

Schroders

# Schroder Japan Growth Fund plc

Half Year Report and Accounts  
for the six months ended  
31 January 2023



## Investment objective

The Company's principal investment objective is to achieve capital growth from an actively managed portfolio principally comprising securities listed on the Japanese stock markets, with the aim of achieving growth in excess of the TSE First Section Total Return Index in sterling over the longer term.

## Investment policy

The Manager utilises an active stock driven investment approach, drawing on Schrodgers' extensive research resources in Japan. The portfolio is principally invested in a broad range of companies quoted on the Tokyo Stock Exchange, the regional stock markets of Fukuoka, Hiroshima, Kyoto, Nagoya, Niigata, Osaka and Sapporo and the Japanese over the counter (OTC) market. Investments may also be made in companies listed elsewhere but controlled from Japan or with a material exposure to the Japanese economy. There are no constraints on size of company or sector allocation. This flexibility will allow the Manager to take advantage of changes in market sentiment and in the domestic economic cycle as it develops.

The portfolio is mainly invested in equities but may also be invested in warrants, convertibles and other derivative instruments where appropriate. The Company may invest up to 5% of its assets in securities which are not listed on any stock exchange, but would not normally make such investment except where the Manager expects that the securities will shortly become listed on a Japanese stock market.





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# Financial Highlights

## Total returns for the six months ended 31 January 2023<sup>1</sup>



Net asset value  
("NAV") per share<sup>2</sup>



Share price<sup>2</sup>



Benchmark<sup>3</sup>

<sup>1</sup>Total returns measure 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 additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

<sup>2</sup>Source: Morningstar.

<sup>3</sup>Source: Thomson Reuters. The Company's benchmark is the TSE First Section Total Return Index in sterling terms.

## Other financial information

	31 January 2023	31 July 2022	% change
Shareholders' funds (£'000)	289,183	281,429	+2.8
Shares in issue	121,624,872	122,000,562	(0.3)
NAV per share (pence)	237.77	230.68	+3.1
Share price (pence)	209.00	202.00	+3.5
Share price discount to NAV per share (%)	12.1	12.4	
Gearing (%) <sup>1</sup>	12.0	11.1	

<sup>1</sup>Borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

# Interim Management Report – Chairman’s Statement



I succeeded Anja Balfour as Chairman following the Company’s AGM in December 2022. On behalf of the Board, I would like to thank Anja for providing sterling service during her nine years with the Company, initially as a non-executive director and, since November 2018, as Chairman. During her time as Chairman, the

Company’s fortunes started to improve significantly, and I am pleased to report a continuation of the outperformance of the Company’s net asset value (“NAV”) total return against its benchmark during the first six months of the current financial year.

## Performance

In the six-month period to 31 January 2023, the Company produced a net asset value (“NAV”) total return of 5.3%, outperforming the benchmark return of 4.8%. The share price also produced a positive total return of 6.0% during the period.

Our portfolio manager, Masaki Taketsume, continues to manage a high conviction, yet balanced portfolio of large and smaller companies with a strong emphasis on valuation and he has navigated a volatile period in the Japanese equity market very well. Masaki will be returning to Tokyo with his family at the beginning of April 2023. He has been based in London since 2017, but returning to the Schroders office in Tokyo will be particularly helpful for following small-cap companies, where he sees some exciting opportunities, while proximity to his in-house research team can only be of benefit for his investment process.

Further comment on performance and investment policy may be found in the Investment Manager’s review.

## Discount management

During the period under review, the Company’s shares continued to trade at a discount to net asset value and the board utilised its buy back authority to purchase 375,690 shares for cancellation at an average discount of 12.9%. At the beginning of the period the discount was 12.4% and by the end of the period, the discount had narrowed slightly to 12.1%. The Company will continue to monitor the discount and to purchase shares when appropriate.

## Gearing

The Company’s term loan remained fully utilised whilst the revolving credit facility was undrawn. The average gearing during the six months to 31 January 2023 was 11.8% and, as at 11 April, the gearing was 12.5%. The Company will continue to use leverage.

## Change of Company Name

Schroder Japan Growth Fund plc will change its name to Schroder Japan Trust plc. The Company will make a further announcement following confirmation of the change of name by Companies House. The stock ticker for the Company will remain unchanged as SJG. The Board have decided to remove ‘Growth’ from the Company’s name, to reflect more accurately the investment approach of the Manager.

