, she came to London in 1987 for her BSc at the LSE, followed by 5 years with PWC in corporate tax getting her ACA, before obtaining her MSc in Quantitative Finance. She is an independent non-executive director of Pension Insurance Corporation plc and also of its parent company, Pension Insurance Corporation Group, and a director of the charity, Children of the Mekong.
**Committee membership:** audit and risk, management engagement and nomination committees
**Current remuneration:** £33,000 per annum (from 1 October 2021)
**Number of shares held:** 10,000*

# Board of Directors

## Vivien Gould

### Status: Independent non-executive Director

**Length of service:** 2 years – appointed a Director in May 2019
**Experience:** Ms Gould has worked in the financial services sector since 1981. She was a founder director of River & Mercantile Investment Management Limited (1985) and served there as a senior executive and deputy managing director until 1994. She then served on the boards of a number of listed investment trusts, investment management companies and other financial companies. She also served on the boards of a number of charities, including the Stroke Association, where she chaired the investment committee. Ms Gould is currently a non-executive director and senior independent director of The Lindsell Train Investment Trust PLC, a non-executive director of Baring Emerging EMEA Opportunities PLC and a non-executive director of National Philanthropic Trust UK.
**Committee membership:** audit and risk, management engagement and nomination committees
**Current remuneration:** £33,000 per annum (from 1 October 2021)
**Number of shares held:** 5,000*

## Rosemary Morgan

### Status: Senior Independent non-executive Director

**Length of service:** 9 years – appointed a Director in July 2012
**Experience:** Mrs Morgan studied Japanese at university in Australia, Japan and the US and worked as a Japanese equity fund manager for 16 years at John Govett before joining the institutional client team at Fidelity. She was at RBS from mid-2007 where she managed long only and alternative funds of funds specialising in Japan, the Pacific Basin and Emerging Markets. The team moved to Aberdeen Asset Management in February 2010 and she retired in March 2012. She is the chair and a non-executive director of Nippon Active Value Fund plc and of JPMorgan Indian Investment Trust plc.
**Committee membership:** audit and risk, management engagement and nomination committees (chair of the audit and risk committee)
**Current remuneration:** £40,000 per annum (from 1 October 2021)
**Number of shares held:** 6,932*

## Martin Porter

### Status: Independent non-executive Director

**Length of service:** 4 years – appointed a Director in October 2017
**Experience:** Martin joined Robert Fleming Asset Management in 1984, and ran equity portfolios in both London and Japan. During his tenure in Japan, he became a holding board director of Jardine Fleming, responsible for the Japanese business. Returning to the UK in 2000, he took up the role of Chief Investment Officer, Equity and Balanced of Fleming Asset Management, before becoming Global Head of Equities of JP Morgan Asset Management, a position he held from 2003 to 2016 when he retired.
**Committee membership:** audit and risk, management engagement and nomination committees (chair of management engagement committee)
**Current remuneration:** £33,000 per annum (from 1 October 2021)
**Number of shares held:** 10,000*

*Shareholdings are as at 7 December 2021, full details of Directors' shareholdings are set out in the Remuneration Report on page 33.

# Directors' Report

The Directors submit their report and the audited financial statements of the Company for the year ended 30 September 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 biography is detailed on page 21. He 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 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 11 to 20 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 discount of the Company's shares to NAV per share, 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, administrative, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £700.4 billion (as at 30 June 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.

From 30 September 2020 until 31 March 2021, the Manager was currently entitled to a fee of 0.80% per annum on the first £600 million of assets chargeable and 0.75% per annum on chargeable assets in excess of £600 million.

Chargeable assets represent total assets less current liabilities other than short-term borrowings, less any cash up to the level of borrowings.

From 1 April 2021 onwards, the Manager is entitled to a fee of 0.75% per annum on the first £600 million of the cum income net assets, and 0.70% per annum on the cum income net assets in excess of £600 million. Also, from 1 April 2021, the accounting, administrative and company secretarial fee was fixed at £150,000 per annum.

# Directors' Report

The management fee payable in respect of the year ended 30 September 2021 amounted to £8,104,000 (2020: £6,514,000).

The accounting, administrative and company secretarial fee paid to the Manager, in the year ended 30 September 2021 was £130,000 (2019: £109,000). The fee continues to be subject to annual adjustment in line with changes in the Retail Prices Index.

Details of amounts payable to the Manager are set out in note 16 on page 50 of this report.

The Board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth and quality of resource to deliver superior returns over the longer term. The Manager is supported by significant depth of knowledge and experience in Asia, with regional resources and local analysts. Thus, the Board considers that the Manager's appointment under the terms of the AIFM agreement is in the best interests of shareholders as a whole.

### 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, as follows:

– 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.

### Registrar

Equiniti Limited has been appointed as the Company's registrar. Equiniti's services to the Company include share register maintenance (including the issuance, transfer and cancellation of shares as necessary), acting as agent for the payment of any dividends, management of company meetings (including the registering of proxy votes and scrutineer services as necessary), handling shareholder queries and correspondence and processing corporate actions.

## Compliance with the AIC Code of Corporate Governance

The Board of the Company has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the Principles and Provisions of the AIC Code, provides more relevant information to shareholders.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adopts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Financial Conduct Authority requires all UK listed companies to disclose how they have complied with the provisions of the UK Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 34 and 20 respectively, indicates how the Company has complied with the principles of good governance of the AIC 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 AIC Code. The nomination committee reviews Directors' remuneration and as such there is no separate remuneration committee.

## Revenue, final dividend and dividend policy

The net revenue return for the year, after finance costs and taxation, was £16,080,000 (2020: £13,253,000), equivalent to a revenue return per ordinary share of 9.66 pence (2020: 7.92 pence).

The Board has recommended the payment of a final dividend for the year ended 30 September 2021 of 9.70 pence per share (2020: 8.00 pence) payable on 7 February 2022 to shareholders on the register on 31 December 2021, subject to approval by shareholders at the AGM on 1 February 2022.

The recommended dividend of 9.70p exceeds the revenue return per share of 9.66p. However the quantum of the dividend payable amounts to £15,991,000, which is less than the distributable revenue available of £16,080,000, allowing a small retention of £89,000.

This anomaly arises because the revenue return per share is calculated using the weighted average number of shares in issue during the year.

The Board's policy is to pay out substantially all the Company's 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, is outlined over the next few pages.

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

# Directors' Report

## Other required Directors' Report disclosures under laws, regulations, and the AIC 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.

The articles of association contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting ("AGM") in 2026 and thereafter at five yearly intervals.

## Share capital and substantial share interests

The Board has authority to issue and buy back shares, as detailed in Annual General Meeting – Recommendations.

As at the date of this report, the Company had 164,420,716 ordinary shares of 10p in issue. No shares were held in treasury. 1,960,000 shares were bought back during the period ended 30 September 2021 and 440,000 were bought back after the year end. Accordingly, the total number of voting rights in the Company at the date of this report is 164,420,716. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 49. All shares in issue rank equally with respect to voting, dividends and any distribution on winding up.

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 as at 30 September 2021 | % of total voting rights |
|---|---|---|
| Investec Wealth & Investment Ltd | 16,677,722 | 9.99 |
| Rathbone Investment Management ltd | 8,524,340 | 5.09 |
| Schroders plc | 8,483,022 | 5.06 |
| City of London Investment Management Ltd | 8,281,930 | 4.96 |
| Standard Life Aberdeen plc | 8,299,097 | 4.95 |
| Wells Capital Management Inc | 8,255,649 | 4.93 |
| Lazard Asset Management LLC | 7,387,117 | 4.41 |

Following the year end and at the date of this report, Allspring Global Investments LLC notified the Company its holding of 8,277,161 shares represented 5.03% of the Company's total voting rights. This replaces the Wells Capital Management LLC holding, due to the change of name.

