Schroders

# Schroder Oriental Income Fund Limited

## Annual Report and Accounts

For the year ended
31 August 2020

## Investment objective

The investment objective of Schroder Oriental Income Fund Limited (the "Company") is to provide a total return for investors primarily through investments in equities and equity-related investments, of companies which are based in, or which derive a significant proportion of their revenues from, the Asia Pacific region and which offer attractive yields.

## Investment policy

The investment policy of the Company is to invest in a diversified portfolio of investments, primarily equities and equity-related investments, of companies which are based in, or derive a significant proportion of their revenues from, the Asia Pacific region. The portfolio is diversified across a number of industries and a number of countries in that region. The portfolio may include government, quasi-government, corporate and high yield bonds and preferred shares. A full breakdown of the investment portfolio may be found on pages 9 and 10.

Equity-related investments which the Company may hold include investments in other collective investment undertakings (including real estate investment trusts and related stapled securities), warrants, depositary receipts, participation certificates, guaranteed performance bonds, convertible bonds, other debt securities, equity-linked notes and similar instruments (whether or not investment grade) which give the Company access to the performance of underlying equity securities, particularly where the Company may be restricted from directly investing in such underlying equity securities or where the Manager considers that there are benefits to the Company in holding such investments instead of directly holding the relevant underlying equity securities. Such investments may be listed or traded outside the Asia Pacific region. Such investments may subject the Company to credit risk against the issuing entity. The Company may also participate, subject to regulatory and tax implications, in debt-to-equity conversion programmes.

The Manager may consider writing calls over some of the Company's holdings, as a low-risk way of enhancing the returns from the portfolio, although it has not written any to date. The board has set a limit such that covered calls cannot be written over portfolio holdings representing in excess of 15% of gross assets. However, the Company may only invest in derivatives for the purposes of efficient portfolio management. Investors should note that the types of equity-related investments listed above are not exhaustive of all of the types of securities and financial instruments in which the Company may invest, and the Company will retain the flexibility to make any investments unless these are prohibited by the investment restrictions applicable to the Company.

Although the Company has the flexibility to invest in bonds and preferred shares as described above, the intention of the directors is that the assets of the Company which are invested (that is to say, which are not held in cash, money funds, debt securities, interest-bearing gilts or treasuries) will predominantly comprise Asia Pacific equities and equity-related investments.

# Contents



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# Financial Highlights

**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 31 August 2020

-0.9%

2019: +3.7%

**Net asset value ("NAV") per share total return**

-3.9%

2019: +5.4%

**Share price total return**

## Other financial information

| | 31 August 2020 | 31 August 2019 | % Change |
|---|---|---|---|
| Shareholders' funds (£'000) | 646,699 | 661,804 | (2.3) |
| Shares in issue (excluding shares held in treasury) | 270,268,024 | 262,683,024 | +2.9 |
| NAV per share* (pence) | 239.28 | 251.94 | (5.0) |
| Share price (pence) | 233.00 | 253.00 | (7.9) |
| Share price premium/(discount) to NAV per share* (%) | (2.6) | 0.4 | |
| Gearing* (%) | 4.0 | 5.3 | |

| | Year ended 31 August 2020 | Year ended 31 August 2019 | % Change |
|---|---|---|---|
| Net revenue after taxation (£'000) | 26,537 | 27,376 | (3.1) |
| Revenue earnings per share (pence) | 9.86 | 10.60 | (7.0) |
| Dividends per share (pence) | 10.30 | 10.10 | +2.0 |
| Ongoing Charges* (%) | 0.87 | 0.86 | |

Definitions of terms and performance measures throughout this report can be found on page 63.

# Ten-Year Financial Record

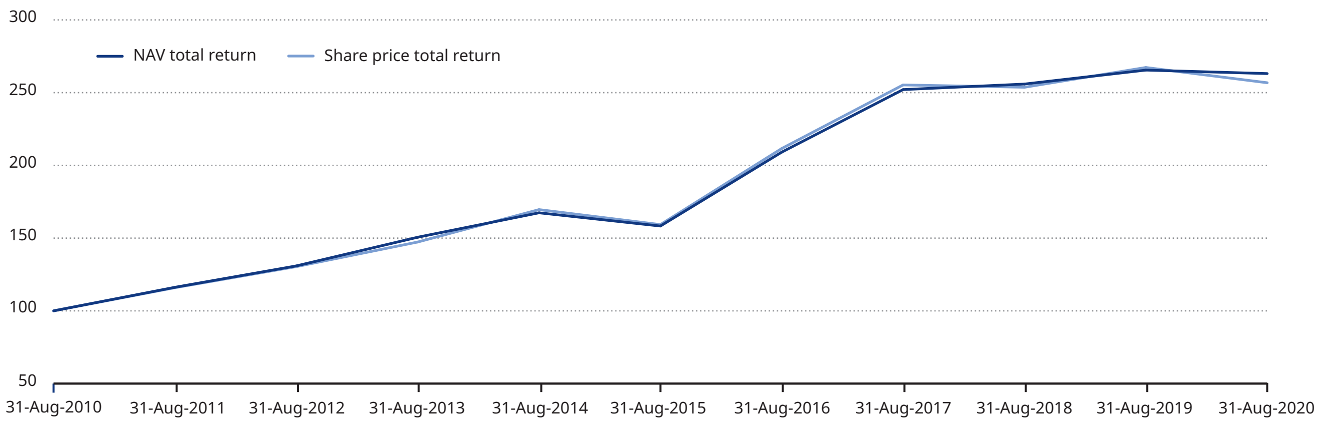
| At 31 August | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Shareholders' funds (£'000) | 254,070 | 290,324 | 395,926 | 428,456 | 410,090 | 528,662 | 635,466 | 642,711 | 661,804 | 646,699 |
| NAV per share (pence) | 152.80 | 165.18 | 181.46 | 193.44 | 175.95 | 222.56 | 258.63 | 252.94 | 251.94 | 239.28 |
| Share price (pence) | 152.00 | 164.00 | 177.00 | 195.50 | 176.50 | 224.50 | 261.00 | 250.00 | 253.00 | 233.00 |
| Share price (discount)/ premium to NAV per share (%) | (0.5) | (0.7) | (2.5) | 1.1 | 0.3 | 0.9 | 0.9 | (1.2) | 0.4 | (2.6) |
| Gearing (%)[1] | 2.4 | 2.7 | 2.1 | 5.1 | 5.5 | 0.4 | 2.0 | 4.5 | 5.3 | 4.0 |

| For the year ended 31 August | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net revenue after taxation (£'000) | 11,926 | 12,734 | 16,571 | 17,802 | 19,660 | 21,296 | 23,939 | 26,421 | 27,376 | 26,537 |
| Revenue earnings per share (pence) | 7.22 | 7.44 | 8.74 | 8.12 | 8.73 | 9.03 | 9.94 | 10.52 | 10.60 | 9.86 |
| Dividends per share (pence) | 6.35 | 6.80 | 7.45 | 7.65 | 8.00 | 8.50 | 9.20 | 9.70 | 10.10 | 10.30 |
| Ongoing Charges (%)[2] | 0.92 | 0.93 | 0.93 | 0.88 | 0.87 | 0.89 | 0.85 | 0.83 | 0.86 | 0.87 |

| Performance[3] | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAV total return | 100.0 | 116.2 | 130.9 | 150.6 | 167.4 | 158.3 | 209.1 | 252.1 | 255.9 | 265.5 | 263.1 |
| Share price total return | 100.0 | 115.9 | 130.4 | 147.3 | 169.6 | 159.3 | 211.6 | 255.3 | 253.7 | 267.3 | 256.8 |

[1]Borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[2]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year. The figure for 2011 represents the expenses calculated as above, expressed as a percentage of the average month end net asset values during the year.
[3]Source: Morningstar. Rebased to 100 at 31 August 2010.

## NAV and share price total returns over ten years to 31 August 2020




Source: Morningstar. Rebased to 100 at 31 August 2010

Strategic Report

# Chairman's Statement

Dear Shareholder

## Revenue, dividends and performance

In truly unprecedented times, your Company has again increased its dividend, drawing modestly on its revenue reserve to cover the 7% fall in revenue earnings per share during the year. Asian economies have shown remarkable resilience to date and the reduction in income has been much more modest than that of the United Kingdom, demonstrating the Company's value as a diversifier away from UK income. Dividends declared by the Company over the year totalled 10.30 pence. Remaining revenue reserves are equivalent to nearly eight months of the dividend at current levels.

The share price produced a total return of -3.9% over the year to 31 August 2020. The NAV total return for the financial year to 31 August 2020 was -0.9%. In an environment where the rise in regional markets was driven by lower yielding growth stocks, which do not produce the income the Company is targeting, we believe this is a good result. We are also reassured by the subsequent recovery in NAV (which has risen by 6% since the year end[1]), and the Company's strong performance over the longer term.

## Share price discount, issuance and buybacks

During the first nine months of the financial year, demand for the Company's shares remained strong and a total of 8.5 million shares were issued at a premium to NAV. However, since the summer, demand has been more volatile and the Company's share price ended the year at a small discount to NAV. In accordance with the Company's discount control policy, the board has been active in the market to buy back shares and a total of 965,000 shares were repurchased to be held in treasury in the last quarter of the financial year. A further 625,000 have been purchased since then as the directors remain active in applying their discount control authorities.

## Gearing

During the year, gearing was decreased slightly from 5.3% to 4%. The Company continues to have access to a £100 million multi-currency facility to provide flexibility to the Manager to gear the portfolio within strict limits imposed by the board.

## Board composition and succession planning

Your board has seen significant change over the last four years, welcoming four new directors. I believe a developed succession planning process has enabled this to happen smoothly, without hampering the board's ability to address key strategic issues or losing 'corporate memory'. As the next step in this process, I shall be retiring as a director of the Company at the next AGM and Paul Meader will take on the role of chairman following a selection process overseen by the nomination committee and led by Alexa Coates. In accordance with the board's policy on tenure, Paul will act as Chairman for a period of five years. I wish Paul every success in this role and have no doubt that his experience of both the Company and as a chairman leaves the Company in good hands.

## Change of portfolio manager

After a long and distinguished career in the fund management industry, the Company's portfolio manager Matthew Dobbs, will be retiring in early 2021. Matthew was instrumental in the launch of the Company in 2005 and has been the fund manager of the portfolio since then. He has been responsible for much of the success of the Company since then and I should like to record the board's gratitude to Matthew and to send him our very best wishes for his retirement.

Richard Sennitt, a close colleague of Matthew's over the last 13 years, will be taking over as portfolio manager of the Company. Richard joined Schroders in 1993 and has become well known to the board over an extended period. Having engaged extensively with Schroders about this transition process we are confident that Richard will be an excellent successor to Matthew. The board looks forward to working with him as he takes on the role of portfolio manager from 31 December 2020.

## Change of tax domicile

As I wrote in the half year report, following extensive discussion, and advice taken from the Company's specialist advisers, after 15 years as a Guernsey tax exempt company, your board proposed to shareholders that the Company's tax domicile be changed from Guernsey to the United Kingdom. Following a general meeting where this was approved by shareholders, the Company became tax resident in the United Kingdom on 1 September 2020 and became an investment trust on the same date. This will result in greater flexibility, increased engagement with service providers, and operational savings due to a reduction in irrecoverable withholding taxes, as a result of the United Kingdom's double taxation treaties with certain Asian countries.

## Annual general meeting

The AGM will be held at 10.30 am on Friday, 11 December 2020. Due to the continuing restrictions relating to meetings due to

[1] from 1 September 2020 to 10 November 2020

# Chairman's Statement

the COVID-19 pandemic, shareholders are asked to cast their votes by proxy. To ensure the safety and security of our shareholders, service providers, officers and guests, shareholders will not be able to attend the meeting in person.

The portfolio manager will be presenting at a webinar on Friday, 11 December 2020 at 10.45 am, and all shareholders are encouraged to sign up via the Company's web pages (www.schroders.co.uk/orientalincome), to hear the fund manager's view, and to ask questions.

In addition, the board would like shareholders to get in touch via the Company Secretary with any questions or comments, so that the board can answer them in advance of the AGM. The board will be providing answers to commonly asked questions on the Company's webpages, as well as the answers to questions from shareholders before the AGM. To email, please use: amcompanysecretary@schroders.com or write to us care of the Company Secretary (Company Secretary, Schroder Oriental Income Fund Limited, 1 London Wall Place, London EC2Y 5AU).

## Outlook

Having served on your board since the Company's launch in 2005, I have seen the share price and the dividend more than double, the dividend increase every year, and demand for the Company become such that the number of its shares has increased by four-fifths. As I hand over the Chairman's role to Paul I wonder how repeatable this will be in the next 15 years.

I am tempted to say that it will be hard: long term shareholders have had tailwinds helping the past success, and not all of these will recur. It is also difficult to abstract from the challenges of the last year – the pandemic, new tension between China and the US, volatile markets, etc. However, it is precisely the last year that keeps me optimistic about the Company. For all of the unprecedented disruption and the concern about how it would impact corporate dividends, our investment income this year almost matched 2019 and proved more than sufficient to justify a higher dividend, given the level of reserves accumulated from prior years.

The performance numbers make clear that in absolute terms, it has not been an ideal year – the NAV is slightly down, for example. Nevertheless, 2020 is a microcosm of what we want the Company to do: to provide shareholders with an above-average and rising income while participating in Asia's growth, and to do it even in difficult times. This year it has achieved this at a time when many other sources of income for UK shareholders, like UK dividends and interest rates, have fallen, in some cases significantly.

I am therefore confident that I am not only leaving the Company with an experienced Chairman and a diverse and talented board but also in a good position to repeat its past success. The world is still full of risks, and recent events have added to them, but it has been satisfying over the last 15 years to have seen how valid Asia has become as a source of income for many UK investors. I wish shareholders and the board continuing success in the years to come.

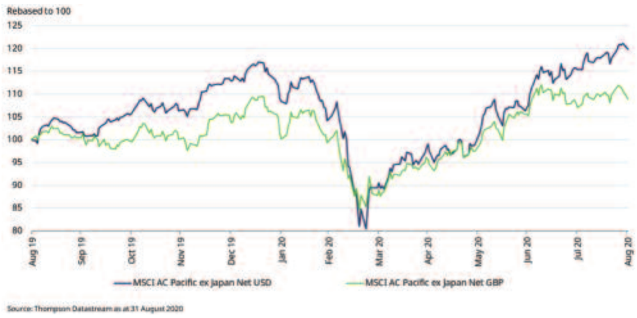
**Peter Rigg**
Chairman

12 November 2020

# Manager's Review

The net asset value per share recorded a total return of -0.9% over the twelve months to end August 2020. Four interim dividends have been declared totalling 10.30 pence (10.10 pence last year).