There are no other changes to the Company, with the Company’s objective and investment approach remaining unchanged. The Company aims to achieve long-term capital growth by investing in a diversified portfolio of the best quality but undervalued companies in Japan. Further details can be found on the website at <https://www.schroders.com/SJG>.

## Outlook

Japan enters 2023 in a unique position amongst developed nations as it lacks many of the widespread challenges to economic growth that face many of its peers. In fact, it appears to be entering an unusual period of economic stability with sustainable price inflation, largely driven by global macroeconomic events, but arguably viewed as a positive given Japan’s history of deflation. Corporate earnings remain robust with quarterly results announcements consistently ahead of expectations despite the relatively slow removal of Covid-19 restrictions. Importantly, the trend towards improvements in corporate governance continues apace, with greater emphasis at the corporate level on increasing returns on equity and more disciplined approaches to capital allocation. These structural changes should encourage investors who are looking to allocate to Japanese companies and, as it has demonstrated over the last few years, the Company’s portfolio is well placed to benefit from them.

**Philip Kay**  
Chairman

13 April 2023

# Interim Management Report – Manager’s Review

Over the first six months of the Company’s financial year to 31 January 2023, the Company’s net asset value increased by 5.3%, while its benchmark rose by 4.8%.<sup>1</sup> Before we delve more deeply into the drivers of recent performance, we would like to explain the investment philosophy and approach that sits behind our decision-making. This should provide some important context to help you understand why the portfolio is positioned the way it is, and what you should expect in terms of future performance.

## Our investment approach

We believe the Japanese equity market ultimately acts efficiently in reflecting the intrinsic value of companies. In the short to medium-term, however, considerable inefficiencies are frequently evident in individual stocks. These inefficiencies provide repeatable opportunities to identify and invest in undervalued stocks, with the aim of delivering a better return than the market as a whole on a rolling three-to-five year view.

Our investment resource is entirely devoted to this aim, focusing on individual company fundamentals to understand the true worth of a stock and investing in a portfolio of the highest conviction ideas. These then tend to be held for the long term, with value being realised as the market gradually reflects their true value more efficiently.

Portfolio holdings tend to fall into three categories of inefficiency:

1. **Market misperception** – companies with self-improving credentials, with management initiatives to sustainably enhance operational performance being under-appreciated by other investors.
2. **Market oversight** – undervalued companies, especially among small and mid-caps where research coverage is less widespread, with strong and defensible business franchises in niche product areas.
3. **Short-term overreaction** – ideas arising from abrupt but transitory events which push valuations of quality companies temporarily to unsustainably low levels.

Outside these three categories, the balance of the portfolio represents “best in class” stocks with reasonable valuations. The weighting given to each of these segments evolves over time, but a reasonable exposure to each category ensures a good level of diversification for the portfolio as a whole. Meanwhile, the approach

tends to result in a bias towards value stocks<sup>2</sup> and smaller companies, as well as an overall focus on quality.

The portfolio tends to exhibit a high “active share”, which means that its constituents deviate significantly from the benchmark index. Gearing (financial leverage) typically ranges between 10% and 17.5%, allowing shareholders to potentially benefit even more as the inefficiencies we have identified become more appropriately priced by the market.

## Portfolio strategy

So, what does this mean for current portfolio strategy and positioning? Currently, the biggest category within the portfolio is market misperception which accounts for almost 40% of assets. This includes companies such as Hitachi and Seven & i, where we see the prospect of sustainable improvements in returns from management efforts that are not yet reflected in valuations.

Almost 30% of the portfolio is in market oversights, such as Fukushima Galilei and Hosokawa Micron, where we find highly competitive smaller businesses trading at a significant discount to their large cap and global peers. 14% of the portfolio is invested in short-term overreactions, including out-of-favour technology opportunities such as NRI and Ibiden. These businesses are beneficiaries of long-term structural tailwinds but their shares have been sold down aggressively – in our view, too aggressively – over the last eighteen months.

The remaining 20% of the portfolio is invested in what we consider to be best-in-class operators, such as Toyota Motor and Sumitomo Mitsui Financial Group.