## 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. The Board also met for an additional six meetings during the year, attended by all Directors available at the time. The ad hoc meetings were held to consider recruitment, refinancing the credit facility, to discuss strategy, and to receive updates on the Company's performance. Ms Goh was appointed after the year end on 25 October 2021.

| Director | Board | Audit and Risk Committee | Nomination Committee | Management Engagement Committee[2] |
|---|---|---|---|---|
| James Williams | 4/4 | 2/2 | 2/2 | 2/2 |
| Nicholas Smith[1] | 2/2 | N/A | 1/1 | 1/1 |
| Keith Craig | 4/4 | 2/2 | 2/2 | 2/2 |
| Vivien Gould | 4/4 | 2/2 | 2/2 | 2/2 |
| Rosemary Morgan | 4/4 | 2/2 | 2/2 | 2/2 |
| Martin Porter | 4/4 | 2/2 | 2/2 | 2/2 |

[1]Mr Smith retired on 3 February 2021.
[2]The management engagement committee met in November 2020 and September 2021.

### 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

8 December 2021

Governance

# 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/asiapacific.

All Directors are members of the committee. Rosemary Morgan 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**<br>To establish a process for identifying, assessing, managing and monitoring the principal risks of the Company. | **Financial statements**<br>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**<br>To discuss any matters arising from the audit and recommendations made by the auditor. |
| **Emerging risks and uncertainties**<br>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**<br>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**<br>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 25. 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**<br>Reviewing the operational controls maintained by the Manager, administrator, depositary and registrar. | **Recognition of investment income**<br>Considered dividends received against forecast and the allocation of special dividends to income or capital. | **Effectiveness of the independent audit process and auditor performance**<br>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**<br>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 fee**<br>Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement. | **Auditor independence**<br>Ernst & Young LLP has provided audit services to the Company, for three years, since it was appointed on 30 September 2018.<br>The auditors are required to rotate the senior statutory auditor every five years. There are no contractual obligations restricting the choice of external auditors.<br>This is the third year that the senior statutory auditor, Caroline Mercer has conducted the audit of the Company's financial statements.<br>The Company is compliant with the provisions of the September 2014 Competition and Markets Authority Order, which requires that FTSE 350 companies put their audit out to tender at least every ten years. |
| **Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010**<br>Consideration of the Manager's report confirming compliance. | **Overall accuracy of the annual report and accounts**<br>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**<br>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**<br>Reviewing the principal risks faced by the Company and the system of internal control. | **Valuation and existence of holdings**<br>Quarterly review of portfolio holdings and assurance reports. | **Meetings with the auditor**<br>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**<br>Reviewing the emerging risks and uncertainties for the Company. | **Fair, balanced and understandable**<br>Reviewed the annual report and accounts to ensure that it was fair, balanced and understandable. | **Provision of non-audit services by the auditor**<br>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.<br>The auditor did not provide any non-audit services to the Company during the year. |
| | **Going concern and viability**<br>Reviewing the impact of risks on going concern and longer-term viability. | **Consent to continue as auditor**<br>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 30 September 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 34.

Having reviewed the performance of the auditors as described above, 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.

**Rosemary Morgan**
Audit and risk committee chair

8 December 2021

# 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. Martin Porter is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/asiapacific.

## Approach

### Oversight of the Manager

The committee:

- reviews the Manager's performance, over the short and long term, against the Benchmark, 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, and noted the fees and notice period had been reduced during the year.

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 Manager, registrar, and depositary and custodian's internal controls.

**Recommendations made to, and approved by, the Board:**

- That the ongoing appointment of the Manager on the terms of the AIFM agreement 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. Keith Craig is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/asiapacific.

## Oversight of Directors

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

## Approach

### Selection and induction

- The 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.
- A job specification outlines the knowledge, professional skills, personal qualities and experience requirements.
- Potential candidates are assessed against the Company's diversity policy.
- The committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board.
- The committee reviews the induction and training of new Directors.

### Board evaluation and Directors' fees

- The committee assesses each Director annually, and will use an external Board evaluator every three years.
- The 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.
- The committee reviews Directors' fees, taking into account comparative data and reports to shareholders. No Directors are involved in making recommendations with respect to their own remuneration.
- Any proposed changes to the remuneration policy for Directors is discussed and reported to shareholders.

### Succession

- 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.
- The committee reviews the Board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process.
- The committee oversees the handover process for retiring Directors.

**For application see page 30**

# Nomination Committee Report

<table>
<tr><th colspan="3">Application during the year</th></tr>
<tr><th>Selection and induction</th><th>Board evaluation and Directors' fees</th><th>Succession</th></tr>
<tr><td>

- The committee noted the process relating to Mr Williams' appointment as Chairman concluded following his appointment at the 2021 AGM, as reported in the prior annual report.
- The committee met to discuss Mrs Morgan's succession and the appointment of a new independent non-executive Director, agreed a job specification and appointed Odgers, an independent search agency with no connections to the Board, to lead the process. The committee reviewed the short list provided by Odgers and invited a number of candidates for interview.
- The committee interviewed the selected candidates and following that process recommended that Ms Goh be appointed as an independent non-executive Director, to succeed Mrs Morgan as audit and risk committee chair following her retirement at the forthcoming AGM. Ms Goh was selected based on her skills and experience, as detailed in her biography, on page 21.

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- The Board and committee evaluation process was undertaken during the year, using Lintstock, an independent third party agency, and the evaluation concluded in September 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. 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 21 and 22.
- 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 be increased as detailed in the Directors' Remuneration Report on page 31.

</td><td>

- The committee reviewed the succession policy and agreed it was still fit for purpose.
- The committee noted that Mrs Morgan would be retiring at the AGM in 2022 and Ms Goh had been appointed as audit and risk committee chair elect.

</td></tr>
</table>

**Recommendations made to, and approved by, the Board:**

- That Ms Goh be appointed as an independent non-executive Director, and that she succeed Mrs Morgan as audit and risk committee chair following the forthcoming AGM.
- That Directors' fees be increased, as detailed in the Directors' Remuneration Report on page 31.
- That all Directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board, contribute towards the Company's long-term, sustainable success, 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 following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM in 2023 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 30 January 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. 108,823 votes were withheld.

At the AGM held on 3 February 2021, 99.84% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the report on remuneration for the year ended 30 September 2020 were in favour, while 0.16% were against. 64,945 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 level of fees set out in the Company's articles of association. This aggregate level of fees is currently set at £300,000 per annum 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 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 Directors' remuneration policy was implemented during the year ended 30 September 2021.

### Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the nomination committee and the Board in November 2021. The members of the Board at the time that remuneration levels were considered are as set out on pages 21 and 22 of this annual report. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts 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 be increased. Effective from 1 October 2021, the Chairman would receive a fee of £45,000 per annum, the Chair of the audit and risk committee £40,000 per annum and the other Directors £33,000 per annum. They were last increased with effect from 1 October 2019.

# 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 30 September 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 "Financial highlights".

| | Fees | | Taxable benefits[1] | | Total | | Change in annual fee rate over two years ended 30 September |
|---|---|---|---|---|---|---|---|
| Director | 2021 £ | 2020 £ | 2021 £ | 2020 £ | 2021 £ | 2020 £ | 2021 % |
| James Williams (Chairman)[2] | **38,509** | 30,000 | **1,625** | 515 | **40,134** | 30,515 | 43.3 |
| Keith Craig | **30,000** | 30,000 | **542** | 85 | **30,542** | 30,085 | 0.0 |
| Vivien Gould | **30,000** | 30,000 | **1,922** | 2,535 | **31,922** | 32,535 | 0.0 |
| Rosemary Morgan | **38,000** | 38,000 | **330** | 114 | **38,330** | 38,114 | 0.0 |
| Martin Porter | **30,000** | 30,000 | **248** | 85 | **30,248** | 30,085 | 0.0 |
| Nicholas Smith[3] | **14,687** | 43,000 | **–** | 569 | **14,687** | 43,569 | 0.0 |
| | **181,196** | 201,000 | **4,667** | 3,903 | **185,863** | 204,903 | |

[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 3 February 2021.
[3]Retired as Chairman and from the Board on 3 February 2021.