## Performance of the MSCI AC Pacific ex Japan net dividends reinvested Index in GBP and USD – 31 August 2019 to 31 August 2020




Source: Thompson Datastream as at 31 August 2020.

*Past performance is not a guide to future performance. 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.*

Despite the global disruption of the COVID-19 pandemic, widely-followed Asian equity benchmarks recorded positive returns for the twelve months under review. This has been thanks to a robust recovery following sharp falls in the first quarter of 2020 as the potential implications of the virus sunk in.

While some of the rapid recovery was due to the effectiveness with which a number of regional authorities handled the crisis, the global monetary and fiscal response was also of material impact. Looser credit, led by the US Federal Reserve but mirrored by all the major monetary authorities, resulted in a rapid reversal in the spike in credit spreads. With widespread direct support for both consumers and companies (in Asia primarily focused upon Small/Medium-sized Enterprises or SMEs), equities recovered strongly over the summer, also supported by the weakness in the US dollar.

Although China has been at the epicentre of the pandemic, and has also faced mounting pressure from the United States across a range of contentious issues, its economic performance has been particularly notable. Despite relatively mild stimulus measures by global standards (but pretty comprehensive, if ruthless, lockdowns) China has led the regional recovery as supply disruptions were speedily resolved, and end demand recovered the bulk of the previous collapse. However, reflecting the global picture, areas such as long-distance travel, entertainment and tourism have proved slower to revive.

## Country returns of the MSCI AC Pacific ex Japan Net Dividends Reinvested Index in GBP and local currency – 31 August 2019 to 31 August 2020


Source: Schroders, Factset.

*The MSCI index rose 9.0% in sterling in this period.*

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

The overall regional index performance disguised a wide dispersion in performance between both countries and sectors. As can be seen above, three markets were up over 20% in sterling terms, balanced by four down over 20%. The latter were all in ASEAN, and while there were easily identifiable negatives (collapse of tourism and political tension in Thailand, understandable lack of COVID-19 preparedness in Indonesia), much of the disparity can be put down to sectoral exposures. Heavy weightings towards banks, property, telecommunications and resources have hampered South East Asia, while higher exposure to technology and the "new economy" of e-commerce, online gaming, digital payments, social media, electronic vehicles and health care have supported China, Korea and Taiwan.

It is unsurprising in the circumstances that we have seen a number of dividend cuts around the region. However, on the whole we would say that management have been sensible and have had due regard to the fact that many companies in the region remain profitable and boast relatively strong balance sheets. More systemic areas of weakness were banks (particularly in Australia and Singapore where the regulatory authorities have counselled prudence), and the Singapore REITs where lockdown and government relief measures curbed pay-outs. However, given that there have not been the same direct payments to support companies seen in the United Kingdom, we have not seen the same moral pressure to limit dividends.

## Positioning and Performance

Over the life of the Company, actively-managed Asian income stocks have been able not only to keep pace, but outperform the reference benchmark. There have been two notable recent periods when this has not been the case; calendar year 2017, and the last twelve months. In both cases, markets have been narrowly focused on a relatively small number of large-cap growth stocks (particularly in China) which offer little in the way of dividend return. Indeed, over the review period, two thirds of the performance shortfall can be ascribed to not owning just two stocks – Tencent and Alibaba. The balance is largely accounted for by the Company's exposure to real estate which has been out of favour given concern over the long term potential for disruption from changed work habits and the challenge to off-line retail.

There have been some bright spots. Stock selection in Taiwan, Australia and Korea has been strong (partly reflecting exposure to information technology), and the correct underweighting in financials which have suffered due to lower interest rates and fears over credit quality.

The geographic exposures in the Company's portfolio have remained well spread between Hong Kong, Australia, China, Singapore, Taiwan and Korea. It is notable that over the last few years, more income opportunities have emerged in China although we remain relatively underweight. The major move during the period has been to reduce the bank exposure in favour of information technology (particularly in Taiwan) and insurance which remains relatively under-penetrated in the region. Real estate remains an important exposure, but we have taken a very selective approach both in terms of the nature of the underlying asset and also balance sheet strength.

## Investment Outlook

The rate of earnings downgrades across the region has slowed recently, but there is still a lack of visibility on the timing of an end to global lockdowns and travel restrictions, and the likely path of the subsequent recovery in activity. This is especially the case now given secondary spikes in infections in several countries. It is, therefore, no surprise that companies are providing limited guidance on their shorter-term outlooks and continue to plan conservatively. In our interaction with management teams, our focus has been on understanding what measures they are taking to deal with the crisis and how well placed they are to ride out the downturn – operationally and financially. For many companies, this year's earnings are likely to be something of a write-off, so it is important to focus on the longer-term prospects for our investee companies. As performance in the past few months has demonstrated, markets by and large are willing to look beyond this crisis, as long as there is scope for a healthy recovery next year to a more 'normalised' level of profitability.

Consequently, aggregate valuations for the region have risen to slightly above historic average levels. This is clearly already pricing in a measure of the recovery in earnings expected into 2021 and the upside for the 'lockdown winners'. There is scope for disappointment, but the ultra-low level of interest rates and bond yields around the world provides support to valuations. It also makes the dividend streams from those companies able to sustain pay-outs particularly attractive.

Behind the aggregate valuation measures, there is a very wide spread of multiples. This means that valuations in some of the sectors with strong momentum this year – notably selected healthcare, e-commerce, online gaming, 5G equipment, electric vehicle-related and other popular China A-listed shares – are much more stretched. We are also seeing some signs of 'froth' emerging in the very strong flows and performance of new initial public offerings in Hong Kong and South Korea. This froth is also evident in the high levels of retail participation in these deals and in market trading more generally. Although not yet at worrying levels, this sort of optimism does leave markets more vulnerable to disappointment.

The obverse of this is that many companies with solid dividend prospects are offering great value. Clearly, we must be very selective as some industries are facing severe disruption. Consequently, the Company's portfolio has relatively little exposure to hydro-carbon energy and autos, and taking a very selective approach in banks and real estate; but across all sectors we are sensitive to the long-term sustainability of company business models, working closely with our local analysts and the Environmental, Social and Governance (ESG) team.

When the Company was launched fifteen years ago, we contended that actively-managed higher yield Asian equities could provide attractive long-term returns, and enable income sensitive clients to access an exciting and high growth region. However, we also warned that dividend yield is both an opportunity and a constraint; there may be attractive areas of the market that we are constrained from accessing due to lack of adequate yields. We have experienced just such a period in recent years, but on a longer term time horizon the Company has generated attractive and competitive returns. This writer signs off with great conviction that the longer-term pattern will be restored over the coming years under the capable stewardship of Richard Sennitt and the team at Schroders.

## Sector and country weights

### Portfolio by sector (gearing currently at 4.0%)

| | Portfolio weight (%) |
|---|---|
| Consumer Discretionary | 11.3 |
| Consumer Staples | 2.5 |
| Energy | 2.0 |
| Banks | 6.7 |
| Real Estate | 18.3 |
| Other Financials | 7.0 |
| Health Care | – |
| Industrials | 3.4 |
| Information Technology | 26.0 |
| Materials | 13.9 |
| Communication Services | 12.9 |
| Utilities | – |

Source: Schroders as at 31 August 2020.

# Manager's Review

### Portfolio by country (gearing currently at 4.0%)

| | Portfolio weight (%) |
|---|---|
| Australia | 19.0 |
| China | 18.4 |
| Hong Kong | 18.6 |
| India | – |
| Indonesia | – |
| Japan | 0.8 |
| Korea | 10.3 |
| Malaysia | - |
| New Zealand | 0.4 |
| Philippines | - |
| Singapore | 12.1 |
| Taiwan | 20.7 |
| Thailand | 2.7 |
| Other | 1.0 |

Source: Schroders as at 31 August 2020.

Matthew Dobbs

**Schroder Investment Management Limited**

12 November 2020

*Past performance is not a guide to future performance. 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.*

# Investment Portfolio
## at 31 August 2020



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 58.3% (2019: 56.4%) of total investments and derivative financial instruments.

| | £'000 | % |
|---|---|---|
| **Taiwan** | | |
| **Taiwan Semiconductor Manufacturing** | **64,965** | **9.6** |
| **Hon Hai Precision Industry** | **14,120** | **2.1** |
| **Delta Electronics** | **12,782** | **1.9** |
| **Far EasTone Telecommunications (including GDR)** | **11,646** | **1.7** |
| Asustek Computer | 10,534 | 1.6 |
| ASE Technology | 6,498 | 1.0 |
| Uni-President | 5,738 | 0.9 |
| Mega Financial | 4,227 | 0.6 |
| Mediatek | 3,708 | 0.6 |
| **Total Taiwan** | **134,218** | **20.0** |
| **Australia** | | |
| **BHP Billiton**[1] | **25,904** | **3.9** |
| **Rio Tinto**[1] | **17,646** | **2.6** |
| **James Hardie Industries** | **13,559** | **2.0** |
| **Iluka Resources** | **12,202** | **1.8** |
| Woolworths | 9,168 | 1.4 |
| Mirvac | 8,564 | 1.3 |
| Transurban | 8,360 | 1.2 |
| Telstra | 8,079 | 1.2 |
| National Australia Bank | 7,898 | 1.2 |
| Orica | 5,656 | 0.8 |
| Suncorp | 3,016 | 0.5 |
| Brambles | 2,193 | 0.3 |
| **Total Australia** | **122,245** | **18.2** |

| | £'000 | % |
|---|---|---|
| **Hong Kong (SAR)** | | |
| **HKT Trust and HKT** | **16,614** | **2.5** |
| **Kerry Properties** | **14,698** | **2.2** |
| **HK Exchanges & Clearing** | **13,094** | **2.0** |
| **Fortune Real Estate Investment Trust** | **11,545** | **1.7** |
| Xinyi Glass | 9,931 | 1.5 |
| PCCW | 9,529 | 1.4 |
| BOC Hong Kong | 9,004 | 1.3 |
| Hang Lung Group | 7,239 | 1.1 |
| Swire Properties | 7,137 | 1.1 |
| Link (REIT) | 5,364 | 0.8 |
| Hang Lung Properties | 4,710 | 0.7 |
| Swire Pacific B | 4,630 | 0.7 |
| Prada | 4,385 | 0.6 |
| Pacific Textiles | 1,945 | 0.3 |
| **Total Hong Kong (SAR)** | **119,825** | **17.9** |
| **Mainland China** | | |
| **Midea Group warrants 27/05/2021**[2] **and A shares** | **26,140** | **3.9** |
| **Sands China**[3] | **23,603** | **3.5** |
| **China Mobile**[3] | **16,881** | **2.5** |
| **China Life Insurance**[3] | **16,542** | **2.5** |
| **China Resources Land**[3] | **12,199** | **1.8** |
| China Petroleum & Chemical H shares[3] | 6,867 | 1.0 |
| Shenzhou International[3] | 6,829 | 1.0 |
| Lonking[3] | 5,828 | 0.9 |
| Ping An Insurance H shares[3] | 4,647 | 0.7 |
| **Total Mainland China** | **119,536** | **17.8** |

# Investment Portfolio
## at 31 August 2020

| | £'000 | % |
|---|---|---|
| **Singapore** | | |
| **Venture** | **14,332** | **2.1** |
| United Overseas Bank | 11,246 | 1.7 |
| Singapore Telecom | 10,012 | 1.5 |
| CapitaLand Mall Trust (REIT) | 7,489 | 1.1 |
| Oversea-Chinese Banking | 7,390 | 1.1 |
| Suntec (REIT) | 6,223 | 0.9 |
| Frasers Logistics | 5,765 | 0.9 |
| Frasers Commercial Trust (REIT) | 5,533 | 0.8 |
| Mapletree Commercial Trust (REIT) | 5,327 | 0.8 |
| CapitaLand Commercial Trust (REIT) | 4,843 | 0.7 |
| **Total Singapore** | **78,160** | **11.6** |
| **South Korea** | | |
| **Samsung Electronics preference shares** | **41,646** | **6.2** |
| **LG Chemical preference shares** | **12,153** | **1.8** |
| SK Innovation preference shares | 6,233 | 0.9 |
| Hana Financial | 3,230 | 0.5 |
| Samsung Fire and Marine Insurance preference shares | 1,085 | 0.2 |
| SK Holding preference shares | 990 | 0.1 |
| Amorepacific preference shares | 974 | 0.1 |
| **Total South Korea** | **66,311** | **9.8** |
| **Thailand** | | |
| Intouch | 7,877 | 1.2 |
| Land and Houses NDVR | 4,256 | 0.6 |
| CPN Retail Growth Leasehold (REIT) | 3,485 | 0.5 |
| Supalai | 1,759 | 0.3 |
| **Total Thailand** | **17,377** | **2.6** |

| | £'000 | % |
|---|---|---|
| **United Kingdom** | | |
| Prudential | 3,302 | 0.5 |
| Standard Life Aberdeen | 3,299 | 0.5 |
| **Total United Kingdom** | **6,601** | **1.0** |
| **Japan** | | |
| Tokyo Broadcasting System | 3,409 | 0.5 |
| MCUBS MidCity Investment (REIT) | 1,613 | 0.2 |
| Fuji Media | 18 | – |
| **Total Japan** | **5,040** | **0.7** |
| **New Zealand** | | |
| Fletcher Building | 2,871 | 0.4 |
| **Total New Zealand** | **2,871** | **0.4** |
| **Total Investments[4]** | **672,184** | **100.0** |

[1]Listed in UK
[2]Listed in USA
[3]Listed in Hong Kong
[4]Total investments comprises:

| | £'000 | % |
|---|---|---|
| Equities, including LEPO, GDR and NVDR | 605,873 | 90.1 |
| Preference shares | 66,311 | 9.9 |
| Total investments | 672,184 | 100.0 |

"GDR" means global depositary receipts
"LEPO" means low exercise price options
"NVDR" means non-voting depositary receipts
"REIT" means real estate investment trust