From a sector perspective, this means a bias towards Information & Communication, Machinery and Other Financing Business. As is typical, the portfolio is also overweight towards small and mid-sized businesses, where valuations look particularly attractive as the domestic Japanese economy recovers.

## Recent performance drivers

The Japanese stock market was volatile throughout the period, reflecting global market concerns about the direction of US interest rates as the fight against inflation intensified. In sterling terms, however, the market’s return over the first half of the Company’s financial year was relatively strong. Value stocks outperformed growth stocks and smaller companies generally did better than larger caps. Meanwhile, there was a beneficial impact

<sup>1</sup>Source: Morningstar, cum-income NAV with dividends reinvested, 31 January 2023 data, net of fees. Past performance is not a guide to future performance and may not be repeated.

<sup>2</sup>The term ‘Value stocks’ refers to shares of a company that appears to trade at a lower price relative to its fundamentals, such as dividends, earnings, or sales, making it appealing to value investors.

# Interim Management Report – Manager’s Review

from the Company’s gearing, and helpful contributions to relative performance also came from individual stocks. All these factors were helpful to performance during the period, as reflected in the positive NAV return and the modest outperformance of the benchmark.

The strongest market influence came from an unexpected change in monetary policy announced by the Bank of Japan (BOJ), which widened the band within which it has been maintaining 10-year bond yields. Although such a change to the policy of “yield curve control” has long been recognised by investors as a logical first step towards a more normal monetary policy environment, the timing of the decision came as a surprise. The main beneficiaries of this change were banks and other financials, because yield curve control has suppressed net interest margins (the difference between the rate at which banks borrow and lend money, which in turn influences how profitable they are). Financial-related sectors therefore reacted positively to this change, resulting in strong contributions for the Company from the portfolio’s biggest holding, Sumitomo Mitsui Financial Group, one of Japan’s largest banks, and T&D Holdings, a major life insurer. This was partly offset by a negative contribution from not holding Mitsubishi Financial Group during the period. Among stocks held, the largest negative contribution came from Mitsui Fudosan, a large cap real estate developer, which declined amid concern about how the change in monetary policy may impact the Japanese property market.

## Attribution–stock selection

6 Months to 31 January 2023

### Top 5 contributors

	Portfolio weight (%)	Benchmark <sup>1</sup> weight (%)	Portfolio return (%)	Benchmark <sup>1</sup> return (%)	Total effect (%)
Sumitomo Mitsui Financial Group, Inc.	3.5	1.2	43.1	43.1	0.8
T&D Holdings, Inc.	1.7	0.1	43.5	43.5	0.6
Mitsui & Co., Ltd	2.7	1.0	34.9	34.9	0.4
IBIDEN CO., LTD.	1.6	0.1	31.4	31.4	0.3
Seven & I Holdings Co., Ltd.	3.0	0.7	15.5	15.5	0.2

### Top 5 detractors

	Portfolio weight (%)	Benchmark <sup>1</sup> weight (%)	Portfolio return (%)	Benchmark <sup>1</sup> return (%)	Total effect (%)
Mitsubishi UFJ Financial Group, Inc.	-	1.8	-	32.5	(0.5)
Mitsui Fudosan Co., Ltd.	2.4	0.4	(16.0)	(16.0)	(0.5)
Nomura Research Institute, Ltd.	1.5	0.2	(20.6)	(20.6)	(0.4)
Kureha Corporation	1.2	0.0	(13.8)	(13.8)	(0.3)
Mizuho Financial Group, Inc.	-	0.8	-	33.0	(0.2)

Past performance is not a guide to future performance and may not be repeated. The value of investment can go down as well as up and is not guaranteed. The return may increase or decrease as a result of currency fluctuations.

Source: FactSet, GBP, Gross.

<sup>1</sup>Stocks mentioned are shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

## Portfolio activity

We added INFRONEER Holdings, a mid-sized general construction company, to the portfolio during the period. Its management team is evolving the business away from road-paving and towards infrastructure management services, which should enable it to deliver better earnings growth with less volatility. Ultimately, this should translate into a premium valuation, but the shares currently trade broadly in line with other construction companies. This market misperception provides significant room for the stock to be re-rated over time.