The information in the above table has been audited.

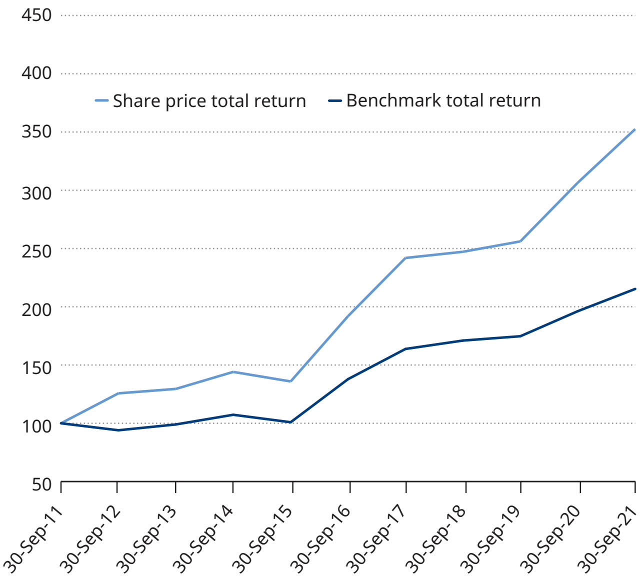
## Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration payable to Directors to the distributions paid to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

| | Year ended 30 September 2021 £'000 | Year ended 30 September 2020 £'000 | Change % |
|---|---|---|---|
| Remuneration payable to Directors | 186 | 205 | (9.3) |
| Distributions paid to shareholders | | | |
| – Dividends paid during the year | 13,346 | 16,245 | |
| – Share buybacks | 11,836 | 3,217 | |
| **Total distributions paid to shareholders** | 25,182 | 19,462 | +29.4 |

The information in the above table has been audited.

## Ten year share price and Benchmark total returns[1]




[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2011.

Definitions of terms and performance measures are provided on page 63.

# 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.

| | Ordinary shares of 10p each at 30 September 2021 | Ordinary shares of 10p each at 1 October 2020 |
|---|---|---|
| James Williams | **10,125** | 10,125 |
| Nicholas Smith[1] | **N/A** | 20,000 |
| Keith Craig | **12,581** | 12,581 |
| Julia Goh[2] | **N/A** | N/A |
| Vivien Gould | **5,000** | 5,000 |
| Rosemary Morgan | **6,954** | 6,993 |
| Martin Porter | **10,000** | 10,000 |

[1]Mr Smith retired on 3 February 2021.

[2]Ms Goh was appointed on 25 October 2021.

The information in the above table has been audited.

Since the year end, Mrs Morgan sold 22 shares, reducing her holding to 6,932. Also, Ms Goh purchased 10,000 shares, initiating a holding of 10,000 shares, and Mr Williams bought a further 5,000 shares, increasing his holding to 15,125 shares.

On behalf of the Board

**James Williams**
Chairman

8 December 2021

# Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

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 21 and 22, 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

**James Williams**
Chairman

8 December 2021

# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

## Opinion

We have audited the financial statements of Schroder AsiaPacific Fund plc (the "Company") for the year ended 30 September 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, and the related notes 1 to 20, 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 30 September 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Conclusions relating to 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 2022 which is at least 12 months from the date the 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.

– 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.

– Considering the mitigating factors included in the revenue forecast and covenant calculations 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.

– 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 2022, which is at least 12 months from when the financial statements are 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.

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.

# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

## 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 in the Income Statement
- Risk of incorrect valuation or ownership of the investment portfolio

### Materiality

- Overall materiality of £10.58m which represents 1% of shareholders' funds

An overview of the scope of our audit

## 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.

### 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 26 in the Audit and Risk Committee Report and as per the accounting policy set out on page 43).<br><br>The total income for the year to 30 September 2021 was £22.40m (2019: £16.94m), consisting primarily of dividend income from listed equity investments.<br><br>The total amount of special dividends received by the Company during the year was £4.22m (2020: £0.32 million), of which £2.60m was classified as revenue (2020: 0.32m) and £1.62m as capital (2020: nil).<br><br>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.<br><br>In addition to the above, the Directors may, in certain circumstances, exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement. | **We have performed the following procedures:**<br><br>We obtained an understanding of the processes and controls surrounding revenue recognition by performing walkthrough procedures.<br><br>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. For a sample of dividends received and all dividends accrued, we agreed amounts to bank statements and where applicable, agreed the exchange rates to an external source.<br><br>For dividends accrued, we reviewed the investee Company announcements to assess whether the dividend obligations arose prior to 30 September 2021.<br><br>To test completeness of recorded income, we tested that expected dividends for each investee company held during the year had been recorded as income with reference to investee company announcements obtained from an independent data vendor.<br><br>For all investments held during the year, we reviewed the type of dividends paid | 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 AsiaPacific Fund plc

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| | with reference to an external data source to identify those which were 'special'. We confirmed four special dividends, amounting to £4.22m, were received during the year. We have tested two special dividends, amounting to £3.88m, by recalculating the amount received and accrued 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 26 in the Audit and Risk Committee Report and as per the accounting policy set out on page 43).<br><br>The valuation of the investment portfolio at 30 September 2021 was £1,068.99m (2020: £943.80m) consisting of listed equity investments.<br><br>The valuation of the assets held in the investment portfolio 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 to the investments held by the Company could have a significant impact on the portfolio valuation and return generated for shareholders.<br><br>The fair value of listed investments is determined by reference to stock exchange listed market bid prices at close of business on the reporting date. | **We performed the following procedures:**<br><br>We obtained an understanding of the processes and controls surrounding investment title and the pricing of listed securities by performing our walkthrough procedures.<br><br>For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end.<br><br>We inspected the stale pricing reports produced by the Administrator to identify prices that have not changed and verified whether the listed price is a valid fair value through review of trading activity. No stale prices were identified.<br><br>We agreed the Company's investments to the independent confirmations received from the Company's Custodian and Depositary at 30 September 2021. | The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio. |

In the prior year, our auditor's report included a key audit matter in relation to the impact of COVID-19. The impact of COVID-19 on going concern continued to be relevant to our audit of the Company and we considered this as part of our overall work on going concern which is set out under "Conclusions relating to going concern". The other elements of the prior year key audit matter have not been included as a separate key audit matter as it was determined that they did not have a significant impact on our audit strategy for this year's audit.

## 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.*

# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

We determined materiality for the Company to be £10.58m (2020: £9.46m) , which is 1% (2020: 1%) of shareholders' funds. We believe that net assets 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 £7.93m (2020: £7.10m).

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Income Statement of £0.87 million (2020: £0.71 million) being 5% of revenue return before taxation (2020: being 5% of the revenue return 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 £0.53m (2020: £0.47m), 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 there is 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.

### 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

# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

## Corporate Governance Statement

The Listing Rules require us to review 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.

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 20;
- 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 20;
- Directors' statement on fair, balanced and understandable set out on page 34;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 18;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 20; and;
- The section describing the work of the Audit and Risk Committee set out on page 26.

## Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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, UK Corporate Governance Code, the Association of Investment Companies' Code and Statement of Recommended Practice, 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, and review of Board minutes and the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement. Further discussion of our approach is set out in the key audit matter above.