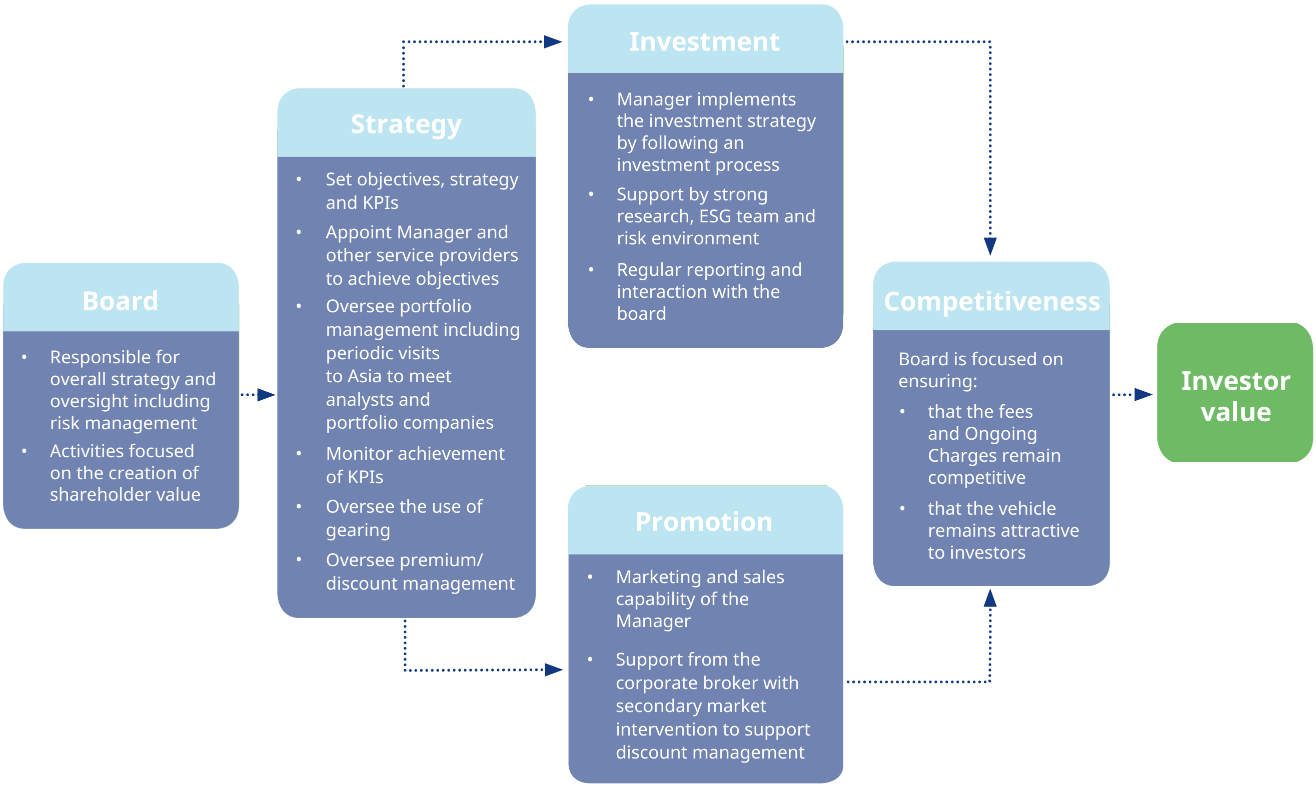
# Strategic Review



**The Strategic Review 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, 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 below. The investment and promotion processes set out in the diagram below are described later in more detail.




## Investment process

Stock selection is at the heart of the investment approach for the Company, with income and capital growth the key features taken into consideration. One of the Manager's strengths is its network of analysts based in Asia whose focus is on identifying companies able to grow shareholder value in the long term. The assessment of these companies includes consideration of both financial and non-financial factors. Consideration of environmental, social and governance factors are an integral part of investment appraisal. Although the in-house analysts are the primary source of stock ideas, the portfolio manager also generates stock ideas through his own research and draws on a number of other sources including a proprietary quantitative screen, sell-side analysts and other investment professionals within Schroders. 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.

# Strategic Review

The chart below details the Manager's investment process.

| Knowledge<br>Wide source of investment ideas | Insight<br>Non-consensus investment appraisal | Discipline<br>Portfolio construction | Conviction |
|---|---|---|---|
| Schroders' locally-based analysts | Fundamentals | Valuation-driven | 60-80 stocks best ideas |
| Global sector specialists (London) | Long-term outlook | Unconstrained | |
| Quantitative screens | Management | Risk aware | |
| Sell-side research | Change | Seeking income with growth | |
| | Valuation | | |

## Stock research

The majority of the Manager's analysis is done using internal research and company valuation models. The analysts typically use standard formats to construct models and to forecast company earnings which have been developed by the Manager's global research team. This means that outputs from the models are standardised so that differences in accounting regimes are as far as possible eliminated and that comparisons can be made between companies in the same industry across the region or globally.

Stock gradings reflect a balance between the Manager's analysts' view of the quality of the company and its fair value in the marketplace, and their level of conviction.

## Stock selection/portfolio construction

When constructing the portfolio for the Company, the portfolio manager focuses on stocks which have strong income and capital growth potential. Many of the stocks will already have attractive yields, but the portfolio manager also looks to exploit opportunities in stocks which are set to benefit from improving capital efficiency, rising returns and increasing shareholder distributions.

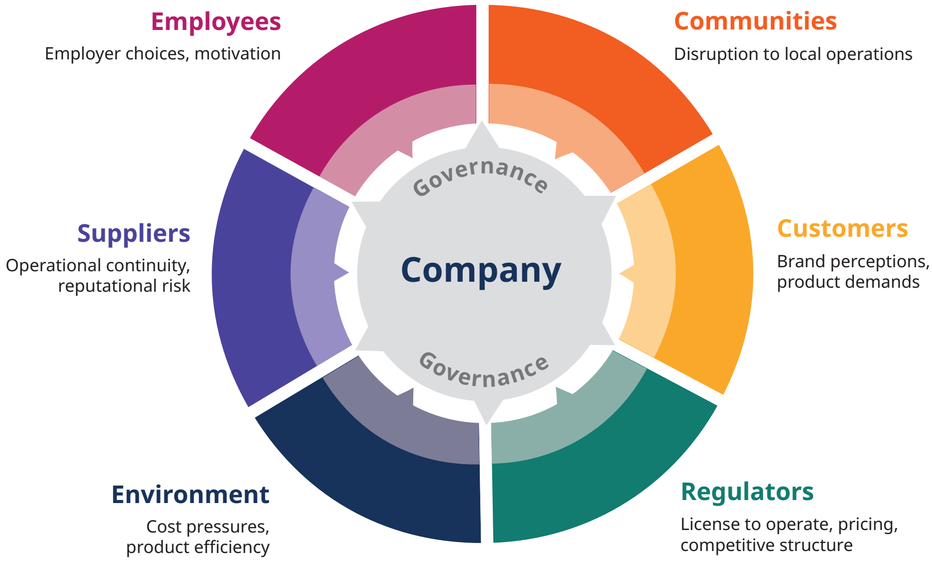
There is no minimum yield requirement applied to every stock, but portfolio construction is carried out with reference to an overall yield objective.

The portfolio manager focuses on the following factors when deciding in which companies to invest:

- ability to increase or sustain dividend payout;
- upside to the internal estimate of fair value;
- any grade awarded by Schroders' analysts; and
- relative attractiveness of other available opportunities.

## Integration of ESG into the investment process

### Schroders Context Framework:




Source: Schroders

*The above ESG research framework covers investments in Hong Kong, China, Singapore, South Korea, Taiwan, Thailand, Malaysia, Indonesia, and India. The detail of ESG coverage in other regions differs, but is underpinned by the same broad approach.*

The Manager has always actively engaged with companies, 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 Manager's focus on Return on Invested Capital ("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.

## Stock selection/portfolio construction

Our portfolio manager works closely with the analysts in the region when selecting stocks, debating assumptions and scenarios, and stress testing valuations to increase conviction within the team about the recommendations. In addition to the merits of an individual stock idea, the portfolio manager takes into consideration the overall balance of the portfolio when selecting stocks and sizing positions – looking at overall sector and country weights.

A company's ESG characteristics may influence how the portfolio manager sizes positions within the portfolio. The manager may elect to limit, or even rule out, exposure to a particular stock in view of a specific ESG concern We assess each situation on its merits, focusing on the materiality of ESG factors on a stock's valuation and risk profile.

While much of the portfolio construction is founded on the portfolio manager's skill and experience, he also harnesses the Manager's risk management system, to provide a quantitative view of the characteristics of the portfolio. The portfolio manager also sets, in conjunction with the board, the gearing of the portfolio

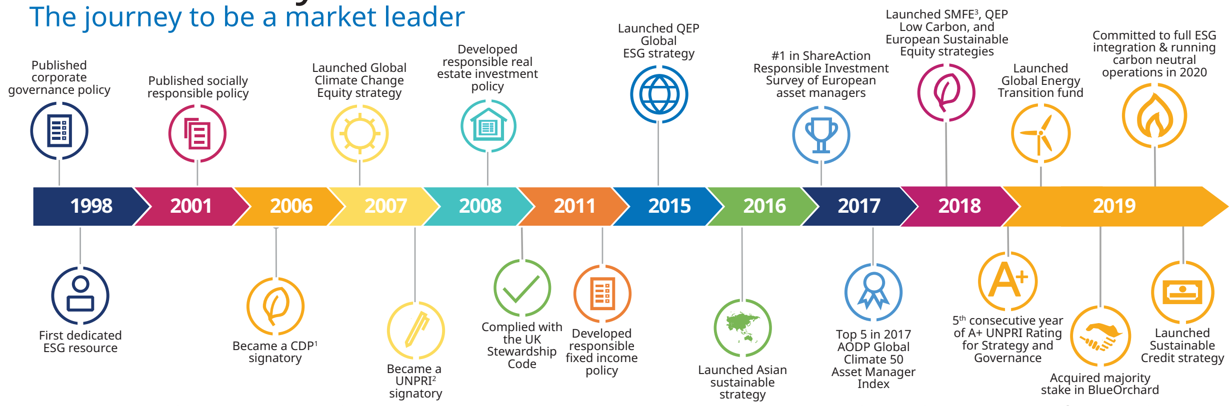
## Overview of the Manager's ESG Research Resources

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

Schroders has a team of over 20 dedicated ESG analysts in London. They analyse long-term trends and implications around sustainability and how this is likely to affect different industries and stakeholders. The team operates as a central resource to both disseminate trends and analysis to the rest of the group and also provides training and input to the Manager's Asian analysts when they are undertaking their sustainability work as part of their industry and company research. Schroders uses research on sustainability to make more complete and informed investment decisions.

## Sustainability at Schroders

### The journey to be a market leader




'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 2020.
- [1]Carbon Disclosure Project. [2]UN Principles for Responsible Investing. [3]Sustainable Multi-Factor Equity

## ESG integration

### Embedded in our culture and investment process


**Thematic research**

- Examines key sustainability trends and challenges current thinking
- Focused on investment impacts

**Communication**

- ESG specialists sit amongst investment teams to facilitate regular dialogue
- Research and engagements shares on global research platform
- Monthly Sustainability Investor Group meeting to discuss research insights and upcoming agenda

**Proprietary ESG tools**

- ESG guidance document covering 170+ GICS sub-sectors
- Investment-driven ESG tool, CONTEXT
- Country Sustainability Dashboard
- SustainEx

**Training**

- ESG training for new joiners and existing analysts
- Sector specific training
- Investment desk training
- Regular sector specific news and updates

**ESG Analysis**

- ESG specialists work with research analysts to understand key ESG issues and evaluate impact on the investment case
- ESG analysis included in research notes
- ESG specialists periodically review to highlight best practice and suggest improvements

**Monitoring**

- Ongoing monitoring of companies to identify emerging issues and candidates for engagement
- Collaboration with Data Insights team to track sustainability trends and negative events
- Quarterly screening of desk portfolios to identify holdings with poor ESG ratings

- Source: Schroders.

## Investment restrictions and spread of risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that it retains an appropriate balance to meet the Company's investment objective.

In order to comply with the Listing Rules, the Company will not invest more than 10%, in aggregate, of the value of its total assets (calculated at the time of any relevant investment) in other investment companies or investment trusts which are listed on the Official List of the London Stock Exchange (the "Official List") (save to the extent that those investment companies or investment trusts have stated investment policies to invest no more than 15% of their gross assets in other investment companies or investment trusts which are listed on the Official List). Additionally, the Company will not:

(i) invest more than 15% of its gross assets in other investment companies or investment trusts which are listed on the Official List;

(ii) invest, either directly or indirectly, or lend more than 20% (calculated at the time of any relevant investment or loan) of its gross assets to any single underlying issuer (including the underlying issuer's subsidiaries or affiliates);

(iii) invest more than 20% (calculated at the time of any relevant investment) of its gross assets in one or more collective investment undertakings which may invest more than 20% of its gross assets in other collective investment undertakings;

(iv) invest more than 40% (calculated at the time of any relevant investment) of its gross assets in another collective investment undertaking;

(v) expose more than 20% of its gross assets to the creditworthiness or solvency of any one counterparty;

(vi) invest in physical commodities; or

(vii) invest in derivatives except for the purposes of efficient portfolio management.

In the event of any breach of the investment restrictions applicable to the Company, shareholders will be informed of the actions to be taken by the Manager by notice sent to the registered addresses of the shareholders in accordance with the Company's articles of incorporation or by an announcement issued through a regulatory information service approved by the Financial Conduct Authority ("FCA"). No breaches of these investment restrictions occurred during the year ended 31 August 2020.

The investment portfolio on pages 9 and 10 and the Manager's Review on pages 6 to 8 demonstrate that, as at 31 August 2020, the portfolio was invested in 10 countries and in 10 different industry sectors within such countries. There were 71 holdings in the portfolio at the year end. The board therefore believes that the objective of spreading investment risk has been achieved.

## Gearing

The Company has a £100 million multi-currency revolving credit facility with Sumitomo Mitsui Banking Corporation Europe Limited ("SMBC") which was $50 million and ¥750 million (equivalent to £43 million in aggregate) drawn at the year end.

The Company's policy is to permit net borrowings (including foreign currency borrowings) of up to 25% of the Company's net assets (measured when new borrowings are incurred). It is intended that the Manager should have the flexibility to utilise this power to leverage the Company's portfolio in order to enhance returns where and to the extent that this is considered appropriate by the directors. Full details of the gearing employed by the Company are set out in note 21 on page 58.

## 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.

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 also 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/fundcentre/funds-in-focus/investment-trusts/schroders-investmenttrusts/never-miss-an-update/

Details of the board's approach to discount management may be found in the Chairman's Statement on page 4 and in the Annual General Meeting – Recommendations on page 60.

## Key performance indicators

### The investment objective

The board measures the development and success of the Company's business through achievement of the Company's investment objective which is considered to be the most significant key performance indicator for the Company.

Commentary on performance against the investment objective can be found in the Chairman's Statement.

At each meeting, the board considers a number of performance indicators to assess the Company's success in achieving its investment objective. These are as follows: NAV total return; share price total return; share price discount/premium to NAV per share and ongoing charges. These are classed as Alternative Performance Measures ("APMs") and their calculations are explained in more detail on page 63.