We also participated in the initial public offering (IPO) of Daiei Kankyo, one of Japan’s largest vertically integrated waste management companies. Our investment thesis is based on accelerating growth in revenue and profit from various company-specific drivers, including capacity expansion and acquisitions. Within a highly fragmented industry with relatively high barriers to entry, we believe the company’s strong market position, in terms of scale, capacity and track record, provides relatively good visibility on future earnings. The IPO price implied a meaningful valuation discount to peers like Daiseiki, which looks to us like a market oversight, allowing us to build a position in a high-quality company at an attractive price.

In terms of exits, we sold the position in Hoya Corp, which is a manufacturer of various electro-optical products. Our investment thesis for Hoya was that there had been a short-term overreaction by the market when Covid-19 hit in early 2020. This allowed us to increase our position in the company at a low valuation. Since then, Hoya has quickly rebuilt its earnings, and its share price has recovered, prompting us to start reducing the position gradually. More recently, the risk of a cyclical slowdown in the global IT market has emerged, which is

# Interim Management Report – Manager’s Review

likely to have a negative impact on Hoya’s glass memory-disk business. Since the valuation has now returned to its historical range, we decided to sell out of the remaining position.

We also sold the position in ENEOS Holdings, an integrated energy holding company that mainly operates refining and marketing businesses. We had expected the company to maximise cash flow generation from its existing assets and return that cash to shareholders. However, ENEOS continues to make fresh investments including acquisitions, without adequately explaining the deal rationale to shareholders. As a result, we have become increasingly concerned about management’s capital allocation discipline. Our engagements with the business have suggested there is reluctance to change, so we have exited the holding and recycled the proceeds into higher conviction opportunities, such as those outlined above.

## Outlook

Japan entered 2023 as a clear outlier among developed markets, in terms of the outlook for economic growth, monetary policy and inflation. With the domestic economy finally reopening, we see many companies well-positioned to continue to grow profits in the coming year and the potential for Japan’s GDP to continue to grow above its long-term trend rate.

After decades of deflation, the Bank of Japan may be the one major central bank that is happy to see some upward pressure on inflation. While producer prices have been rising in Japan for some time, we are now seeing more evidence of companies looking to pass on these increases to customers, despite consumers remaining very price-sensitive after two decades of deflation. Nevertheless, inflationary pressures remain lower in Japan than in the west, which should allow interest rates to remain relatively low, providing support for the domestic economy and indeed the stock market.

Our positive view on Japan for 2023 is also supported by continuing improvements in corporate governance, which provides the scope to generate real value for investors. This is partly a qualitative assessment through our discussions with company managements, but there are also measurable impacts such as improving returns on equity and a record level of share buybacks. These factors improve potential returns for investors, as do continuing revisions to the Corporate Governance Code and improving disclosure on sustainability issues. Factors such as these should allow us to continue to generate interesting stock ideas across the market-cap spectrum.

We should also note that Japan has entered 2023 with a slightly lower level of political stability than expected. The strong result for the ruling Liberal Democratic Party in the Upper House elections in July 2022 should have provided a strong platform for Prime Minister Kishida. Since then, however, his public approval rating has come under increasing pressure as a result of internal party issues together with his handling of higher living costs. While any change in prime minister is unlikely before the G7 summit in May, Mr Kishida may find it harder to survive the second half of 2023. Nevertheless, with the Liberal Democratic Party remaining dominant, we would expect any successor to maintain the current policy mix.

On balance, we expect the Japanese economy to be able to sustain its recovery in 2023, but we do not expect any step change in its long-term growth rate. Instead, we anticipate that continuing improvements in corporate governance will lead to better capital allocation disciplines and corporate restructurings which should, in turn, generate further improvements to shareholder returns. By focusing the portfolio towards undervalued businesses capable of delivering improving returns, and avoiding opportunities that are less well-placed, we expect these factors to have a strong positive influence on the Company in the years ahead.

## Schroder Investment Management Limited

13 April 2023



# Investment Portfolio

## As at 31 January 2023

Stocks in bold are the 20 largest investments, which by value account for 48.7% (31 July 2022: 49.6% and 31 January 2022: 51.0%) of total investments.