# Independent Auditor's Report to the Members of Schroder AsiaPacific Fund plc

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the Company Secretary's 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 and Risk Committee, we were appointed by the Company on 26 July 2019 to audit the financial statements for the year ended 30 September 2019 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 30 September 2019 to 30 September 2021.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

- The audit opinion is consistent with the additional report to the Audit and Risk 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
Edinburgh

8 December 2021

# Income Statement
# for the year ended 30 September 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 | – | 132,242 | 132,242 | – | 135,439 | 135,439 |
| Gains on derivative contracts | | – | – | – | – | 766 | 766 |
| Net foreign currency losses | | – | (1,028) | (1,028) | – | (1,085) | (1,085) |
| Income from investments | 3 | 20,783 | 1,615 | 22,398 | 16,938 | – | 16,938 |
| Other interest receivable and similar income | 3 | – | – | – | 16 | – | 16 |
| **Gross return** | | 20,783 | 132,829 | 153,612 | 16,954 | 135,120 | 152,074 |
| Investment management fee | 4 | (2,026) | (6,078) | (8,104) | (1,629) | (4,885) | (6,514) |
| Administrative expenses | 5 | (1,282) | (1) | (1,283) | (1,102) | (10) | (1,112) |
| **Net return before finance costs and taxation** | | 17,475 | 126,750 | 144,225 | 14,223 | 130,225 | 144,448 |
| Finance costs | 6 | (22) | (66) | (88) | (22) | (65) | (87) |
| **Net return before taxation** | | 17,453 | 126,684 | 144,137 | 14,201 | 130,160 | 144,361 |
| Taxation | 7 | (1,373) | (5,787) | (7,160) | (948) | 13 | (935) |
| **Net return after taxation** | | 16,080 | 120,897 | 136,977 | 13,253 | 130,173 | 143,426 |
| **Return per share** | 9 | 9.66p | 72.61p | 82.27p | 7.92p | 77.75p | 85.67p |

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 43 to 57 form an integral part of these accounts.

# Statement of Changes in Equity
# for the year ended 30 September 2021

| | Note | Called-up share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Warrant exercise reserve £'000 | Share purchase reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 30 September 2019 | | 16,747 | 100,956 | 3,397 | 8,704 | 31,163 | 643,293 | 17,922 | 822,182 |
| Repurchase and cancellation of the Company's own shares | | (65) | – | 65 | – | (3,217) | – | – | (3,217) |
| Net return on ordinary activities | | – | – | – | – | – | 130,173 | 13,253 | 143,426 |
| Dividend paid in the year | 8 | – | – | – | – | – | – | (16,245) | (16,245) |
| At 30 September 2020 | | 16,682 | 100,956 | 3,462 | 8,704 | 27,946 | 773,466 | 14,930 | 946,146 |
| Repurchase and cancellation of the Company's own shares | | (196) | – | 196 | – | (11,836) | – | – | (11,836) |
| Net return on ordinary activities | | – | – | – | – | – | 120,897 | 16,080 | 136,977 |
| Dividend paid in the year | 8 | – | – | – | – | – | – | (13,346) | (13,346) |
| **At 30 September 2021** | | 16,486 | 100,956 | 3,658 | 8,704 | 16,110 | 894,363 | 17,664 | 1,057,941 |

The notes on pages 43 to 57 form an integral part of these accounts.

Financial

# Statement of Financial Position at 30 September 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments held at fair value through profit or loss | 10 | **1,068,988** | 943,798 |
| **Current assets** | 11 | | |
| Debtors | | **8,499** | 6,230 |
| Cash at bank and in hand | | **7,504** | 10,009 |
| | | **16,003** | 16,239 |
| **Current liabilities** | 12 | | |
| Creditors: amounts falling due within one year | | **(18,716)** | (13,772) |
| Bank overdraft | | **(2,446)** | – |
| | | **(21,162)** | (13,772) |
| **Net current (liabilities)/assets** | | **(5,159)** | 2,467 |
| **Total assets less current liabilities** | | **(1,063,829)** | 946,265 |
| **Non current liabilities** | | | |
| Overseas capital gains tax | | **(5,888)** | (119) |
| **Net assets** | | **1,057,941** | 946,146 |
| **Capital and reserves** | | | |
| Called-up share capital | 13 | **16,486** | 16,682 |
| Share premium | 14 | **100,956** | 100,956 |
| Capital redemption reserve | 14 | **3,658** | 3,462 |
| Warrant exercise reserve | 14 | **8,704** | 8,704 |
| Share purchase reserve | 14 | **16,110** | 27,946 |
| Capital reserves | 14 | **894,363** | 773,466 |
| Revenue reserve | 14 | **17,664** | 14,930 |
| **Total equity shareholders' funds** | | **1,057,941** | 946,146 |
| **Net asset value per share** | 15 | **641.72p** | 567.16p |

These accounts were approved and authorised for issue by the Board of Directors on 8 December 2021 and signed on its behalf by:

**James Williams**
Chairman

The notes on pages 43 to 57 form an integral part of these accounts.

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

Company registration number: 03104981

# Notes to the Accounts

## 1. Accounting Policies

### (a) Basis of accounting

Schroder AsiaPacific Fund 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 October 2019. 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 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 2022, 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; 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 impact of the COVID-19 pandemic on the viability of the Company. Further details of Directors' considerations regarding this are given in the Chairman's Statement, Portfolio Managers' Review, Going Concern Statement, Viability Statement and under the Emerging Risks and uncertainties heading on pages 4, 6, 20 and 18.

The Company has not presented a statement of cash flows, as it is not required for an investment trust which meets certain conditions.

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 30 September 2020.

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

### (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 is managed and its performance evaluated on a fair value basis, in accordance with a documented investment objective 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 the investments are valued at fair value, which are quoted bid prices for investments traded in active markets.

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 and unrealised exchange gains and losses on foreign currency loans are included in the Income Statement and in capital reserves.

The cost of repurchasing shares, including the related stamp duty and transactions costs, is charged to "Share purchase 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.

Overseas dividends are included gross of any withholding tax.

# Notes to the Accounts

Where the Company has elected to receive scrip 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.
- 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 48.

### (f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method and in accordance with the provisions of 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) Financial instruments

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.

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.

Bank loans are initially measured at fair value and subsequently at amortised cost. They are recorded at the proceeds received net of direct issue costs.

### (h) Taxation

The tax charge for the year is based on amounts expected to be received or paid.

Deferred tax is provided on all timing differences that have originated but not reversed by the accounting 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 held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at 1600 hours on the accounting date.

### (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 for cancellation

The cost of repurchasing the Company's own shares including the related stamp duty and transactions costs is charged to "Share purchase reserve" and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. The nominal value of share capital repurchased and cancelled is transferred out of "Called-up share capital" and into "Capital redemption reserve".

## 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 | 97,055 | 22,688 |
| Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year | (63,279) | (18,796) |
| Gains on sales of investments based on the carrying value at the previous balance sheet date | 33,776 | 3,892 |
| Net movement in investment holding gains and losses | 98,466 | 131,547 |
| Gains on investments held at fair value through profit or loss | 132,242 | 135,439 |

## 3. Income

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Income from investments:** | | |
| Overseas dividends | 17,892 | 13,770 |
| UK dividends | 2,711 | 3,168 |
| Scrip dividends | 180 | – |
| | 20,783 | 16,938 |
| **Other interest receivable and similar income:** | | |
| Deposit interest | – | 16 |
| | 20,783 | 16,954 |
| **Capital:** | | |
| Special dividend allocated to capital | 1,615 | – |

## 4. Investment management fee

| | 2021 Revenue £'000 | 2021 Capital £'000 | 2021 Total £'000 | 2020 Revenue £'000 | 2020 Capital £'000 | 2020 Total £'000 |
|---|---|---|---|---|---|---|
| Management fee | 2,026 | 6,078 | 8,104 | 1,629 | 4,885 | 6,514 |

The basis for calculating the investment management fee is set out in the Directors' Report on page 23.