The performance against these indicators is reported on page 2.

### Net asset value and share price total return

At each meeting, the board reviews the performance of the portfolio in detail and discusses the views of the portfolio manager with him.

### Share price discount/premium to net asset value per share

The board reviews the level of discount/premium to net asset value per share at every board meeting and is alert to the value shareholders place on maintaining as low a level of discount/premium volatility as possible. Details of how the Company's discount control mechanism works and its operation during the year under review can be found on page 4.

### Ongoing charges

The board reviews the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including management and performance fees, directors' fees and general expenses, is submitted to each board meeting. Management and any performance fees payable are reviewed at least annually.

### Dividends

On a quarterly basis the board considers the dividend payable to shareholders based on input from the Manager. Details of the Company's dividend policy and the dividends paid during the year are set out on page 25.

### Risk factors

In addition to the performance indicators set out above, the board also monitors risk factors relating to investment performance on a quarterly basis.

## Purpose, Values and Culture

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

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

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

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

## Corporate and Social Responsibility

### Diversity

As at 31 August 2020, the board comprised three men and two women. The board has adopted a diversity and inclusion policy. Appointments and succession plans will always be based on merit and objective criteria and, within this context, the board seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The board will encourage any recruitment agencies it engages to find a range of candidates that meet the objective criteria agreed for each appointment. 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.

The board also considers the diversity and inclusion policies of its service providers.

### Bribery and corruption

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery and corruption policy, as well as seeking 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 direct greenhouse gas emissions and energy usage to report.

### Relations with shareholders

Shareholder relations are given high priority by both the board and the Manager and are detailed further in 'Promotion' on page 15.

In addition to the engagement and meetings held during the year described on page 26, the chairs of the board and committees, as well as the other directors, attend the AGM and are available to respond to queries and concerns from shareholders.

### Responsible investment

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

In addition to the description of the Manager's integration of ESG into the investment process and the details in the Manager's Review, a description of the Manager's policy, and its engagement with investee companies on these matters can be found on the Schroders website at www.schroders.com/ri.

# Strategic Review



The board agrees with Schroders view 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.

The board has received reporting from the Manager on the application of its policy and reviews the Manager's ESG engagement activities at each quarterly board meeting.

**The board's commitment to stakeholders**

The board has identified its key stakeholders as the Company's shareholders and service providers, including its lenders. 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 15 and "Relations with Shareholders" on page 16, the Company engages with its shareholders. The board considered the views of shareholders when making decisions relating to discount control, dividend decisions, change of tax domicile 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.

Relevant engagement, is detailed in the Chairman's Statement, Manager's Review, Audit and Risk Committee Report and Management Engagement Committee Report.

## 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 2020.

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. The arrows in the Change column indicate if the board thinks the risk has increased, decreased or stayed the same during the year.

## 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 climate change risk and COVID-19-related risks. The board has determined that these risks are worthy of close monitoring.

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 as an emerging risk.

The board also reviewed the risks arising from the COVID-19 pandemic and considers it to be a major event with an ongoing impact on the likelihood and severity of the Company's principal risks. COVID-19 will continue to affect the value of the Company's investments due to the disruption of supply chains and demand for products and services, increased costs and cash flow problems, and changed legal and regulatory requirements for companies. The pandemic is forecast to have a significant impact on prospects for global growth as measured by GDP. As a result, the pandemic has triggered increased volatillity in global stock markets and created uncertainty around future dividend income.

The board notes the Manager's investment process is unaffected by the COVID-19 pandemic. The Manager continues to focus on long-term company fundamentals and detailed analysis of current and future investments. COVID-19 also affected the operational resilience of the Company's service providers, who have implemented business continuity plans and are working almost entirely remotely. The board continues to receive regular reporting on operations from the Company's major service providers and does not anticipate a fall in the level of service and will continue to monitor this as an emerging risk.

*The "Change" column on the right highlights at a glance the board's assessment of any increases or decreases in risk during the year after mitigation and management. The arrows show the risks as increased or decreased, and dashes show risks as stable.

| Risk | Mitigation and management | Change (post mitigation and management)* |
|---|---|---|
| **Investment management**<br>The Manager's investment strategy and levels of resourcing, 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 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. The Manager also reported on the impact of COVID-19 on the Company's portfolio, and the market generally.<br>Annual review of the ongoing suitability of the Manager, including resources and key personnel risk. | ↑ |

# Strategic Review



| Risk | Mitigation and management | Change (post mitigation and management)* |
|---|---|---|
| **Strategic**<br>The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share. | The appropriateness of the Company's investment mandate and the long-term investment strategy is periodically reviewed and the success of the Company in meeting its stated objectives is monitored.<br>Share price relative to NAV per share is monitored by the board as a key performance indicator and is reviewed against the Company's peers on a regular basis. The use of buy back authorities is considered on a regular basis. The Manager and Corporate Broker monitor market feedback and the board considers this at each quarterly meeting.<br>Marketing and distribution activity is actively reviewed.<br>Proactive engagement with shareholders. | – |
| The Company's cost base could become uncompetitive against its peer group and against open-ended alternatives | The board reviews income forecast at each meeting.<br>The board approves significant non-routine expenses.<br>The Management Engagement Committee reviews fees paid to the Manager at least annually.<br>Ongoing monitoring of fees charged by other service providers takes place alongside an annual review of the Company's Ongoing Charges figure*. | ↑ |
| **Political**<br>Political developments globally might materially affect the ability of the Company to achieve its investment objective. | The board monitored key political developments, including the potential impact of Brexit and noted that the portfolio's investments in the Asia Pacific region limited the direct impact from Brexit other than through shareholders' exposure principally to exchange rate fluctuations against sterling.<br>The board also monitored key political developments in the Asia Pacific region including US/China tension, and the political situation in Hong Kong, Taiwan and Singapore.<br>The board and the portfolio manager periodically meet with the Manager's economists to gauge the likelihood and impact of certain political changes. | – |
| **Financial and currency**<br>The Company is exposed to the effect of market and currency fluctuations due to the nature of its business. A significant fall in equity markets could have an adverse impact on the market value of the Company's underlying investments and, as the Company invests predominantly in assets which are denominated in a range of currencies, its exposure to changes in the exchange rate between sterling and other currencies has the potential to have a significant impact on returns and the sterling value of dividend income from underlying 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 | Change (post mitigation and management)* |
|---|---|---|
| **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 25% of the Company's net assets. | – |
| **Service provider**<br>The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls, including as a result of fraud, and poor performance of any service provider, could lead to disruption, reputational damage or loss. | Service providers appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations.<br>Regular reports are provided by key service providers and the quality of their services is monitored, including an annual presentation to the audit committee chair and other directors from key risk and internal controls personnel at the Company's main service providers.<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, unauthorised payments or inability to carry out operations in a timely manner. | 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 and the safekeeping agent and custodian on cyber risk, and the additional steps those companies were taking during the COVID-19 pandemic and the need for employees to work from home. | – |

## 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 20 to the accounts on pages 53 to 58.

## Viability statement

The directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 31 August 2020 and the potential impact of the principal risks and uncertainties it faces for the review period. They have also reviewed the impact of the COVID-19 pandemic on the Company as further detailed in the Chairman's Statement, Portfolio Manager's Review and Emerging Risks and Uncertainties 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, following the implementation of their business continuity plans as required by COVID-19.

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 to 20 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 have also considered a stress test which represents a severe but plausible scenario along with movement in foreign exchange rates. This scenario assumes a severe stock market collapse and/or exchange rate movements at the beginning of the five year period, resulting in a 50% fall in the value of the Company's investments and investment income and no subsequent recovery in either prices or income in the following five years. It is assumed that the Company continues to pay an annual dividend in line with current levels and that the borrowing facility remains available and remains drawn, subject to the gearing limit.

The Company's investments comprise highly liquid, large, listed companies and so its assets are readily realisable securities and could be sold to meet funding requirements or the repayment of the gearing facility should the need arise. There is no expectation that the nature of the investments held within the portfolio will be materially different in the future.

The operating costs of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position. Furthermore, the Company has no employees and consequently no redundancy or other employment related liabilities.

The board reviews the performance of the Company's service providers regularly, including the Manager, along with internal controls reports to provide assurance regarding the effective operation of internal controls as reported on by their reporting accountants. The board also considers the business continuity arrangements of the Company's key service providers.

The board monitors the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls at its quarterly meetings.

Although there continue to be regulatory changes which could increase costs or impact revenue, the directors do not believe that this would be sufficient to affect its viability.

The board has assumed that the business model of a closed ended investment company, as well as the Company's investment objective, will continue to be attractive to investors.

Based on the above 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

Having assessed the principal risks, the impact of the COVID-19 pandemic, the operational resilience of its service providers and the other matters discussed in connection with the viability statement set out above, and the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the FRC in 2014, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

By order of the board

**Schroder Investment Management Limited**
Company Secretary

12 November 2020

# Board of Directors

## Peter Rigg

### Status: independent non-executive chairman

**Length of service:** 15 years – appointed a director in June 2005
**Experience:** Mr Rigg is the non-executive chairman of Intership A.S., a privately owned Norwegian shipping company. Between 1989 and 1995, Mr Rigg worked for the CS First Boston Group in Hong Kong, where he held various roles, including acting as a board representative of International Investment Trust Co., a leading Taipei-based fund management company and managing director and Hong Kong-based head of Asian equity capital markets for CS First Boston. Prior to that, Mr Rigg worked for Credit Suisse First Boston Limited in London as a director for Asian investment banking and as a solicitor in banking and private practice.
**Committee membership:** Management Engagement and Nomination Committees (chair of the Management Engagement Committee)
**Current remuneration:** £45,000 per annum
**Number of shares held:** 23,500*

## Alexa Coates

### Status: independent non-executive director

**Length of service:** 2 years – appointed a director in February 2018
**Experience:** Mrs Coates is a chartered accountant who brings 25 years of significant financial expertise to the board. Mrs Coates was a senior executive of HSBC for nine years, where she served as the global CFO for the group's asset management business and more recently led the finance function for commercial banking operations in Europe. Prior to joining HSBC, Mrs Coates worked in senior roles in retail, healthcare and professional services at J Sainsbury plc, BUPA, Williams Lea Group Ltd and CIT Bank. She started her career at Ernst & Young in 1991, where she worked in the UK and France. Mrs Coates is a non-executive director of Aviva Investors and its UK fund services company as well as non-executive director and chair of the audit and risk committee of Polar Capital Holdings plc, a publicly quoted company, and a trustee and resources committee member at the University of Essex.
**Committee membership:** Audit and Risk, Management Engagement and Nomination Committees, (chair of the Audit and Risk Committee)
**Current remuneration:** £40,000 per annum
**Number of shares held:** 10,000*

# Board of Directors

## Kate Cornish-Bowden

### Status: senior independent non-executive director

**Length of service:** 1 year, 11 months – appointed in December 2018
**Experience:** Ms Cornish-Bowden is a non-executive director of Finsbury Growth & Income Trust PLC, International Biotechnology Trust plc, and CC Japan Income & Growth Trust plc where she is chair of the audit committee. Ms Cornish-Bowden worked for 12 years as a fund manager for Morgan Stanley Investment Management, where she was managing director and head of the global equity team. Prior to Morgan Stanley she worked as a research analyst at M&G. Ms Cornish-Bowden is a member of the Chartered Financial Analyst Institute (CFA), holds a Masters in Business Administration (MBA), and has completed the Financial Times Non-Executive Director Diploma.
**Committee membership:** Audit and Risk, Management Engagement and Nomination Committees
**Current remuneration:** £35,000 per annum
**Number of shares held:** 24,780*

## Paul Meader

### Status: independent non-executive director

**Length of service:** 4 years – appointed a director in January 2016
**Experience:** Mr Meader is an independent director of investment companies, insurers and investment funds. Until the autumn of 2012 he was Head of Portfolio Management for Collins Stewart based in Guernsey, prior to which he was Chief Executive of Corazon Capital. He has 30 years' experience in financial markets in London, Dublin and Guernsey, holding senior positions in portfolio management and trading. Prior to joining Corazon he was Managing Director of Rothschild's Swiss private-banking subsidiary in Guernsey. Mr Meader is a Fellow of the Chartered Institute of Securities & Investments, a former Commissioner of the Guernsey Financial Services Commission and past chairman of the Guernsey International Business Association. He is a graduate of Hertford College, Oxford. Mr Meader also holds a number of directorships in other companies, several of which are publicly quoted, including investment companies ICG-Longbow Senior Secured UK Property Debt Investments Limited, KKV Secured Loan Fund Limited, Guaranteed Investment Products 1 PCC Ltd and Volta Finance Limited.
**Committee membership:** Audit and Risk, Management Engagement and Nomination Committees
**Current remuneration:** £35,000 per annum
**Number of shares held:** 11,000*

## Nick Winsor

### Status: independent non-executive director

**Length of service:** 8 months – appointed in March 2020
**Experience:** Nick is an independent consultant and non-executive director. He has more than 35 years of retail and commercial banking experience with HSBC Group in a number of international markets: Brunei; Channel Islands; Hong Kong; India; Japan; Qataer; Singapore; Taiwan; United Arab Emirates and the United Kingdom. He was Chief Executive Officer and Vice President of HSBC Bank (Taiwan) Limited, Chief Executive Officer of HSBC's businesses in the Channel Islands and Isle of Man and a Director of HSBC Bank Middle East Limited. Before this, he was Head of Personal Financial Services for the Asia Pacific Region. Nick is a Non-Executive Director of Metro Bank plc and a member of the Risk Oversight Committee. He is also a Non-Executive Director of the States of Jersey Development Company, Chair of the Remuneration and Nomination Committee and is a member of the Audit and Risk Committee. He is the Chair of Autism Jersey and was awarded an MBE in the Queen's 2020 Birthday Honours list for services to the community. Nick holds a Masters in Physics from Oxford University and is a Fellow of the Institute of Directors.
**Committee membership:** Audit and Risk, Management Engagement and Nomination Committees, (chair of the Nomination Committee)
**Current remuneration:** £35,000 per annum
**Number of shares held:** 20,000*

*Shareholdings are as at 12 November 2020, full details of directors' shareholdings are set out in the Remuneration Report on page 32.

# Directors' Report

## Directors and officers

### Chairman

The Chairman is an independent non-executive director who is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 22. 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.

### 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 Review on pages 11 to 21 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 and promotion of the Company and services provided by third parties. Additional meetings of the board are arranged as required.