	£'000	%
<b>Electrical Appliances</b>		
<b>Hitachi</b>	<b>10,829</b>	<b>3.3</b>
<b>Ibiden</b>	<b>5,259</b>	<b>1.6</b>
<b>Ricoh</b>	<b>5,235</b>	<b>1.6</b>
<b>TDK</b>	<b>5,005</b>	<b>1.5</b>
Nihon Kohden	3,886	1.2
Yokogawa Electric	1,408	0.4
Koito Manufacturing	702	0.2
<b>Total Electrical Appliances</b>	<b>32,324</b>	<b>9.8</b>
<b>Transportation Equipment</b>		
<b>Toyota Motor</b>	<b>13,225</b>	<b>4.1</b>
Suzuki	4,370	1.3
Isuzu Motors	3,812	1.2
Toyota Industries	2,921	0.9
<b>Total Transportation Equipment</b>	<b>24,328</b>	<b>7.5</b>
<b>Information and Communication</b>		
<b>Nippon Telegraph and Telephone</b>	<b>12,730</b>	<b>4.0</b>
KDDI	4,673	1.4
Otsuka	4,210	1.3
Digital Garage	2,456	0.8
<b>Total Information and Communication</b>	<b>24,069</b>	<b>7.5</b>
<b>Wholesale trade</b>		
<b>Mitsui &amp; Co.</b>	<b>9,220</b>	<b>2.9</b>
<b>Itochu</b>	<b>5,802</b>	<b>1.8</b>
Fukushima Galilei	4,637	1.4
Trusco Nakayama	4,276	1.3
<b>Total Wholesale Trade</b>	<b>23,935</b>	<b>7.4</b>
<b>Machinery</b>		
<b>Amada</b>	<b>5,400</b>	<b>1.7</b>
NGK Spark Plug	4,309	1.3
Nichias	3,171	1.0
Kohoku Kogyo	2,946	0.9
Disco	2,877	0.9
Rheon Automatic Machinery	2,646	0.8
Tazmo	727	0.2
<b>Total Machinery</b>	<b>22,076</b>	<b>6.8</b>

	£'000	%
<b>Chemicals</b>		
<b>Nippon Soda</b>	<b>5,145</b>	<b>1.6</b>
Aica Kogyo	4,445	1.4
Kureha Chemical	3,802	1.2
Hosokawa Micron	3,640	1.1
NOF	3,418	1.1
<b>Total Chemicals</b>	<b>20,450</b>	<b>6.4</b>
<b>Pharmaceutical</b>		
<b>Takeda Pharmaceutical</b>	<b>7,417</b>	<b>2.3</b>
<b>Astellas Pharmaceutical</b>	<b>5,744</b>	<b>1.8</b>
Ship Healthcare	3,259	1.0
<b>Total Pharmaceutical</b>	<b>16,420</b>	<b>5.1</b>
<b>Insurance</b>		
<b>Tokio Marine</b>	<b>7,383</b>	<b>2.3</b>
<b>T&amp;D Holdings</b>	<b>7,351</b>	<b>2.3</b>
<b>Total Insurance</b>	<b>14,734</b>	<b>4.6</b>
<b>Precision Instruments</b>		
<b>Rohm</b>	<b>5,589</b>	<b>1.7</b>
Mimasu Semiconductors	4,424	1.4
SMC	4,358	1.3
<b>Total Precision Instruments</b>	<b>14,371</b>	<b>4.4</b>
<b>Securities and Commodity</b>		
<b>Orix</b>	<b>9,383</b>	<b>2.9</b>
Nomura Research Institute	4,647	1.4
<b>Total Securities and Commodity</b>	<b>14,030</b>	<b>4.3</b>
<b>Retail Trade</b>		
<b>Seven &amp; I Holdings</b>	<b>10,486</b>	<b>3.2</b>
Paltac	3,475	1.1
<b>Total Retail Trade</b>	<b>13,961</b>	<b>4.3</b>
<b>Other Products</b>		
Miura	4,547	1.4
Toho	3,730	1.2
Bandai Namco	3,249	1.0
Roland	2,344	0.7
<b>Total Other Products</b>	<b>13,870</b>	<b>4.3</b>