Financial

# Notes to the Accounts

## 5. Administrative expenses

| | 2021 Revenue £'000 | 2021 Capital £'000 | 2021 Total £'000 | 2020 Revenue £'000 | 2020 Capital £'000 | 2020 Total £'000 |
|---|---|---|---|---|---|---|
| Administration expenses | **936** | **1** | **937** | 762 | 10 | 772 |
| Directors' fees[1] | **181** | **–** | **181** | 201 | – | 201 |
| Company secretarial fee | **130** | **–** | **130** | 109 | – | 109 |
| Auditor's remuneration for audit services | **35** | **–** | **35** | 30 | – | 30 |
| | **1,282** | **1** | **1,283** | 1,102 | 10 | 1,112 |

[1]Full details are given in the remuneration report on pages 31 to 33.

## 6. Finance costs

| | 2021 Revenue £'000 | 2021 Capital £'000 | 2021 Total £'000 | 2020 Revenue £'000 | 2020 Capital £'000 | 2020 Total £'000 |
|---|---|---|---|---|---|---|
| Interest on bank loans and overdrafts | **22** | **66** | **88** | 22 | 65 | 87 |

## 7. Taxation

### (a) Analysis of tax charge for the year

| | 2021 Revenue £'000 | 2021 Capital £'000 | 2021 Total £'000 | 2020 Revenue £'000 | 2020 Capital £'000 | 2020 Total £'000 |
|---|---|---|---|---|---|---|
| Irrecoverable overseas withholding tax | **1,373** | **–** | **1,373** | 948 | – | 948 |
| Provision for overseas capital gains tax | **–** | **5,787** | **5,787** | – | (215) | (215) |
| Overseas capital gains tax | **–** | **–** | **–** | – | 202 | 202 |
| Taxation for the year | **1,373** | **5,787** | **7,160** | 948 | (13) | 935 |

The Company has no corporation tax liability for the year ended 30 September 2021 (2020: nil).

The provision for overseas capital gains tax pertains to the deferred tax liability on the unrealised gain on Indian securities.

### (b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2020: lower) than the Company's applicable rate of corporation tax for the year of 19.0% (2020: 19.0%) .

The factors affecting the current tax charge for the year are as follows:

| | 2021 Revenue £'000 | 2021 Capital £'000 | 2021 Total £'000 | 2020 Revenue £'000 | 2020 Capital £'000 | 2020 Total £'000 |
|---|---|---|---|---|---|---|
| Net return before taxation | **17,453** | **126,684** | **144,137** | 14,201 | 130,160 | 144,361 |
| Net return before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2020: 19.0%) | **3,316** | **24,070** | **27,386** | 2,698 | 24,731 | 27,429 |
| Effects of: | | | | | | |
| Capital returns on investments | **–** | **(24,931)** | **(24,931)** | – | (25,674) | (25,674) |
| Income not chargeable to corporation tax | **(3,789)** | **(306)** | **(4,095)** | (2,914) | – | (2,914) |
| Irrecoverable overseas withholding tax | **1,373** | **–** | **1,373** | 948 | – | 948 |
| Provision for overseas capital gains tax | **–** | **5,787** | **5,787** | – | (215) | (215) |
| Overseas capital gains tax | **–** | **–** | **–** | – | 202 | 202 |
| Tax relief on overseas tax suffered | **(5)** | **–** | **(5)** | (4) | – | (4) |
| Expenses disallowed | **–** | **–** | **–** | – | 2 | 2 |
| Unrelieved expenses | **478** | **1,167** | **1,645** | 220 | 941 | 1,161 |
| **Taxation for the year** | **1,373** | **5,787** | **7,160** | 948 | (13) | 935 |

### (c) Deferred taxation

The Company has an unrecognised deferred tax asset of £15,705,000 (2020: £10,291,000) based on a main rate of corporation tax of 25% (2020: 19%). In its 2021 budget, the UK government announced that the main rate of corporation tax would increase to 25% for the fiscal year beginning on 1 April 2023.

The 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 deferred UK capital gains tax on any capital gains or losses arising on the revaluation or disposal of investments.

## 8. Dividends

### Dividends paid and proposed

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| 2020 final dividend of 8.00p (2019: 9.70p) paid out of revenue profits | **13,346** | 16,245 |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| 2021 final dividend proposed of 9.70p (2020: 8.00p) to be paid out of revenue profits | **15,991** | 13,346 |

The proposed final dividend amounting to £15,991,000 (2020: £13,346,000) 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 for the year is £16,080,000 (2020: £13,253,000).

# Notes to the Accounts

## 9. Return per share

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Revenue return | **16,080** | 13,253 |
| Capital return | **120,897** | 130,173 |
| Total return | **136,977** | 143,426 |
| Weighted average number of shares in issue during the year | **164,499,784** | 167,417,847 |
| Revenue return per share | **9.66p** | 7.92p |
| Capital return per share | **72.61p** | 77.75p |
| Total return per share | **82.27p** | 85.67p |

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Opening book cost | **668,653** | 637,308 |
| Opening investment holding gains | **275,145** | 162,395 |
| Opening fair value | **943,798** | 799,703 |
| Purchases at cost | **349,700** | 359,384 |
| Sales proceeds | **(356,752)** | (350,728) |
| Gains on investments held at fair value | **132,242** | 135,439 |
| Closing fair value | **1,068,988** | 943,798 |
| Closing book cost | **758,657** | 668,653 |
| Closing investment holding gains | **310,331** | 275,145 |
| Closing fair value | **1,068,988** | 943,798 |

Sales proceeds amounting to £356,752,000 (2020: £350,728,000) were receivable from disposals of investments in the year. The book cost of these invesments when they were purchased was £259,697,000 (2020: £328,039,000). 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, comprising stamp duty and brokerage commission, were incurred in the year:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| On acquisitions | **351** | 517 |
| On disposals | **554** | 497 |
| | **905** | 1,014 |

## 11. Current assets

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Debtors** | | |
| Securities sold awaiting settlement | **5,176** | 4,273 |
| Dividends and interest receivable | **3,052** | 1,726 |
| Taxation recoverable | **241** | 221 |
| Other debtors | **30** | 10 |
| | **8,499** | 6,230 |

# Notes to the Accounts

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

### Cash at bank and in hand

Cash at bank and in hand comprises bank balances and cash held by the Company, including short-term deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

## 12. Current liabilities

### Creditors: amounts falling due within one year

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Bank loan | 11,125 | 11,603 |
| Securities purchased awaiting settlement | 5,264 | 51 |
| Other creditors and accruals | 2,327 | 2,118 |
| | 18,716 | 13,772 |

The bank loan comprises US dollars 15.0 million (£11.1million) drawn down on the Company's £100 million credit facility available from SMBC Bank International plc (formerly Sumitomo Mitsui Banking Corporation Europe Limited). The facility is unsecured, but is subject to covenants and restrictions which are customary for a facilty of this nature. The bank loan at the prior year end comprised US dollars 15.0 million (£11.6 million) drawn down on the preceding facility with Sumitomo Mitsui Banking Corporation Europe Limited. Further details of the facility are given in note 19(a)(ii) on page 53.

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

## 13. Called-up share capital

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Ordinary shares allotted, called up and fully paid: | | |
| Ordinary shares of 10p each: | | |
| Opening balance of 166,820,716 (2020: 167,470,716) shares | 16,682 | 16,747 |
| Repurchase and cancellation of 1,960,000 (2020: 650,000) shares | (196) | (65) |
| Closing balance of 164,860,716 (2020: 166,820,716) shares | 16,486 | 16,682 |

During the year, the Company made market purchases of 1,960,000 of its own shares, nominal value £196,000, for cancellation, representing 1.17% of the shares outstanding at the beginning of the year. The total consideration paid for these shares amounted to £11,836,000. The reason for these purchases was to seek to manage the volatility of the share price discount to NAV per share.