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

## Key service providers

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

### Manager

The Company is an alternative investment fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an alternative investment fund manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on 12 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, marketing, 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 £536.3 billion (as at 30 September 2020) 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.

The Manager is entitled to receive a management fee of an amount equivalent to 0.75% per annum of the net assets of the Company, reducing to 0.70% per annum on net assets above £250 million and 0.65% per annum on net assets above £750 million. The fee is payable quarterly in arrears and calculated as at the last business day in February, May, August and November in each year.

The Manager is also entitled to receive a performance fee based on the performance of the Company's adjusted NAV per ordinary share (as described below). The performance fee is 10% of the amount by which the adjusted NAV per ordinary share at the end of the relevant calculation period exceeds a hurdle, being 107% of the adjusted NAV per ordinary share at the end of the previous calculation period multiplied by the time weighted average of the number of ordinary shares in issue during the period. The NAV per ordinary share as at the end of the period is adjusted as appropriate to take account of dividends, buy backs or the issue of ordinary shares and to add back performance fees paid or accrued during the period.

The performance fee is only payable in respect of any period to the extent that the closing adjusted NAV per ordinary share, taking account of the performance fee, exceeds the highest adjusted NAV per ordinary share (reduced to the level at which any cap as described below applied) in respect of which a performance fee was previously paid. The total amount of any performance fee payable in respect of any one accounting period has been capped at 0.75% of the net assets of the Company, calculated at the end of the relevant accounting period.

Where a performance fee payable in respect of any year is reduced due to the cap detailed above, the performance fee for the subsequent year will be 10% of the amount by which the adjusted net asset value ("NAV") per share exceeds a hurdle, being 107% of the NAV per share which would have earned the performance fee actually paid, rather than 107% of the adjusted opening NAV.

Any investment management fees payable to the Manager or to other subsidiaries of Schroders plc in respect of investments by the Company in collective investment schemes and investment companies managed or advised by the Schroders Group are deducted from the fee payable to the Manager under the AIFM agreement. There were no such investments during the year ended 31 August 2020.

The management and performance fees payable in respect of the year ended 31 August 2020 amounted to £4,518,000 (2019: £4,507,000) and £nil (2019: £nil) respectively. The Manager is also entitled to a fee for providing administrative, accounting and company secretarial services to the Company. For these services, it receives an annual fee, payable quarterly in arrears, of £150,000.

Details of all amounts payable to the Manager are set out in note 17 on page 52.

The board has reviewed the performance of the Manager, and fees paid to it, during the year under review and continues to consider that it has the appropriate depth and quality of resource to achieve above-average returns in the longer term. 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.

### Safekeeping and cashflow monitoring agent

HSBC Bank plc ("HSBC Bank"), which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, has been appointed to carry out certain duties of a safekeeping and cashflow monitoring agent specified in the AIFM Directive for the Company, including:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring; and
- oversight of the Company and the Manager to the extent described in the AIFM Directive.

HSBC Bank is liable to the Company for losses suffered by it as a result of any negligence, wilful default, fraud or fraudulent misrepresentation on its part.

The Company, the Manager and HSBC Bank may terminate the safekeeping and cashflow monitoring agent services agreement pursuant to which HSBC Bank provides these services at any time by giving 90 days' notice in writing. HSBC Bank may only be removed from office when a new safekeeping and cashflow monitoring agent is appointed by the Company.

### Registrar

Computershare Investor Services (Guernsey) Limited ("Computershare") has been appointed as the Company's registrar. Computershare'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 chosen to adopt the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The 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 as an investment company.

The board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission, provides more relevant information to shareholders.

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 34 and 21 respectively indicates how the Company has complied with the principles of good governance of the Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's risk management, governance and diversity policies.

The Company complied with the Principles and Provisions of the AIC Code during the year under review and to date, save for the provision relating to the appointment of a senior independent director ("SID"), and Peter Rigg's chairmanship of the Nomination Committee, where departure from the Code was considered appropriate given the Company's position as an investment company, and the tenure of the Chair, which exceeded nine years as part of a structured succession process concluding in December 2020. Due to the Nomination Committee's terms of reference covering remuneration matters Nick Winsor succeeded Peter Rigg as chair of that committee on 2 November 2020 to fully comply with the AIC Code which recommends that the chairman of the Company does not chair the remuneration committee. Kate Cornish-Bowden was appointed as SID on the same date.

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

The Guernsey Financial Services Commission's Finance Sector Code of Corporate Governance (the "GFSC Code") provides a framework which applies to all companies in the regulated finance sector in Guernsey. The Company reports against the AIC Code, which meets the requirements of the GFSC Code.

## Revenue and dividend policy

It is the board's policy that, subject to unforeseen circumstances, interim dividends on the Company's ordinary shares will be declared in respect of the quarters ended 30 November, 28 February, 31 May and 31 August in January, April/May, July and October/November each year.

# Directors' Report

Having already paid interim dividends amounting to 5.70 pence per share, the board has declared a fourth interim dividend of 4.60 pence per share for the year ended 31 August 2020, which is payable on 30 November 2020 to shareholders on the register on 13 November 2020. Thus, dividends for the year amount to 10.30 pence (2019: 10.10 pence) per share. This represents an increase of 2% over the rate of dividends payable in respect of the previous year.

The board noted that the Company's shareholders appreciated the board's discount management control. The board agreed to request renewal of the authorities to issue and buyback shares as described on page 60.

Total dividends declared in respect of the year amount to £27,832,000, which is £1,295,000 more than the £26,537,000 revenue profit after taxation, available for distribution. Accordingly, the Company would be required to draw on £1,295,000 of brought forward revenue reserves. However in accordance with accounting standards, the fourth interim dividend amounting to £12,432,000 will not be accounted for until it is has been paid.

## 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. Each committee's effectiveness was assessed, and judged to be satisfactory, as part of the board's annual review of the board and its committees.

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

### Status

The Company carries on business as a Guernsey incorporated, Guernsey Financial Services Commission authorised, closed-ended investment company. Its shares are listed and admitted to trading on the premium segment of the main market on the London Stock Exchange. The Company was added to the FTSE 250 index on 17 September 2019.

On 1 September 2020, following approval by the Company's shareholders at a general meeting, the Company became tax resident in the United Kingdom and since then it has been approved by HM Revenue & Customs, by way of a one-off application, as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010. 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 not a "close" company for taxation purposes.

It is not intended that the Company should have a limited life, and the articles of incorporation do not contain any provisions for review of the future of the Company at specified intervals.

### Share capital and substantial share interests

As at the date of this report, the Company had 271,233,024 ordinary shares of 1p in issue. 1,590,000 shares were held in treasury. 965,000 shares were bought back during the year ended 31 August 2020. 625,000 shares were bought back in the period from the year-end until 10 November 2020. Accordingly, the total number of voting rights in the Company at the date of this report is 269,643,024. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 50.

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 5% or more of the voting rights attaching to the Company's issued share capital.

| | Ordinary shares as at 31 August 2020 | % total voting rights |
|---|---|---|
| Investec Wealth & Investment Limited | 25,092,429 | 9.28 |
| Brewin Dolphin Limited | 14,571,888 | 5.39 |

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

### 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.

| | Board[1] | Audit and Risk Committee | Nomination Committee | Management Engagement Committee |
|---|---|---|---|---|
| Peter Rigg | 3/3 | 2/2 | 3/3 | 1/1 |
| Alexa Coates | 3/3 | 2/2 | 3/3 | 1/1 |
| Kate Cornish-Bowden | 3/3 | 2/2 | 3/3 | 1/1 |
| Paul Meader | 3/3 | 2/2 | 3/3 | 1/1 |
| Nick Winsor[2] | 2/2 | 1/1 | 1/1 | 0/0 |

[1] The board meeting in March 2020 was disrupted by lockdown measures imposed as a result of the Covid-19 pandemic. A board conference call was held in place of this to discuss relevant issues relating to the Company and a separate ad-hoc board meeting attended by all directors permitted to attend was later convened.

[2] Appointed as a director on 23 March 2020.

## Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place in respect of the directors throughout the year under review. The Company provides an indemnity to each director to the extent permitted by Guernsey law whereby the Company is able to indemnify such director against any liability incurred in proceedings in which the director is successful, and for costs in defending a claim brought against the director for breach of duty where the director acted honestly and reasonably.

By order of the board
**Schroder Investment Management Limited**
Company Secretary
12 November 2020

# 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, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/orientalincome. Membership of the committee is as set out on pages 22 and 23 and attendance at committee meetings is set out on page 26. Alexa Coates is the chair of the 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 the required level of knowledge and competence.

The committee met twice during the year ended 31 August 2020. The committee discharged its responsibilities by:

- considering its terms of reference;
- reviewing the operational controls maintained by the Manager, safekeeping agent and registrar, including whistleblowing arrangements;
- reviewing the half year and annual report and accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the auditor;
- evaluating the results of the audit and the auditor's performance;
- reviewing the principal and emerging risks faced by the Company and the system of internal control, including a detailed review of the fund accounting processes relating to receipt of dividend income following which improvements were identified and implemented;
- reviewing the financial and other factors which would affect the ability of the Company to continue as a going concern and its viability for the five-year period chosen by the board;
- monitoring the Company's procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with relevant regulatory authorities.

Governance

## Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 August 2020, the audit and risk committee, having deliberated on the Company's principal risks and uncertainties, considered the following issues, which include those communicated by the auditor during its reporting:

| Issue considered | | How the issue was addressed |
|---|---|---|
| – Valuation and existence of holdings | | – Review of portfolio holdings and assurance reports on controls from the Manager and safekeeping and cashflow monitoring agent. |
| – Recognition of investment income | | – Consideration of dividends received against forecast and prior periods and the allocation of special dividends to revenue or capital. |
| – Overall accuracy of the annual report and accounts | | – Consideration of the draft annual report and accounts and the letter from the Manager in support of the letter of representation to the auditor. |
| – Calculation of investment management and performance fees | | – Review of the calculation against the criteria set out in the AIFM agreement. |
| – Internal controls and risk management | | – Meetings with the Manager and safekeeping and cashflow monitoring agent to understand control framework and monitoring. Review of the control reports also provided further assurance on the control environment of the providers, which include reporting on IT and cyber security, custody and fund services. |
| – The effect of COVID-19 on the going concern and longer-term viability of the Company | | – Consideration of the effect of COVID-19 which would affect the ability of the Company to continue as a going concern and its viability for the five-year period chosen by the board, including the financial impact of a stress scenario on the Company. |

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

As a result of the work performed, the committee has concluded that the annual report and accounts for the year ended 31 August 2020, 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.

# Audit and Risk Committee Report

## Effectiveness of the independent audit process

The committee evaluated the effectiveness of the independent audit firm prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of 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. As part of the evaluation, the committee considered feedback from the Manager on the audit process and the year end report from the auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. In addition to the members of the committee meeting with the auditor without representatives of the Manager present, I also met with Elizabeth Burne, the lead audit director, on a number of occasions during the year to discuss feedback from the prior year audit and the audit plan, as well as this year's audit.

Representatives of the auditor attend the audit and risk committee meeting at which the draft annual report and accounts are considered. Having reviewed the performance of the auditor as described above, the committee considered it appropriate to recommend the firm's re-appointment.

There are no contractual obligations restricting the choice of independent auditor. The last audit tender took place in February 2018 and PricewaterhouseCoopers CI LLP were appointed as auditor on 25 May 2018. 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.

## Independent auditor

PricewaterhouseCoopers CI LLP has indicated its willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers CI LLP as auditor to the Company, and to authorise the directors to determine the firm's remuneration will be proposed at the AGM.

## Provision of non-audit services

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 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 however, and this will be judged on a case-by-case basis.

The auditor has not provided any non-audit services to the Company during the year (2019: none).

## Internal audit

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The committee will continue to monitor the system of internal control in order to provide assurance that it operates as intended and will continue to review annually whether an internal audit function is needed.

**Alexa Coates**
Chair of the Audit and Risk Committee

12 November 2020

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

- That PricewaterhouseCoopers CI LLP be re-appointed as auditor.
- That the auditor be recommended for re-appointment at the AGM.

# 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. Peter Rigg is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/orientalincome.

## Approach

### Oversight of the Manager

The committee:

- reviews the Manager's performance, over the short- and long-term, against the reference index, peer group and the market;
- considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders;
- assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees;
- reviews the appropriateness of the Manager's contract, including terms such as notice period.
- visits the Manager's Asian and London offices periodically to meet with relevant investment and controls functions; and
- assesses if 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:

- Safekeeping agents
- Corporate broker
- Registrars
- Lender

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

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

## Application during the year

The committee met with senior management, as well as representatives from various business functions supporting the portfolio manager.

The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.

The committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose.

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 safekeeping agents' 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. Nick Winsor is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/orientalincome.

## Oversight of directors

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

| Approach | | |
|---|---|---|
| **Selection and induction** | **Board evaluation and directors' fees** | **Succession** |
| • Committee prepares a job specification for each role, which is shared with an independent recruitment firm. For the Chairman and the chairs of committees, the committee also considers current board members.<br>• Job specification outlines the knowledge, professional skills personal qualities and experience requirements.<br>• Potential candidates assessed against the Company's diversity policy.<br>• Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the board.<br>• Committee reviews the induction and training of new directors. | • Committee assesses each director annually.<br>• 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.<br>• Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of directors at the AGM.<br>• Committee reviews directors' fees, taking into account comparative data and reports to shareholders in the remuneration report.<br>• Any proposed changes to the remuneration policy for directors discussed and reported to shareholders. | • The board's succession policy is that directors tenure will be for no longer than nine years, except in exceptional circumstances, and that each director will be subject to annual re-election at AGMs.<br>• Committee reviews the board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process.<br>• Committee oversees the handover process for retiring directors. |

**For application see page 31**

# Nomination Committee Report

## Application during the year

### Selection and induction

- The committee discussed the need to appoint a new non-executive director at the end of 2019.
- A job specification was agreed for the role.
- The committee engaged Fletcher Jones to run the search process. Fletcher Jones are independent of the Company and directors.
- The committee interviewed candidates during the last calendar quarter of 2019 and recommended that Nick Winsor be appointed as a director of the Company. The Company Secretary arranged a structured induction for Mr Winsor shortly after appointment.
- Mr Winsor's election has been put forward for shareholder approval at the 2020 AGM.

### Board evaluation and directors' fees

- The board evaluation, including evaluation of its committees, was undertaken in July 2020.
- 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.

  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 22 and 23.

  All directors were considered to be independent in character and judgement.
- Based on its assessment, the committee provided individual recommendations for each directors' re-election.
- The committee reviewed directors fees, using external benchmarking, and recommended no increase in directors' fees, as detailed in the remuneration report.