# Investment Portfolio

## As at 31 January 2023

	£'000	%
<b>Banks</b>		
Sumitomo Mitsui Financial	13,751	4.2
<b>Total Banks</b>	<b>13,751</b>	<b>4.2</b>
<b>Technology</b>		
NEC Systems	4,812	1.5
Yokowo	3,026	0.9
WingArc1st	2,962	0.9
<b>Total Technology</b>	<b>10,800</b>	<b>3.3</b>
<b>Construction</b>		
Sanki Engineering	4,021	1.2
Nippon Densetsu Kogyo	3,355	1.0
Infroneer	2,920	0.9
<b>Total Construction</b>	<b>10,296</b>	<b>3.1</b>
<b>Real Estate</b>		
Mitsui Fudosan	4,970	1.5
Park24	3,313	1.0
<b>Total Real Estate</b>	<b>8,283</b>	<b>2.5</b>
<b>Land Transportation</b>		
<b>Sankyu</b>	<b>5,388</b>	<b>1.7</b>
East Japan Railway	2,517	0.8
<b>Total Land Transportation</b>	<b>7,905</b>	<b>2.5</b>
<b>Services</b>		
Recruit Holdings	4,930	1.5
Intage	1,399	0.4
Daiei Kankyo	845	0.3
<b>Total Services</b>	<b>7,174</b>	<b>2.2</b>
<b>Foods</b>		
<b>Asahi Breweries</b>	<b>7,112</b>	<b>2.2</b>
<b>Total Foods</b>	<b>7,112</b>	<b>2.2</b>
<b>Rubber Products</b>		
Bridgestone	4,546	1.4
<b>Total Rubber Products</b>	<b>4,546</b>	<b>1.4</b>
<b>Other Financing Business</b>		
Aeon Financial Services	4,204	1.3
<b>Total Other Financing Business</b>	<b>4,204</b>	<b>1.3</b>
<b>Gas Appliances</b>		
Rinnai	4,190	1.3
<b>Total Gas Appliances</b>	<b>4,190</b>	<b>1.3</b>

	£'000	%
<b>Non-Ferrous Metals</b>		
Asahi Holdings	4,158	1.3
<b>Total Non-Ferrous Metals</b>	<b>4,158</b>	<b>1.3</b>
<b>Glass and Ceramics</b>		
AGC	4,055	1.3
<b>Total Glass and Ceramics</b>	<b>4,055</b>	<b>1.3</b>
<b>Electric Power and Gas</b>		
Nippon Gas	3,491	1.0
<b>Total Electric Power and Gas</b>	<b>3,491</b>	<b>1.0</b>
<b>Total investments</b>	<b>324,533</b>	<b>100.0</b>

# Interim Management Report

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; service provider; and cyber. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 18 and 19 of the Company's published annual report and accounts for the year ended 31 July 2022.

The Board has considered the Company's principal risks and uncertainties and considers that the Company's existing principal risks and uncertainties are sufficiently comprehensive.

The Company's principal risks and uncertainties have not materially changed during the six months ended 31 January 2023.

## Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 20 of the published annual report and accounts for the year ended 31 July 2022, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

## Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 January 2023.

## Directors' responsibility statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in July 2022 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

# Income Statement

for the six months ended 31 January 2023 (unaudited)

	(Unaudited) For the six months ended 31 January 2023			(Unaudited) For the six months ended 31 January 2022			(Audited) For the year ended 31 July 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	-	12,757	12,757	-	534	534	-	(3,439)	(3,439)
Net foreign currency (losses)/gains	-	(610)	(610)	-	465	465	-	2,076	2,076
Income from investments	4,198	-	4,198	3,921	-	3,921	8,208	-	8,208
Other interest receivable and similar income	5	-	5	-	-	-	3	-	3
<b>Gross return/(loss)</b>	<b>4,203</b>	<b>12,147</b>	<b>16,350</b>	3,921	999	4,920	8,211	(1,363)	6,848
Investment management fee	(300)	(700)	(1,000)	(308)	(718)	(1,026)	(599)	(1,399)	(1,998)
Administrative expenses	(314)	-	(314)	(319)	-	(319)	(637)	-	(637)
<b>Net return/(loss) before finance costs and taxation</b>	<b>3,589</b>	<b>11,447</b>	<b>15,036</b>	3,294	281	3,575	6,975	(2,762)	4,213
Finance costs	(45)	(106)	(151)	(37)	(87)	(124)	(81)	(189)	(270)
<b>Net return/(loss) before taxation</b>	<b>3,544</b>	<b>11,341</b>	<b>14,885</b>	3,257	194	3,451	6,894	(2,951)	3,943
Taxation (note 3)	(420)	-	(420)	(392)	-	(392)	(821)	-	(821)
<b>Net return/(loss) after taxation</b>	<b>3,124</b>	<b>11,341</b>	<b>14,465</b>	2,865	194	3,059	6,073	(2,951)	3,122
<b>Return/(loss) per share (note 4)</b>	<b>2.57p</b>	<b>9.31p</b>	<b>11.88p</b>	2.35p	0.16p	2.51p	4.97p	(2.42)p	2.55p

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/(loss) after taxation is also the total comprehensive income/(loss) for the period.