# Notes to the Accounts

## 14. Reserves

| | Share premium[1] £'000 | Capital redemp-tion reserve[2] £'000 | Warrant exercise reserve[3] £'000 | Share purchase reserve[4] £'000 | Capital reserves Gains and losses on sales of investments[5] £'000 | Capital reserves Investment holding gains and losses[6] £'000 | Revenue reserve[7] £'000 |
|---|---|---|---|---|---|---|---|
| Opening balance | **100,956** | **3,462** | **8,704** | **27,946** | **497,005** | **276,461** | **14,930** |
| Gains on sales of investments based on the carrying value at the previous balance sheet date | **–** | **–** | **–** | **–** | **33,776** | **–** | **–** |
| Net movement in investment holding gains and losses | **–** | **–** | **–** | **–** | **–** | **98,466** | **–** |
| Transfer on disposal of investments | **–** | **–** | **–** | **–** | **63,279** | **(63,279)** | **–** |
| Realised exchange losses on cash and short-term deposits | **–** | **–** | **–** | **–** | **(1,506)** | **–** | **–** |
| Exchange gains on the credit facility | **–** | **–** | **–** | **–** | **–** | **478** | **–** |
| Overseas capital gains tax | **–** | **–** | **–** | **–** | **–** | **(5,787)** | **–** |
| Special dividend allocated to capital | **–** | **–** | **–** | **–** | **1,615** | **–** | **–** |
| Management fee, administrative expenses and finance costs allocated to capital | **–** | **–** | **–** | **–** | **(6,145)** | **–** | **–** |
| Repurchase and cancellation of the Company's own shares | **–** | **196** | **–** | **(11,836)** | **–** | **–** | **–** |
| Dividend paid | **–** | **–** | **–** | **–** | **–** | **–** | **(13,346)** |
| Retained revenue for the year | **–** | **–** | **–** | **–** | **–** | **–** | **16,080** |
| Closing balance | **100,956** | **3,658** | **8,704** | **16,110** | **588,024** | **306,339** | **17,664** |

The Company's articles of association permit dividend distributions out of realised capital profits.

[1]The share premium is a non distributable reserve and represents the amount by which the fair value of the consideration received from shares issued exceeds the nominal value of shares issued.
[2]The capital redemption reserve represents the accumulated nominal value of shares repurchased for cancellation. This reserve is not distributable.
[3]The warrant exercise reserve is a non distributable reserve and arose via an apportionment of the premium on the issue of shares with warrants attached.
[4]The share purchase reserve arose following the cancellation of the balance of share premium in 1998 and was created for the purpose of financing share buybacks. This is a realised (distributable) capital reserve which may be used to repurchase the Company's own shares or distributed as dividends.
[5]This is a realised (distributable) capital reserve which may be used to repurchase the Company's own shares or distributed as dividends.
[6]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 distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.
[7]The revenue reserve may be distributed as dividends or used to repurchase the Company's own shares.

## 15. Net asset value per share

| | 2021 | 2020 |
|---|---|---|
| Net assets attributable to shareholders (£'000) | **1,057,941** | 946,146 |
| Shares in issue at the year end | **164,860,716** | 166,820,716 |
| Net asset value per share | **641.72p** | 567.16p |

## 16. Transactions with the Manager

Under the terms of the AIFM Agreement, the Manager is entitled to receive a management fee and a company secretarial fee. Details of the basis of the management fee calculation are given in the Directors' Report on pages 23 and 24. Any investments in funds managed or advised by the Manager or any of its associated companies, are excluded from the assets used for the purpose of the calculation and therefore incur no fee.

The management fee payable in respect of the year ended 30 September 2021 amounted to £8,104,000 (2020: £6,514,000), of which £1,907,000 (2020: £1,814,000) was outstanding at the year end. The company secretarial fee payable in respect of the year ended 30 September 2021 amounted to £130,000 (2020: £109,000), of which £38,000 (2020: £27,000) was outstanding at the year end.

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

## 17. Related party transactions

Details of the remuneration payable to Directors are given in the Directors' Remuneration Report on page 32 and details of Directors' shareholdings are given in the Directors' Remuneration Report on page 33. Details of transactions with the Manager are given in note 16 above. There have been no other transactions with related parties during the year (2020: nil).

## 18. 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 comprise its investment portfolio and any derivative financial instruments.

FRS 102 requires that financial instruments held at fair value are categorised into a hierarchy consisting of the three levels below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement.

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 43.

At 30 September 2021, the Company's investment portfolio was categorised as follows:

| | 2021<br>Level 1<br>£'000 | <br>Level 2<br>£'000 | <br>Level 3<br>£'000 | <br>Total<br>£'000 |
|---|---|---|---|---|
| Investments in equities and equity linked securities | **1,068,988** | – | – | **1,068,988** |
| Total | **1,068,988** | – | – | **1,068,988** |

| | 2020<br>Level 1<br>£'000 | <br>Level 2<br>£'000 | <br>Level 3<br>£'000 | <br>Total<br>£'000 |
|---|---|---|---|---|
| Investments in equities and equity linked securities | 943,798 | – | – | 943,798 |
| Total | 943,798 | – | – | 943,798 |

There have been no transfers between Levels 1, 2 or 3 during the year (2020: nil).

## 19. Financial instruments' exposure to risk and risk management policies

The investment objective is set out on the inside front cover of this report. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These financial risks include 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 Board coordinates the Company's risk management policy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments may comprise the following:

- investments in shares, warrants, depositary receipts and government bonds 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 Bank plc, the purpose of which is to assist in financing the Company's operations; and
- a multi-currency revolving credit facility with SMBC Bank International plc, the purpose of which is to assist in financing the Company's operations.

# Notes to the Accounts

## (a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This 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. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

### (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.

*Management of currency risk*

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. The Company may use foreign currency borrowings or forward foreign currency contracts to limit the exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Income denominated in foreign currencies is converted into sterling on receipt.

*Foreign currency exposure*

The fair value of the Company's monetary items that have foreign currency exposure at 30 September are shown below. The Company's investments (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 | South Korean Won £'000 | Taiwan Dollars £'000 | Singapore Dollars £'000 | Thai Baht £'000 | Indian Rupees £'000 | Chinese Yuan £'000 | Other £'000 | Total £'000 |
| **Current assets** | **856** | **–** | **520** | **4,878** | **1,624** | **–** | **269** | **2,578** | **68** | **10,793** |
| **Current liabilities** | | | | | | | | | | |
| Creditors: amounts falling due within one year | **(29)** | **(11,125)** | **(76)** | **(4,308)** | **–** | **–** | **(5,843)** | **(1)** | **–** | **(21,382)** |
| **Foreign currency exposure on net monetary items** | **827** | **(11,125)** | **444** | **570** | **1,624** | **–** | **(5,574)** | **2,577** | **68** | **(10,589)** |
| Investments held at fair value through profit or loss[1] | **276,782** | **74,007** | **178,337** | **171,971** | **46,376** | **17,217** | **156,034** | **22,122** | **58,175** | **1,001,021** |
| **Total net foreign currency exposure** | **277,609** | **62,882** | **178,781** | **172,541** | **48,000** | **17,217** | **150,460** | **24,699** | **58,243** | **990,432** |

| | 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Hong Kong Dollars £'000 | US Dollars £'000 | South Korean Won £'000 | Taiwan Dollars £'000 | Singapore Dollars £'000 | Thai Baht £'000 | Indian Rupees £'000 | Chinese Yuan £'000 | Other £'000 | Total £'000 |
| **Current assets** | 5,092 | 1,848 | 610 | 668 | 371 | – | 19 | 3,301 | 211 | 12,120 |
| **Current liabilities** | | | | | | | | | | |
| Creditors: amounts falling due within one year | – | (11,604) | (135) | (99) | – | – | (71) | (21) | – | (11,930) |
| **Foreign currency exposure on net monetary items** | 5,092 | (9,756) | 475 | 569 | 371 | – | (52) | 3,280 | 211 | 190 |
| Investments held at fair value through profit or loss[1] | 384,364 | 73,332 | 139,023 | 121,955 | 26,969 | – | 73,282 | 13,467 | 49,642 | 882,034 |
| **Total net foreign currency exposure** | 389,456 | 63,576 | 139,498 | 122,524 | 27,340 | – | 73,230 | 16,747 | 49,853 | 882,224 |

[1]Excluding any stocks priced in sterling.