### Succession

- The committee reviewed the succession policy and agreed it was still fit for purpose.
- As stated in the Nomination Committee report in the annual report for the year ended 31 August 2019, Peter Rigg intends to leave the board on 11 December 2020 at the Annual General Meeting. Following a selection process by the committee headed by Alexa Coates, Paul Meader has been selected by the board to succeed Mr Rigg as chairman.

### Recommendations made to, and approved by, the board:

- 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 success, and remain free from conflicts with the Company and its directors, so should all be recommended for election or re-election (as applicable) by shareholders at the AGM, noting that Mr Rigg will not stand for re-election.
- That Mr Winsor be appointed to the board, and that Mr Meader be appointed as chairman of the Company, effective on Mr Rigg's resignation as a director.
- That, in order to achieve better division of responsibilities, and compliance with the AIC Code, Kate Cornish-Bowden be appointed as Senior Independent Director, and Nick Winsor be appointed as chair of the committee.

# 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 forthcoming AGM and the current policy provisions will apply until that date. An ordinary resolution to approve the directors' remuneration policy will be put to Shareholders at the AGM (no changes are proposed). 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 15 December 2017, 99.88% of the votes cast (including votes cast at the chairman's discretion) in respect of approval of the directors' remuneration policy were in favour, while 0.12% were against. No votes were withheld.

At the AGM held on 12 December 2019, 99.73% of the votes cast (including votes cast at the chairman's discretion) in respect of approval of the directors' remuneration report for the year ended 31 August 2019 were in favour, while 0.24% were against. 46,744 votes were withheld.

## Directors' remuneration policy

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

It is the nomination committee's policy to determine the level of directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's articles of incorporation (currently £300,000). Any increase in the level set out therein requires approval by the board and the Company's shareholders.

The chairman of the board and the chairman of the audit and risk committee each receives fees at a higher rate than the other directors to reflect their additional responsibilities. The fees payable to directors are not performance related. They 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, although 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.

## Implementation of policy

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.

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

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

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

## Directors' annual report on remuneration

This report sets out how the remuneration policy was implemented during the year ended 31 August 2020.

### Fees paid to directors

The following amounts were paid by the Company to directors for their services in respect of the year ended 31 August 2020 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".

| Director | Salary/fees 2020 £ | Salary/fees 2019 £ |
|---|---|---|
| Peter Rigg (Chairman)[1] | 45,000 | 41,798 |
| Alexa Coates | 40,000 | 40,000 |
| Kate Cornish-Bowden[2] | 35,000 | 24,452 |
| Paul Meader | 35,000 | 35,000 |
| Robert Sinclair[3] | – | 13,716 |
| Nick Winsor[4] | 15,001 | – |
| | 170,001 | 154,966 |

[1]Appointed as chairman on 20 December 2018.
[2]Appointed as a director on 20 December 2018.
[3]Retired as chairman and from the board on 20 December 2018.
[4]Appointed as a director on 24 March 2020.

### Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the board in November 2020. The members of the board at the time that remuneration levels were considered were as set out on pages 22 and 23 Although no external advice was sought in considering the levels of directors' fees, information on fees paid to directors of investment trusts managed by Schroders

# Directors' Remuneration Report

and peer group companies provided by the Manager and corporate broker was taken into consideration.

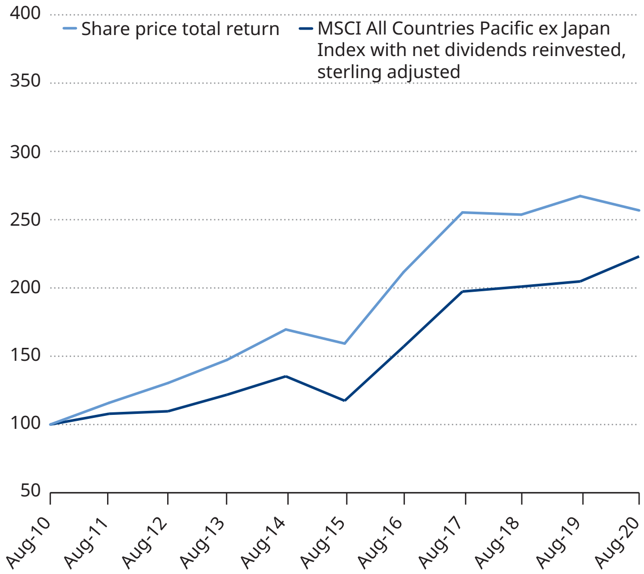
Following the annual review, the board agreed that no changes were required. Directors' fees were last increased from 1 September 2018 and, while the board will continue to review fee levels on an annual basis, the intention remains to consider increases on a three-year cycle.

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

The table below compares the remuneration payable to directors to 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 31 August 2020 £'000 | Year ended 31 August 2019 £'000 | Change % |
|---|---|---|---|
| Remuneration payable to Directors | 170 | 155 | +9.7 |
| Distributions paid to shareholders – dividends | 27,674 | 25,802 | +7.3 |

## 10 year performance of the share price total return versus the MSCI All Countries Pacific ex Japan Index, with net dividends reinvested, in sterling terms[1]




[1]Source: Morningstar. Rebased to 100 at 31 August 2010. The MSCI All Countries Pacific ex Japan Index with net dividends reinvested, sterling adjusted, has been chosen as an appropriate comparison, as it comprises companies within the Company's primary investment objective.

## Directors' share interests

The Company's articles of incorporation 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 1p each 31 August 2020 | Ordinary shares of 1p each 31 August 2019 |
|---|---|---|
| Peter Rigg | 23,500 | 23,142 |
| Alexa Coates | 10,000 | Nil |
| Kate Cornish-Bowden | 24,780 | 10,000 |
| Paul Meader | 11,000 | 11,000 |
| Nick Winsor[1] | 20,000 | Nil |

[1]Nick Winsor joined the board on 24 March 2020.

**Peter Rigg**
Chairman

12 November 2020

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

The directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles.

Guernsey company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors should:

- select suitable accounting policies, and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRS") is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008 (as amended). 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.

Each of the directors, whose names and functions are listed on pages 22 and 23, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union and with The Companies (Guernsey) Law, 2008 (as amended) and in accordance with the requirements set out above, and give a true and fair view of the assets, liabilities, financial position and the net return of the Company;
- the Strategic Review 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, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

So far as each of the directors are 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.

By order of the board

**Peter Rigg**
Chairman

12 November 2020

# Independent Auditor's Report
## to the Members of Schroder Oriental Income Fund Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Schroder Oriental Income Fund Limited (the "company") as at 31 August 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 (as amended).

For the purpose of clarification, all references to "financial statements" will also be deemed to be "accounts".

*What we have audited*

The company's financial statements comprise:

– the Balance Sheet as at 31 August 2020;

– the Statement of Comprehensive Income for the year then ended;

– the Statement of Changes in Equity for the year then ended;

– the Cash Flow Statement for the year then ended; and

– the Notes to the Accounts, which include significant accounting policies and other explanatory information.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

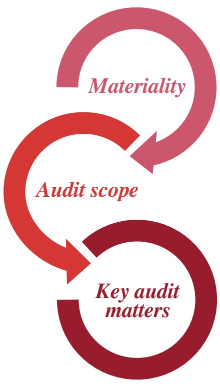
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the company, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Our audit approach

*Overview*




*Materiality*

– Overall materiality for the company was £6.46 million which represents 1% of net assets

*Audit scope*

– The company is a standalone authorised, closed ended investment company registered in the Bailiwick of Guernsey with its shares listed on the main market of the London Stock Exchange.

– The board of directors engages Schroder Unit Trusts Limited (the "Manager") to manage the company's assets.

– The board of directors engages HSBC Bank plc (the "Custodian") to carry out certain duties of a safekeeping and cashflow monitoring agent.

– We conducted our audit using information provided by HSBC Securities Services (Guernsey) Limited ("HSS") to whom the Manager has delegated the provision of certain functions.

– We tailored the scope of our audit taking into account the types of investments within the company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.

– We obtained an understanding of the control environment in place at both the Manager and HSS, and adopted a fully substantive testing approach using reports obtained from HSS.

*Key audit matters*

– Income from investments at fair value through profit or loss

– Valuation and existence of investments at fair value through profit or loss

– Directors' consideration of the potential impact of COVID-19

# Independent Auditor's Report
## to the Members of Schroder Oriental Income Fund Limited

### *Audit scope*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

### *Materiality*

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|---|---|
| Overall company materiality | £6.46 million (2019: £6.6 million) |
| How we determined it | 1% of net assets (2019: 1% of net assets) |
| Rationale for the materiality benchmark | We believe that net assets is the most appropriate benchmark because this is a key metric of interest to investors. It is also a generally accepted measure used for companies in this industry. |

We agreed with the audit and risk committee that we would report to them misstatements identified during our audit above £0.3 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| **Income from investments at fair value through profit or loss**<br>*Refer to the Audit and Risk Committee Report, the Accounting policies and Note 3 in the Notes to the Accounts*<br>Although not considered as a significant audit risk, given that income from investments at fair value through profit or loss (i.e. losses/gains on investments at fair value through profit or loss and income from investments (i.e. dividend income)) is material to the financial statements and is of interest to members we have included it here as a key audit matter and have performed detailed testing to ensure the occurrence, accuracy and completeness of all material income streams. | Our audit procedures over income from investments at fair value through profit or loss were as follows:<br>– We read the basis of accounting and accounting policy selected by the directors covering recognition of income and assessed it for compliance with International Financial Reporting Standards as adopted by the European Union and the AIC SORP;<br>– We understood and assessed the design and implementation of key controls surrounding revenue recognition;<br>– We understood and evaluated both automated and manual journals that were posted to revenue accounts. We tested a sample of manual year-end adjusting journals including material journals and those impacting revenue;<br>– The gains / losses on investments at fair value through profit or loss comprises both realised and unrealised gains and losses. We recalculated the unrealised gains/losses with reference to purchases, sales and market value movements of investments at fair value through profit or loss that occurred during the year. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses; |

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| | – To test the completeness of dividend income, using our Halo tool, we agreed that appropriate dividends had been received during the year by reference to independent data of dividends declared for all investments held in the portfolio throughout the year; and<br>– To test the occurrence and accuracy of dividend income, we agreed all dividends received by reference to the investment holding in the portfolio and recalculated the amounts using independent third party data and agreed a sample of dividends recognised to bank statements.<br>We have no matters that require communication to those charged with governance in regards to the procedures set out above. |
| **Valuation and existence of investments at fair value through profit or loss**<br>*Refer to the Investment Portfolio, the Audit and Risk Committee Report, the Accounting Policies and Notes 10, 19 and 20 in the Notes to the Accounts*<br>The portfolio of directly held investments, which constitute the 'investments at fair value through profit or loss' financial statement line item, comprises of 100% quoted equities, which are designated by International Financial Reporting Standards as adopted by the European Union as 'Level 1' given that they are quoted in an active market for which publicly available pricing data is readily available.<br>The investment portfolio represents 104% of the company's net asset value. The investments are held by an independent custodian and subject to financial and risk management controls that mitigate the risk of material misstatement.<br>Whilst the valuation of these investments held at fair value through profit or loss is not considered to be complex, nor does it involve significant judgments and estimates to be made by the Manager, the fair value of investments is material to the company. A material misstatement due to fraud or error could potentially be material to the financial statements as a whole.<br>As a result, whilst we have not concluded it to be a significant audit risk, we consider the valuation and existence of investments at fair value through profit or loss to be an area of focus in our audit and accordingly a key audit matter. | Our audit procedures over these investments were as follows:<br>– We read the accounting policies selected by the directors covering the recognition, classification and measurement of investments held at fair value through profit or loss, and assessed them for compliance with International Financial Reporting Standards as adopted by the European Union;<br>– We agreed 100% of investment prices used in calculation of the year end valuation of investments held at fair value through profit or loss to independent third party sources;<br>– We reviewed the liquidity / trading volumes of the investments held at fair value through profit or loss and investigated any stale prices or illiquid stocks;<br>– We agreed the foreign currency exchange rates used (for non-GBP investments) as at year end to independent third party sources;<br>– We agreed the holdings of each of the quoted investments held at fair value through profit or loss to an independently obtained confirmation from the third party Custodian, HSBC Bank plc, as at 31 August 2020; and<br>– We recalculated the carrying value of each of the quoted investments held at fair value through profit or loss by multiplying the price per share by the holding, taking into consideration applicable foreign exchange rates.<br>We have no matters that require communication to those charged with governance in regards to the procedures set out above. |
| **Directors' consideration of the potential impact of COVID-19**<br>*Refer to the Chairman's Statement, the Manager's Review, the Principal / Emerging risks and uncertainties, the Viability statement and the Going concern statement, which disclose the impact of the COVID-19 pandemic.*<br>The COVID-19 pandemic, starting with a small number of cases in 2019, was declared a global pandemic by the WHO in March 2020.<br>The pandemic had a significant impact on global capital markets in March 2020 and has continued to cause disruption to supply chains and travel, slowing global growth and causing volatility in global markets and in exchange rates, to date.<br>The company's net assets were £646.7 million at 31 August 2020. | We evaluated the Directors' assessment of the impact of the COVID-19 pandemic on the company by:<br>– Evaluating the company's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19.<br>– Evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. |

# Independent Auditor's Report
## to the Members of Schroder Oriental Income Fund Limited

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| The Directors have prepared the financial statements of the company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future and that the company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the coronavirus pandemic. | We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report and Accounts.<br>– We obtained evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the company's financial position and forecasts, their assessment of liquidity and loan covenant compliance as well as their review of the operational resilience of the company and oversight of key third party service providers.<br>We assessed the disclosures presented in the Annual Report and Accounts in relation to COVID-19 by:<br>– Reading the other information, including the Chairman's Statement, the Manager's review, the Principal/Emerging risks and uncertainties, the Viability statement and the Going concern statement, and assessing its consistency with the financial statements and the evidence we obtained in our audit.<br>We have no matters that require communication to those charged with governance in regards to the procedures set out above. |

### Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Accounts (the "Annual Report") but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Guernsey law 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Use of this report

This independent auditor's report, including the opinions, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Report on other legal and regulatory requirements

*Company Law exception reporting*

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

*Listing Rules of the Financial Conduct Authority (FCA)*

The company has reported compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the company's obligations, as an investment company, under the Listing Rules of the FCA.

We have nothing material to add or draw attention to in respect of the following matters which we have reviewed based on the requirements of the Listing Rules of the FCA:

- The directors' confirmation that they have carried out a robust assessment of the principal and emerging risks facing the company, including a description of the principal risks, what procedures are in place to identify emerging risks, and an explanation of how those risks are being managed or mitigated.
- The directors' explanation as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

# Independent Auditor's Report
## to the Members of Schroder Oriental Income Fund Limited

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal and emerging risks facing the company and the directors' statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit.