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

# Statement of Changes in Equity

## For the six months ended 31 January 2023 (unaudited)

	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 31 July 2022	12,200	7	301	3	91,237	170,347	7,334	281,429
Repurchase of the Company's own shares for cancellation	(38)	-	38	-	(750)	-	-	(750)
Net return after taxation	-	-	-	-	-	11,341	3,124	14,465
Dividend paid in the period (note 5)	-	-	-	-	-	-	(5,961)	(5,961)
<b>At 31 January 2023</b>	<b>12,162</b>	<b>7</b>	<b>339</b>	<b>3</b>	<b>90,487</b>	<b>181,688</b>	<b>4,497</b>	<b>289,183</b>

## For the six months ended 31 January 2022 (unaudited)

	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 31 July 2021	12,214	7	287	3	91,540	173,298	6,510	283,859
Repurchase of the Company's own shares for cancellation	(7)	-	7	-	(154)	-	-	(154)
Net return after taxation	-	-	-	-	-	194	2,865	3,059
Dividend paid in the period (note 5)	-	-	-	-	-	-	(5,249)	(5,249)
<b>At 31 January 2022</b>	<b>12,207</b>	<b>7</b>	<b>294</b>	<b>3</b>	<b>91,386</b>	<b>173,492</b>	<b>4,126</b>	<b>281,515</b>

## For the year ended 31 July 2022 (audited)

	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 31 July 2021	12,214	7	287	3	91,540	173,298	6,510	283,859
Repurchase of the Company's own shares for cancellation	(14)	-	14	-	(303)	-	-	(303)
Net (loss)/return after taxation	-	-	-	-	-	(2,951)	6,073	3,122
Dividend paid in the year (note 5)	-	-	-	-	-	-	(5,249)	(5,249)
<b>At 31 July 2022</b>	<b>12,200</b>	<b>7</b>	<b>301</b>	<b>3</b>	<b>91,237</b>	<b>170,347</b>	<b>7,334</b>	<b>281,429</b>

# Statement of Financial Position at 31 January 2023 (unaudited)

	(Unaudited) At 31 January 2023 £'000	(Unaudited) At 31 January 2022 £'000	(Audited) At 31 July 2022 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	324,533	313,280	313,454
<b>Current assets</b>			
Debtors	471	958	1,113
Cash at bank and in hand	2,718	7,263	5,626
	<b>3,189</b>	8,221	6,739
<b>Current liabilities</b>			
Creditors: amounts falling due within one year (note 6)	(1,062)	(1,174)	(1,872)
<b>Net current assets</b>	<b>2,127</b>	7,047	4,867
<b>Total assets less current liabilities</b>	<b>326,660</b>	320,327	318,321
Creditors: amounts falling due after more than one year (note 7)	(37,477)	(38,812)	(36,892)
<b>Net assets</b>	<b>289,183</b>	281,515	281,429
<b>Capital and reserves</b>			
Called-up share capital (note 8)	12,162	12,207	12,200
Share premium	7	7	7
Capital redemption reserve	339	294	301
Warrant exercise reserve	3	3	3
Share purchase reserve	90,487	91,386	91,237
Capital reserves	181,688	173,492	170,347
Revenue reserve	4,497	4,126	7,334
<b>Total equity shareholders' funds</b>	<b>289,183</b>	281,515	281,429
<b>Net asset value per share (note 9)</b>	<b>237.77p</b>	230.61p	230.68p

Registered in England and Wales as a public company limited by shares  
Company Registration Number: 02930057

# Notes to the Accounts

## 1. Financial statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's independent auditor.

The figures and financial information for the year ended 31 July 2022 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

### Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in July 2022.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 July 2022.