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

### Foreign currency sensitivity

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 accounting date and assumes a 10% (2020: 10%) appreciation or depreciation in sterling against all 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 | **1,650** | 1,280 |
| Capital return | **(1,644)** | 14 |
| Total return after taxation | **6** | 1,294 |
| Net assets | **6** | 1,294 |

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 | **(1,650)** | (1,280) |
| Capital return | **1,644** | (14) |
| Total return after taxation | **(6)** | (1,294) |
| Net assets | **(6)** | (1,294) |

In the opinion of the Directors, the above sensitivity analysis 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 and foreign currency is subsumed into market price risk sensitivity in part (iii) to this note.

### (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 interest 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 20% 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 the credit facility. However, amounts drawn on this facility 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 | **7,504** | 10,009 |
| Creditors: bank overdaft | **(2,446)** | – |
| Creditors: amounts falling due within one year – borrowings on the credit facility | **(11,125)** | (11,603) |
| Net exposure | **(6,067)** | (1,594) |

# Notes to the Accounts

Interest receivable on cash balances is at a margin below LIBOR, or its preferred alternative (2020: same).

During the year, the Company extended its £100 million credit facility with SMBC Bank International plc (formerly Sumitomo Mitsui Banking Corporation Europe Limited, to 22 June 2022. Interest is payable at a rate of LIBOR, or the applicable Risk Free Reference Rate as a substitute for LIBOR, for the relevant currency and loan period, plus a margin, plus mandatory costs, which are the lender's cost of complying with certain regulatory requirements of the Bank of England. Amounts are normally drawn down on the facility for one month periods. At 30 September 2021, the Company had drawn down US$15.0 million (£11.1 million) for a one month period at an interest rate of 0.84% per annum. At the prior year end, the company had drawn down US$ 15.0 million (2020: £11.6 million) on the preceding facility with Sumitomo Mitsui Banking Corporation Europe Limited.

The Company also has a £30 million overdraft facility with HSBC Bank plc, secured by a floating charge on the Company's assets.

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 cash/(debt) balances during the year are as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Maximum debit interest rate exposure during the year – net debt | **(6,067)** | (6,622) |
| Maximum credit interest rate exposure during the year – net cash | **34,307** | 27,753 |

### *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 accounting 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 | **21** | **(21)** | 36 | (36) |
| Capital return | **(51)** | **51** | (44) | 44 |
| Total return after taxation | **(30)** | **30** | (8) | 8 |
| Net assets | **(30)** | **30** | (8) | 8 |

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 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 investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The Board may authorise the Manager to enter derivative transactions for the purpose of protecting the portfolio against falls in market prices.

*Market price risk exposure*

The Company's total exposure to changes in market prices at 30 September comprises the following:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Investments held at fair value through profit or loss | **1,068,988** | 943,798 |

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

*Concentration of exposure to market price risk*

An analysis of the Company's investments is given on pages 9 and 10. This shows that the portfolio comprises investments trading in Asian countries. Accordingly there is a concentration of exposure to that region.

*Market price risk sensitivity*

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 20% (2020: 20%) in the fair values of the Company's investments. 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 and adjusting for the change in the management fee, but with all other variables held constant.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | 20% increase in fair value £'000 | 20% decrease in fair value £'000 | 20% increase in fair value £'000 | 20% decrease in fair value £'000 |
| Income statement – return after taxation | | | | |
| Revenue return | **(374)** | **374** | (354) | 354 |
| Capital return | **212,675** | **(212,675)** | 187,698 | (187,698) |
| Total return after taxation and net assets | **212,301** | **(212,301)** | 187,344 | (187,344) |
| Percentage change in net asset value | **20.1%** | **(20.1%)** | 19.8% | (19.8%) |

## (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 a credit facility and an overdraft facility. The Board's policy is for the Company to remain fully invested in normal market conditions and that borrowings be used to manage working capital requirements and to gear the Company as appropriate.

### Liquidity risk exposure

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

| | Three months or less 2021 £'000 | Three months or less 2020 £'000 |
|---|---|---|
| Creditors: amounts falling due within one year | | |
| Bank loan – including interest | **11,133** | 11,610 |
| Securities purchased awaiting settlement | **5,264** | 51 |
| Other creditors and accruals | **8,215** | 2,237 |
| Bank overdraft | **2,446** | – |
| | **27,058** | 13,898 |

Financial

# Notes to the Accounts

### (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.

#### Management of credit risk

This risk is not significant and is managed as follows:

#### Portfolio dealing

The Company invests almost entirely in markets that operate a "Delivery Versus Payment" settlement process which mitigates the risk of losing the principal of a trade during settlement. The Manager continuously monitors dealing activity to ensure best execution, which involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparties must be pre-approved by the Manager's credit committee.

#### Exposure to the Custodian

The custodian of the Company's assets is HSBC Bank plc which has Long-Term Credit Ratings of AA- with Fitch and A1 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.

#### Credit risk exposure

The amounts shown in the balance sheet under debtors and cash at bank and in hand represent 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, or prior year.

### (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.

## 20. Capital management policies and procedures

The Company's objectives, policies and processes for managing capital are unchanged from the preceding year.

The Company's debt and capital structure comprises the following:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Debt** | | |
| Bank loan | **11,125** | 11,603 |
| **Equity** | | |
| Called-up share capital | **16,486** | 16,682 |
| Reserves | **1,041,455** | 929,464 |
| | **1,057,941** | 946,146 |
| **Total debt and equity** | **1,069,066** | 957,749 |

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the capital return to its equity shareholders through an appropriate level of gearing.

The Board would not expect gearing to exceed 20%. Gearing for this purpose is defined as 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.

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Borrowings used for investment purposes, less cash | **6,067** | 1,594 |
| Net assets | **1,057,941** | 946,146 |
| Gearing | **0.6%** | 0.2% |

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 opportunity for issue of new shares; and
- the amount of dividends to be paid, in excess of that which is required to be distributed.

# Annual General Meeting – Recommendations

**The Annual General Meeting ("AGM") of the Company will be held on Tuesday, 1 February 2022 at 12.00 noon. The formal Notice of Meeting is set out on page 60.**

**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 10 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 31 to 33. Resolutions 4 to 8 invite shareholders to elect or re-elect each of the Directors for another year, except for Mrs Morgan who is not standing for re-election, following the recommendations of the nomination committee, set out on pages 29 and 30 (their biographies are set out on pages 21 and 22). Resolutions 9 and 10 concern the re-appointment and remuneration of the Company's auditor, discussed in the Audit and Risk Committee Report on pages 26 to 28.

## Special business

### 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 comply with FCA rules regarding restrictions on transfer, 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's existing powers to put in place security arrangements at meetings will be expanded to give the Board the ability to 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.

# Annual General Meeting – Recommendations

### (vii) Restrictions on transfer

Article 50 of the Articles ("Prohibition on Shareholdings by Non-Qualified Person") allows the Board to require the transfer of any shares that are held by a "non-qualified person". At present, a "non-qualified person" is broadly defined to include any US Person and any person to whom a transfer of shares might result in the Company incurring any liability to taxation or suffering any other pecuniary disadvantage which the Company might not otherwise have incurred or suffered. Having received advice, the Board does not consider that this provision complies with the requirements of Listing Rule 2.2.4R and the related FCA technical guidance, which require the Company's shares to be freely transferable, save in certain limited circumstances where restrictions are necessary.