Additionally, we have nothing to report in respect of our responsibility to report when:

- The directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.
- The statement given by the directors that they consider the Annual Report and Accounts taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.
- The section of the Annual Report and Accounts describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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**Elizabeth Burne**
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
12 November 2020

Notes:

a. The maintenance and integrity of the Schroder Oriental Income Fund Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Statement of Comprehensive Income
## for the year ended 31 August 2020

| | Note | 2020 Revenue £'000 | 2020 Capital £'000 | 2020 Total £'000 | 2019 Revenue £'000 | 2019 Capital £'000 | 2019 Total £'000 |
|---|---|---|---|---|---|---|---|
| (Losses)/gains on investments at fair value through profit or loss | 2 | – | (33,379) | (33,379) | – | 1,538 | 1,538 |
| Net foreign currency gains/(losses) | | – | 3,536 | 3,536 | – | (2,414) | (2,414) |
| Income from investments | 3 | 31,421 | 164 | 31,585 | 32,294 | 1,076 | 33,370 |
| Other income | 3 | 12 | – | 12 | 64 | – | 64 |
| **Total income/(loss)** | | 31,433 | (29,679) | 1,754 | 32,358 | 200 | 32,558 |
| Management fee | 4 | (1,355) | (3,163) | (4,518) | (1,352) | (3,155) | (4,507) |
| Other administrative expenses | 5 | (1,051) | (4) | (1,055) | (950) | (6) | (956) |
| **Profit/(loss) before finance costs and taxation** | | 29,027 | (32,846) | (3,819) | 30,056 | (2,961) | 27,095 |
| Finance costs | 6 | (235) | (528) | (763) | (332) | (768) | (1,100) |
| **Profit/(loss) before taxation** | | 28,792 | (33,374) | (4,582) | 29,724 | (3,729) | 25,995 |
| Taxation | 7 | (2,255) | – | (2,255) | (2,348) | – | (2,348) |
| **Net profit/(loss) and total comprehensive income** | | 26,537 | (33,374) | (6,837) | 27,376 | (3,729) | 23,647 |
| **Earnings/(losses) per share** | 9 | 9.86p | (12.40)p | (2.54)p | 10.60p | (1.44)p | 9.16p |

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The "Revenue and Capital" columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The Company does not have any income or expense that is not included in net profit for the year. Accordingly the "Net profit" for the year 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 45 to 59 form an integral part of these accounts.

# Statement of Changes in Equity
## for the year ended 31 August 2020

| | Note | Share capital £'000 | Treasury share reserve £'000 | Capital redemption reserve £'000 | Special reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| At 31 August 2018 | | 191,538 | – | 39 | 150,374 | 270,959 | 29,801 | 642,711 |
| Issue of ordinary shares | | 21,248 | – | – | – | – | – | 21,248 |
| Net (loss)/profit | | – | – | – | – | (3,729) | 27,376 | 23,647 |
| Dividends paid in the year | 8 | – | – | – | – | – | (25,802) | (25,802) |
| At 31 August 2019 | | 212,786 | – | 39 | 150,374 | 267,230 | 31,375 | 661,804 |
| Issue of ordinary shares | | 21,561 | – | – | – | – | – | 21,561 |
| Repurchase of ordinary shares into treasury | | – | (2,155) | – | – | – | – | (2,155) |
| Net (loss)/profit | | – | – | – | – | (33,374) | 26,537 | (6,837) |
| Dividends paid in the year | 8 | – | – | – | – | – | (27,674) | (27,674) |
| **At 31 August 2020** | | **234,347** | **(2,155)** | **39** | **150,374** | **233,856** | **30,238** | **646,699** |

The notes on pages 45 to 59 form an integral part of these accounts.

# Balance Sheet
## at 31 August 2020

| | Note | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Non current assets** | | | |
| Investments at fair value through profit or loss | 10 | **672,184** | 694,569 |
| **Current assets** | 11 | | |
| Receivables | | **5,234** | 2,553 |
| Cash and cash equivalents | | **17,028** | 5,043 |
| Derivative financial instruments held at fair value through profit or loss | | **–** | 836 |
| | | **22,262** | 8,432 |
| **Total assets** | | **694,446** | 703,001 |
| **Current liabilities** | | | |
| Payables | 12 | **(47,747)** | (41,197) |
| **Net assets** | | **646,699** | 661,804 |
| **Equity attributable to equity holders** | | | |
| Share capital | 13 | **234,347** | 212,786 |
| Treasury share reserve | 14 | **(2,155)** | – |
| Capital redemption reserve | 14 | **39** | 39 |
| Special reserve | 14 | **150,374** | 150,374 |
| Capital reserves | 14 | **233,856** | 267,230 |
| Revenue reserve | 14 | **30,238** | 31,375 |
| **Total equity shareholders' funds** | | **646,699** | 661,804 |
| **Net asset value per share** | 15 | **239.28p** | 251.94p |

These accounts were approved and authorised for issue by the board of directors on 12 November 2020 and signed on its behalf by:

**Peter Rigg**
Director

The notes on pages 45 to 59 form an integral part of these accounts.

Registered in Guernsey as a company limited by shares

Company registration number: 43298

Financial

# Cash Flow Statement
## for the year ended 31 August 2020

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Operating activities** | | |
| (Loss)/profit before finance costs and taxation | (3,819) | 27,095 |
| Add back net foreign currency gains/losses | (3,536) | 2,414 |
| Losses/(gains) on investments at fair value through profit or loss | 33,379 | (1,538) |
| Net purchases of investments at fair value through profit or loss | (9,030) | (22,755) |
| Increase in receivables | (194) | (1,002) |
| Increase in payables | 70 | 2 |
| Overseas taxation paid | (2,143) | (2,232) |
| **Net cash inflow from operating activities before interest** | 14,727 | 1,984 |
| Interest paid | (767) | (1,104) |
| **Net cash inflow from operating activities** | 13,960 | 880 |
| **Financing activities** | | |
| Bank loans drawn down | 87,067 | 11,460 |
| Bank loans repaid | (80,351) | (44,063) |
| Issue of ordinary shares | 21,561 | 21,248 |
| Repurchase of ordinary shares into treasury | (2,155) | – |
| Dividends paid | (27,674) | (25,802) |
| **Net cash outflow from financing activities** | (1,552) | (37,157) |
| **Increase/(decrease) in cash and cash equivalents** | 12,408 | (36,277) |
| Cash and cash equivalents at the start of the year | 5,043 | 39,165 |
| Effect of foreign exchange rates on cash and cash equivalents | (423) | 2,155 |
| **Cash and cash equivalents at the end of the year** | 17,028 | 5,043 |

Included under operating activities are dividends received during the year amounting to £30,561,00 (2019: £33,184,000) and deposit interest receipts amounting to £14,000 (2019: £68,000).

The notes on pages 45 to 59 form an integral part of these accounts.

# Notes to the Accounts
## for the year ended 31 August 2020

### 1. Accounting Policies

#### (a) Basis of accounting

The accounts have been prepared in accordance with the Companies (Guernsey) Law, 2008 and International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ("IASC"), that remain in effect and to the extent that they have been adopted by the European Union.

Where consistent with the requirements of IFRS, the directors have sought to prepare the accounts on a basis compliant with presentational guidance set out in the statement of recommended practice for investment trust companies (the "SORP") issued by the Association of Investment Companies in October 2019.

The policies applied in these accounts are consistent with those applied in the preceding year.

The Company's share capital is denominated in sterling and this is the currency in which its shareholders operate and expenses are generally paid. The board has therefore determined that sterling is the functional currency and the currency in which the accounts are presented. Amounts have been rounded to the nearest thousand.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments held at fair value through profit or loss. The directors believe that the Company has adequate resources to continue operating for 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 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. The principal accounting polices adopted are set out below.

#### (b) Presentation of the Statement of Comprehensive Income

In order better to reflect the activities of an investment company and in accordance with the recommendations of the SORP, supplementary information has been presented which analyses items in the Statement of Comprehensive Income between those which are income in nature and those which are capital in nature.

#### (c) Investments at fair value through profit or loss

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, investments are designated upon initial recognition as investments at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which are quoted bid market 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.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within a timeframe established by the market concerned.

#### (d) Accounting for reserves

Gains and losses on sales of investments, including the related foreign exchange gains and losses, are included in the Statement of Comprehensive Income 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, including the related foreign exchange gains and losses, are included in the Statement of Comprehensive Income and in capital reserves within "Holding gains and losses on investments".

Foreign exchange gains and losses on cash and deposit balances are included in the Statement of Comprehensive Income and in capital reserves under Gains and losses on sales of investments. Unrealised exchange gains and losses on foreign currency loans are included in the Statement of Comprehensive Income and dealt with in capital reserves under Holding gains and losses on investments.

#### (e) Repurchases of shares into treasury and subsequent reissues

The cost of repurchasing shares into Treasury is debited to "Treasury share reserve". The sales proceeds of Treasury shares reissued are credited back to Treasury share reserve until the debit balance on that reserve is extinguished and thereafter to capital reserves.

# Notes to the Accounts
## for the year ended 31 August 2020

### (f) Income

Dividends receivable from equity shares 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.

Income from fixed interest debt securities is recognised using the effective interest method.

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

### (g) Expenses

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

- The management fee is allocated 30% to revenue and 70% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Any performance fee is allocated 100% to capital.
- Expenses incidental to the purchase or sale of investments 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 49.

### (h) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest method.

Finance costs are allocated 30% to revenue and 70% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.

### (i) Cash and cash equivalents

Cash and cash equivalents 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 receivables are non interest bearing, short-term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### (j) Other financial assets and liabilities

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

Forward foreign curency contracts are held at fair value through profit or loss, based on the gain or loss if the contracts had been closed out at the accounting date, at prevailing market rates.

### (k) Taxation

The taxation charge in the Statement of Comprehensive Income comprises irrecoverable overseas withholding tax deducted from dividends receivable.

### (l) Foreign currency

The results and financial position are expressed in sterling. Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transaction. At each balance sheet date, monetary items and non monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at 1600 hours (London time) on the balance sheet date.

Gains or losses arising on translation are included in net profit or loss for the year and presented as revenue or capital as appropriate.

### (m) New and amended accounting standards

At the date of authorisation of these financial statements there are no new or revised Standards or Interpretations, which are in issue but which are not yet effective, which the board expects to have any significant effect on the Company's accounts.

### (n) Significant accounting judgments, estimates and assumptions

There were no significant accounting judgments, estimates or assumptions used in the preparation of these financial statements in accordance with IFRS.

# Notes to the Accounts
## for the year ended 31 August 2020

### 2. (Losses)/gains on investments held at fair value through profit or loss

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| (Losses)/gains on sales of investments based on historic cost | (24,427) | 24,582 |
| Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year | (12,693) | (13,472) |
| (Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date | (37,120) | 11,110 |
| Net movement in investment holding gains and losses | 3,741 | (9,572) |
| **(Losses)/gains on investments held at fair value through profit or loss** | (33,379) | 1,538 |

### 3. Income

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Income from investments:** | | |
| Dividends | 31,421 | 32,294 |
| **Other income:** | | |
| Deposit interest | 12 | 64 |
| **Total income** | 31,433 | 32,358 |
| **Capital:** | | |
| Special dividend allocated to capital | 164 | 1,076 |

### 4. Management and performance fee

| | 2020 Revenue £'000 | 2020 Capital £'000 | 2020 Total £'000 | 2019 Revenue £'000 | 2019 Capital £'000 | 2019 Total £'000 |
|---|---|---|---|---|---|---|
| Management fee | 1,355 | 3,163 | 4,518 | 1,352 | 3,155 | 4,507 |

The basis for calculating the investment management fee and any performance fee is set out in the Directors' Report on page 24. No performance fee is payable for the year (2019: nil).

### 5. Other administrative expenses

| | 2020 Revenue £'000 | 2020 Capital £'000 | 2020 Total £'000 | 2019 Revenue £'000 | 2019 Capital £'000 | 2019 Total £'000 |
|---|---|---|---|---|---|---|
| Administration expenses | 666 | 4 | 670 | 607 | 6 | 613 |
| Directors' fees | 170 | – | 170 | 155 | – | 155 |
| Secretarial fee | 150 | – | 150 | 150 | – | 150 |
| Auditor's remuneration for audit services[1] | 65 | – | 65 | 38 | – | 38 |
| | 1,051 | 4 | 1,055 | 950 | 6 | 956 |

[1]No amounts are payable to the auditor for non-audit services

Financial

# Notes to the Accounts
## for the year ended 31 August 2020

### 6. Finance costs

| | 2020 Revenue £'000 | 2020 Capital £'000 | 2020 Total £'000 | 2019 Revenue £'000 | 2019 Capital £'000 | 2019 Total £'000 |
|---|---|---|---|---|---|---|
| Interest on bank loans and overdrafts | 235 | 528 | 763 | 332 | 768 | 1,100 |

### 7. Taxation

| | 2020 Revenue £'000 | 2020 Capital £'000 | 2020 Total £'000 | 2019 Revenue £'000 | 2019 Capital £'000 | 2019 Total £'000 |
|---|---|---|---|---|---|---|
| Irrecoverable overseas tax | 2,255 | – | 2,255 | 2,348 | – | 2,348 |

The Company has been granted an exemption from Guernsey taxation, under the Income Tax (Exempt Bodies) Guernsey Ordinance 1989, for which it is charged an annual exemption fee of £1,200 (2019: £1,200).

### 8. Dividends

#### Dividends paid and declared

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| 2019 fourth interim dividend of 4.60p (2018: 4.50p) | 12,274 | 11,505 |
| First interim dividend of 1.90p (2019: 1.80p) | 5,127 | 4,653 |
| Second interim dividend of 1.90p (2019: 1.80p) | 5,138 | 4,672 |
| Third interim dividend of 1.90p (2019: 1.90p) | 5,135 | 4,972 |
| **Total dividends paid in the year** | 27,674 | 25,802 |

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Fourth interim dividend declared of 4.60p (2019: 4.60p) | 12,432 | 12,083 |

Under the Companies (Guernsey) Law 2008, the Company may pay dividends out of both capital and revenue reserves, subject to passing a solvency test. However all dividends paid and declared to date have been paid, out of revenue profits. The Company has passed the solvency test for all dividends paid to date.

The fourth interim dividend declared in respect of the year ended 31 August 2019 differs from the amount actually paid due to shares issued after the balance sheet date but prior to the share register record date.