## 3. Taxation on ordinary activities

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. The tax charge comprises irrecoverable overseas withholding tax.

## 4. Return/(loss) per share

	(Unaudited) Six months ended 31 January 2023 £'000	(Unaudited) Six months ended 31 January 2022 £'000	(Audited) Year ended 31 July 2022 £'000
Revenue return	3,124	2,865	6,073
Capital return/(loss)	11,341	194	(2,951)
<b>Total return</b>	<b>14,465</b>	3,059	3,122
Weighted average number of shares in issue during the period	121,782,314	122,089,911	122,078,782
Revenue return per share	2.57p	2.35p	4.97p
Capital return/(loss) per share	9.31p	0.16p	(2.42)p
<b>Total return per share</b>	<b>11.88p</b>	2.51p	2.55p

# Notes to the Accounts

## 5. Dividends paid

	(Unaudited) Six months ended 31 January 2023 £'000	(Unaudited) Six months ended 31 January 2022 £'000	(Audited) Year ended 31 July 2022 £'000
2022 final dividend paid of 4.9p (2021: 4.3p)	5,961	5,249	5,249

No interim dividend has been declared in respect of the six months ended 31 January 2023 (2022: nil).

## 6. Creditors: amounts falling due within one year

	(Unaudited) 31 January 2023 £'000	(Unaudited) 31 January 2022 £'000	(Audited) 31 July 2022 £'000
Securities purchased awaiting settlement	422	479	1,177
Other creditors and accruals	640	695	695
	<b>1,062</b>	<b>1,174</b>	<b>1,872</b>

## 7. Creditors: amounts falling due after more than one year

	(Unaudited) 31 January 2023 £'000	(Unaudited) 31 January 2022 £'000	(Audited) 31 July 2022 £'000
Bank loan	37,477	38,812	36,892

The bank loan is a yen 6.0 billion three-year term loan from SMBC Bank International plc (formerly Sumitomo Mitsui banking Corporation Europe Limited), expiring in January 2025 and carrying a floating interest rate, calculated at the daily Compounded Risk Free Rate, plus a margin.

## 8. Called-up share capital

	(Unaudited) Six months ended 31 January 2023 £'000	(Unaudited) Six months ended 31 January 2022 £'000	(Audited) Year ended 31 July 2022 £'000
Opening balance of ordinary shares of 10p each	12,200	12,214	12,214
Repurchase and cancellation of shares	(38)	(7)	(14)
Closing balance of ordinary shares of 10p each	<b>12,162</b>	<b>12,207</b>	<b>12,200</b>



# Notes to the Accounts

Changes in the number of shares in issue during the period were as follows:

	(Unaudited) Six months ended 31 January 2023	(Unaudited) Six months ended 31 January 2022	(Audited) Year ended 31 July 2022
Ordinary shares of 10p each, allotted, called-up and fully paid			
Opening balance of shares in issue	122,000,562	122,143,262	122,143,262
Repurchase and cancellation of shares	(375,690)	(67,700)	(142,700)
Closing balance of shares in issue	121,624,872	122,075,562	122,000,562

## 9. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue of 121,624,872 (31 January 2022: 122,075,562 and 31 July 2022: 122,000,562).

## 10. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 January 2023, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 January 2022 and 31 July 2022: same).

## 11. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the interim date and have not noted any significant events which have not been reflected in the financial statements.

# Notes

# Notes

## Directors

Philip Kay (Chairman)  
Alan Gibbs  
Angus Macpherson  
Belinda Richards  
Helena Coles

## Advisers

### Alternative Investment Fund Manager ("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

SMBC Bank International plc  
99 Queen Victoria Street  
London EC4V 4EH

### Corporate broker

Winterflood Securities Limited  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA

## Independent auditor

Deloitte LLP  
2 New Street Square  
London EC4A 3BZ

## Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Shareholder helpline 0800 032 0641\*  
Website: [www.shareview.co.uk](http://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 address above.

## Shareholder enquiries

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

## Dealing codes

ISIN Number: GB0008022849  
SEDOL Number: 0802284  
Ticker: SJG

## Global Intermediary Identification Number (GIIN)

7T0909.99999.SL.826

## Legal Entity Identifier (LEI)

549300SSPK3AXNJOC673