### 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 £1,644,207 (being 10% of the issued share capital (excluding any shares held in treasury) as at the date of the Notice of the AGM). A special resolution will also be proposed to give the Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £1,644,207 (being 10% of the Company's issued share capital (excluding any shares held in treasury) as at the date of the Notice of the AGM). This authority includes shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only reissue shares held in treasury at a price equal to or greater than the Company's net asset value (inclusive of current year income) plus any applicable costs.

The Directors do not intend to allot shares pursuant to these authorities 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's existing shareholders to do so and when it would not result in any dilution of NAV per share.

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 3 February 2021, the Company was granted authority to make market purchases of up to 25,006,425 ordinary shares of 10p each for cancellation or holding in treasury. 2,400,000 shares have been bought back into treasury under this authority and the Company therefore has remaining authority to purchase up to 22,606,425 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 net asset value and the purchase of ordinary shares. 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 the date of the Notice of the AGM. The Directors will exercise this authority 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, the authority to be given at the 2022 AGM 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 Annual General Meeting of Schroder AsiaPacific Fund plc will be held at 1 London Wall Place, London EC2Y 5AU on Tuesday, 1 February 2022 at 12.00 noon 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 Report of the Directors and the audited accounts for the year ended 30 September 2021.
2. To approve a final dividend of 9.70 pence per share for the financial year ended 30 September 2021.
3. To approve the Directors' Remuneration Report for the year ended 30 September 2021.
4. To re-elect Keith Craig as a Director of the Company.
5. To elect Julia Goh as a Director of the Company.
6. To re-elect Vivien Gould as a Director of the Company.
7. To re-elect Martin Porter as a Director of the Company.
8. To re-elect James Williams as a Director of the Company.
9. To re-appoint Ernst & Young LLP as auditor to the Company until the conclusion of the next Annual General Meeting.
10. To authorise the Directors to determine the remuneration of Ernst & Young LLP as auditor to the Company.
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 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 £1,644,207 (being 10% of the issued ordinary share capital at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, 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 12 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 £1,644,207 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); 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 Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10p each in the capital of the Company ("Shares") 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 24,646,665, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;

    (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 10p, 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 for potential reissue."

By order of the Board
For and on behalf of
Schroder Investment Management Limited
Registered Number: 03104981

8 December 2021

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

# Explanatory Notes to the Notice of Meeting

1. Ordinary shareholders are entitled to attend 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.

   A proxy form is attached. 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.

   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 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 and clicking on the link to vote. 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 noon on 28 January 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 28 January 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 28 January 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

# Explanatory Notes to the Notice of Meeting

amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted 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 articles of association, terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his 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 re-election are set out on pages 21 and 22 of the Company's annual report and accounts for the year ended 30 September 2021.
7. As at 7 December 2021, 164,420,716 ordinary shares of 10 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 7 December 2021 was 164,420,716.
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 webpages dedicated to the Company: www.schroders.co.uk/asiapacific.
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.
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/asiapacific. 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 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 641.72p (2020: 567.16) represents the net assets attributable to equity shareholders of £1,057,941,000 (2020: £946,146,000) divided by the number of shares in issue of 164,860,716 (2020: 166,820,716).

The change in the NAV amounted to +13.1% (2020: +15.5%) over the year. However this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are 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 30 September 2021 is calculated as follows:

| | |
|---|---|
| Opening NAV at 30/9/20 | 567.16p |
| Closing NAV at 30/9/21 | 641.72p |

| Dividend received | XD date | NAV on XD date | Factor |
|---|---|---|---|
| 8.0p | 24/12/20 | 629.48p | 1.013 |

| | |
|---|---|
| NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV: | +14.6% |

The NAV total return for the year ended 30 September 2020 is calculated as follows:

| | |
|---|---|
| Opening NAV at 30/9/19 | 490.94p |
| Closing NAV at 30/9/20 | 567.16p |

| Dividend received | XD date | NAV on XD date | Factor |
|---|---|---|---|
| 9.7p | 2/1/20 | 509.53p | 1.019 |

| | |
|---|---|
| NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV: | +17.7% |

The share price total return for the year ended 30 September 2021 is calculated as follows

| | |
|---|---|
| Opening share price at 30/9/20 | 510.00p |
| Closing share price at 30/9/21 | 579.00p |

| Dividend received | XD date | Share price on XD date | Factor |
|---|---|---|---|
| 8.0p | 24/12/20 | 610.00p | 1.013 |

| | |
|---|---|
| Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price: | +15.0% |

The share price total return for the year ended 30 September 2020 is calculated as follows

| | |
|---|---|
| Opening share price at 30/9/19 | 435.00p |
| Closing share price at 30/9/20 | 510.00p |

| Dividend received | XD date | Share price on XD date | Factor |
|---|---|---|---|
| 9.7p | 2/1/20 | 469.00p | 1.021 |

| | |
|---|---|
| Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price: | +19.7% |

## Benchmark Index

The measure against which the Company compares its performance, which is deemed to be the most appropriate comparison and which is used for management information purposes. The Company's benchmark is the MSCI All Countries Asia excluding Japan Index (with net income reinvested), sterling adjusted. The Company changed its benchmark with effect from 1 October 2016. Prior to that date the benchmark was the MSCI All Countries Asia excluding Japan Index (with gross income reinvested), sterling adjusted.

## 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 9.8% (2020: 10.1%), as the closing share price at 579.00p (2020: 510.00p) was 9.8% (2020: 10.14%) lower than the closing NAV of 641.72p (2020: 567.16p).

## 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

# Definitions of Terms and Performance Measures

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 | **6,067** | 1,594 |
| Net assets | **1,057,941** | 946,146 |
| Gearing | **0.6%** | 0.2% |

## Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs amounting to £9,387,000 (2020: £7,626,000), expressed as a percentage of the average daily net asset values during the year of £1,093,608,000 (2020: £844,380,000).

## Leverage

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, 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/asiapacific. The webpages are the Company's primary method of electronic communication with shareholders. They contain details of the Company's ordinary share price and copies of the report and accounts 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 to the market on a daily basis.

Share price information may also be found in the Financial Times and on 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.

## Individual Savings Account ("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 General Meeting | February |
| Final dividend paid | February |
| Half year results announced | June |
| Financial year end | 30 September |
| Annual results announced | December |

## Alternative Investment Fund Managers ("AIFM") Directive

The AIFM Directive, 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 AIFM Directive 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 AIFM Directive are published on the Company's webpages and within this report. The Company is also required to publish periodically its actual leverage exposures. As at 30 September 2021 these were:

| Leverage exposure | Maximum ratio | Actual ratio |
|---|---|---|
| Gross method | 2.00 | 1.02 |
| Commitment method | 2.00 | 1.02 |

## 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 AIFM Directive 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.

www.schroders.co.uk/asiapacific

## Directors

James Williams (Chairman)
Keith Craig
Julia Goh
Vivien Gould
Rosemary Morgan
Martin Porter

## 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

Sumitomo Banking Corporation Europe Limited
99 Queen Victoria Street
London EC4V 4EH

### Corporate Broker

Numis Securities Limited
45 Gresham Street
London
EC2V 7BF

### Independent auditor

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 032 0641*
Website: www.shareview.co.uk

*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.

### Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the address set out above.

### Dealing Codes

ISIN: GB0007918872
SEDOL: 0791887
Ticker: SDP

### Global Intermediary Identification Number (GIIN)

SWLQRM.99999.SL.826

### Legal Entity Identifier (LEI)

549300A71N7LE35KWU14

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



Schroders