### 9. Earnings/(losses) per share

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Net revenue profit | 26,537 | 27,376 |
| Net capital loss | (33,374) | (3,729) |
| Net total (loss)/profit | (6,837) | 23,647 |
| Weighted average number of Ordinary shares in issue during the year | 269,200,852 | 258,190,873 |
| Revenue earnings per share | 9.86p | 10.60p |
| Capital loss per share | (12.40)p | (1.44)p |
| **Total (loss)/earning per share** | (2.54)p | 9.16p |

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Opening book cost | 608,647 | 560,018 |
| Opening investment holding gains | 85,922 | 108,967 |
| Opening fair value | 694,569 | 668,985 |
| **Analysis of transactions made during the year** | | |
| Purchases at cost | 296,311 | 279,159 |
| Sales proceeds | (285,317) | (255,113) |
| (Losses)/gains on investments held at fair value through profit or loss | (33,379) | 1,538 |
| Closing fair value | 672,184 | 694,569 |
| Closing book cost | 595,213 | 608,647 |
| Closing investment holding gains | 76,971 | 85,922 |
| Closing fair value | 672,184 | 694,569 |

All investments are listed on a recognised stock exchange.

The Company received £285,317,000 (2019: £255,113,000) from disposal of investments in the year. The book cost of these investments when they were purchased was £309,744,000 (2019: £230,531,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

*Note10, including the prior year, has been updated in accordance with the presentational guidance set out in the Statement of Recommended Practice for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies in October 2019.

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| On acquisitions | 481 | 279 |
| On disposals | 361 | 361 |
| | 842 | 640 |

### 11. Current assets

#### Receivables

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Dividends and interest receivable | 3,430 | 2,521 |
| Securities sold awaiting settlement | 1,779 | 15 |
| Other receivables | 25 | 17 |
| | 5,234 | 2,553 |

The directors consider that the carrying amount of receivables approximates to their fair value.

#### Cash and cash equivalents

Cash and cash equivalents 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.

#### Derivative financial instrument at fair value through profit or loss

There were no open derivative contracts at the year end. The derivative instrument held at the prior year end comprised a single contract to purchase US Dollars 40.5 million for Chinese Yuan 282.3 million, for settlement on 12 September 2019. The contract was valued at fair value, being the cost of closing out the contract at 31 August 2019. There are no open derivative contracts at 31 August 2020.

# Notes to the Accounts
## for the year ended 31 August 2020

### 12. Current liabilities

#### Payables

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Bank loan | 42,625 | 39,868 |
| Securities purchased awaiting settlement | 3,727 | – |
| Other payables and accruals | 1,395 | 1,329 |
| | 47,747 | 41,197 |

The bank loan comprises US$50 million and JP¥750 million drawn down on the Company's £100 million multicurrency credit facility with Sumitomo Mitsui Banking Corporation Europe Limited. The facility is secured and drawings are subject to a covenant restriction which requires that the Company's indebtedness shall not exceed 30% of total assets, as reduced by certain adjustments. There have been no breaches of the covenant restriction to date. Further details of the facility are given in note 20 on page 53.

The bank loan at the prior year end comprised US$25 million and JP¥2,500 million drawn down on the Company's £100 million multicurrenct credit facility Scotiabank Europe plc. This agreement expired on 22 June 2020.

### 13. Share capital

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Ordinary shares of 1p each, allotted, called-up and fully paid: | | |
| Opening balance of 262,683,024 (2019: 254,098,024) shares | 212,786 | 191,538 |
| Issue of 8,550,000 (2019: 8,585,000) shares | 21,561 | 21,248 |
| Repurchase of 965,000 (2019: nil) shares into treasury | (2,155) | – |
| Subtotal of 270,268,024 (2019: 262,683,024) shares, excluding shares held in treasury | 232,192 | 212,786 |
| 965,000 shares (2019: nil) shares held in treasury | 2,155 | – |
| Closing balance of 271,233,024 (2019: 262,683,024) shares | 234,347 | 212,786 |

The ordinary shares rank pari passu, and each share carries one vote in the event of a poll at a general meeting. The Company has authority to issue an unlimited number of ordinary shares.

During the year a total of 8,550,000 shares, nominal value £85,500 were issued to the market to satisfy demand, at an average price of 252.18p per share, for a total consideration received of £21,561,000.

During the year, the Company purchased 965,000 of its own shares, nominal value £9,650 to hold in treasury for a total consideration of £2,155,000 representing 0.4% of the shares outstanding at the beginning of the year. The reason for these share purchases was to seek to manage the volatility of the share price discount to net asset value per share.

# Notes to the Accounts
## for the year ended 31 August 2020

### 14. Reserves

| | Share capital £'000 | Treasury share reserve £'000 | Capital redemp-tion reserve £'000 | Special reserve £'000 | Capital reserves Gains and losses on sales of investments £'000 | Capital reserves Investment holding gains and losses £'000 | Revenue reserve £'000 |
|---|---|---|---|---|---|---|---|
| **At 31 August 2018** | **191,538** | **–** | **39** | **150,374** | **163,513** | **107,446** | **29,801** |
| Gains on sales of investments based on the carrying value at the previous balance sheet date | – | – | – | – | 11,110 | – | – |
| Movement in investment holding gains and losses | – | – | – | – | – | (9,572) | – |
| Transfer on disposal of investments | – | – | – | – | 13,472 | (13,472) | – |
| Realised exchange gains on cash and short-term deposits | – | – | – | – | 1,239 | – | – |
| Realised gains on derivative contracts | – | – | – | – | 80 | – | – |
| Unrealised gains on open derivative contracts | – | – | – | – | – | 836 | – |
| Exchange losses on foreign currency credit facility | – | – | – | – | (2,225) | (2,344) | – |
| Issue of shares | 21,248 | – | – | – | – | – | – |
| Management fee, finance costs and other expenses charged to capital | – | – | – | – | (3,929) | – | – |
| Dividends allocated to capital | – | – | – | – | 1,076 | – | – |
| Dividends paid in the year | – | – | – | – | – | – | (25,802) |
| Net revenue profit for the year | – | – | – | – | – | – | 27,376 |
| **At 31 August 2019** | **212,786** | **–** | **39** | **150,374** | **184,336** | **82,894** | **31,375** |

| | Share capital £'000 | Treasury share reserve £'000 | Capital redemp-tion reserve £'000 | Special reserve £'000 | Capital reserves Gains and losses on sales of investments £'000 | Capital reserves Investment holding gains and losses £'000 | Revenue reserve £'000 |
|---|---|---|---|---|---|---|---|
| **At 31 August 2019** | **212,786** | **–** | **39** | **150,374** | **184,336** | **82,894** | **31,375** |
| Losses on sales of investments based on the carrying value at the previous balance sheet date | – | – | – | – | (37,120) | – | – |
| Movement in investment holding gains and losses | – | – | – | – | – | 3,741 | – |
| Transfer on disposal of investments | – | – | – | – | 12,693 | (12,693) | – |
| Realised exchange gains on cash and short-term deposits | – | – | – | – | 160 | – | – |
| Realised losses on derivative contracts | – | – | – | – | (583) | – | – |
| Exchange (losses)/gains on foreign currency credit facility | – | – | – | – | (3,164) | 7,123 | – |
| Issue of ordinary shares | 21,561 | – | – | – | – | – | – |
| Repurchase of ordinary shares into treasury | – | (2,155) | – | – | – | – | – |
| Management fee, finance costs and other expenses charged to capital | – | – | – | – | (3,695) | – | – |
| Dividends allocated to capital | – | – | – | – | 164 | – | – |
| Dividends paid in the year | – | – | – | – | – | – | (27,674) |
| Net revenue profit for the year | – | – | – | – | – | – | 26,537 |
| **At 31 August 2020** | **234,347** | **(2,155)** | **39** | **150,374** | **152,791** | **81,065** | **30,238** |

Under the Companies (Guernsey) Law 2008, the Company may buy back its own shares, or pay dividends, out of any reserves, subject to passing a solvency test. This test considers whether, immediately after the payment, the Company's assets exceed its liabilities and whether it will be able to pay its debts when they fall due.

### 15. Net asset value per share

| | 2020 | 2019 |
|---|---|---|
| Net assets attributable to shareholders (£'000) | **646,699** | 661,804 |
| Shares in issue at the year end | **270,268,024** | 262,683,024 |
| Net asset value per share | **239.28p** | 251.94p |

### 16. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2019: none).

### 17. Transactions with the Manager

The Company has appointed Schroder Unit Trusts Limited ("the Manager"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting, secretarial and administration services. Details of the management and performance fee agreement are given in the Directors' Report on page 24. The management fee payable in respect of the year amounted to £4,518,000 (2019: £4,507,000), of which £1,161,000 (2019: £1,176,000) was outstanding at the year end. The company secretarial fee payable to the Manager amounted to £150,000 (2019: £150,000) of which £37,500 (2019: £37,500) was outstanding at the year end. No performance fee is payable in respect of the year (2019: nil).

If the Company invests in funds managed or advised by the Manager or any of its associated companies, any fee earned by the Manager from those funds is deducted from the management fee payable by the Company. There have been no such investments during the current or comparative year.

### 18. 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 17 above. There have been no other transactions with related parties during the year (2019: nil).

### 19. Disclosures regarding financial instruments measured at fair value

The Company's portfolio of investments, which may comprise investments in equities, equity linked securities, government bonds and derivatives, are carried in the balance sheet at fair value. Other financial instruments held by the Company may comprise amounts due to or from brokers, dividends and interest receivable, accruals, cash at bank and drawings on the credit facility.

For these instruments, the balance sheet amount is a reasonable approximation of fair value.

The investments are categorised into a hierarchy comprising the following three levels:

Level 1 – valued using quoted prices in active markets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

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

Details of the valuation techniques used by the Company are given in note 1(c) on page 45, and note 1(j) on page 46.

At 31 August 2020, the Company's investment portfolio was categorised as follows:

| | 2020 | | | |
|---|---|---|---|---|
| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
| Investments in equities and equity linked securities | **672,184** | **–** | **–** | **672,184** |
| Total | **672,184** | **–** | **–** | **672,184** |

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| | 2019 | | | |
| Investments in equities and equity linked securities | 694,569 | – | – | 694,569 |
| Derivative financial instrument – forward currency contract | – | 836 | – | 836 |
| Total | 694,569 | 836 | – | 695,405 |

There have been no transfers between Levels 1, 2 or 3 during the year (2019: nil).

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

The Company's investment objective is to provide a total return for investors primarily through investments in equities and equity-related investments, of companies which are based in, or which derive a significant proportion of their revenues from, the Asia Pacific region and which offer attractive yields. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets. These 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 are as follows:

- investments in equities and equity-related securities of companies in the Asia Pacific region which are held in accordance with the Company's investment objective;
- short-term receivables, payables and cash arising directly from its operations; and
- a multicurrency credit facility with Sumitomo Mitsui Banking Corporation Europe Limited, the purpose of which is to assist in financing the Company's operations.

### (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 analysis 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 and regularly reports to the board. 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 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 31 August 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.

# Notes to the Accounts
## for the year ended 31 August 2020

| | 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Japanese yen £'000 | Hong Kong dollars £'000 | Australian dollars £'000 | Singapore dollars £'000 | Taiwan dollars £'000 | Thai baht £'000 | New Zealand dollars £'000 | US dollars £'000 | Other £'000 | Total £'000 |
| Current assets | – | 10,457 | 3,814 | 3,017 | 374 | 301 | 15 | 24 | – | 18,002 |
| Current liabilities | (5,279) | (3,727) | – | – | – | – | – | (37,346) | (206) | (46,558) |
| Foreign currency exposure on net monetary items | (5,279) | 6,730 | 3,814 | 3,017 | 374 | 301 | 15 | (37,322) | (206) | (28,556) |
| Investments at fair value through profit or loss[1] | 5,040 | 213,221 | 78,696 | 78,160 | 129,049 | 17,377 | 2,871 | 29,125 | 68,494 | 622,033 |
| Total net foreign currency exposure | (239) | 219,951 | 82,510 | 81,177 | 129,423 | 17,678 | 2,886 | (8,197) | 68,288 | 593,477 |

| | 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Japanese yen £'000 | Hong Kong dollars £'000 | Australian dollars £'000 | Singapore dollars £'000 | Taiwan dollars £'000 | Thai baht £'000 | New Zealand dollars £'000 | US dollars £'000 | Other £'000 | Total £'000 |
| Current assets | 125 | 921 | 486 | 302 | 155 | 577 | 127 | 292 | 667 | 3,652 |
| Current liabilities | (19,341) | – | – | – | – | – | – | (20,534) | – | (39,875) |
| Derivative financial instrument held at fair value through profit or loss | – | – | – | – | – | – | – | 33,272 | (32,436) | 836 |
| Foreign currency exposure on net monetary items | (19,216) | 921 | 486 | 302 | 155 | 577 | 127 | 13,030 | (31,769) | (35,387) |
| Investments at fair value through profit or loss[1] | 25,643 | 215,218 | 116,485 | 80,731 | 79,685 | 41,068 | 5,346 | 31,165 | 83,826 | 679,167 |
| Total net foreign currency exposure | 6,427 | 216,139 | 116,971 | 81,033 | 79,840 | 41,645 | 5,473 | 44,195 | 52,057 | 643,780 |

[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 balance sheet date and assumes a 10% (2019: 10%) appreciation or depreciation in sterling against the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Statement of Comprehensive Income – net profit | | |
| Net revenue profit | 2,894 | 2,968 |
| Net capital profit | (2,892) | (3,508) |
| Net assets | 2 | (540) |

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Statement of Comprehensive Income – net profit | | |
| Net revenue profit | (2,894) | (2,968) |
| Net capital profit | 2,892 | 3,508 |
| Net assets | (2) | 540 |

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 of the Company's investments to changes in foreign currency exchange rates is subsumed into market price risk sensitivity on page 56.

## (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 Company's gearing policy is to limit gearing to 25% 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 down 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:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Exposure to floating interest rates: | | |
| Cash and cash equivalents | **17,028** | 5,043 |
| Other payables: drawings on the credit facility | **(42,625)** | (39,868) |
| Total exposure | **(25,597)** | (34,825) |

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2019: same).

During the year, the Company arranged a £100 million multicurrency revolving credit facility with Sumitomo Banking Corporation Europe Limited. Amounts are normally drawn on this facility for one month periods. Interest is payable at a rate of LIBOR as quoted in the market for the loan period plus a margin, plus Mandatory Costs, which are the Lender's costs of complying with certain regulatory requirements of The Bank of England. At 31 August 2020, the Company had drawn down US$50.0 million (£37.3 million) and JP¥750.0 million (£5.3 million) at an interest rate of 0.80638% and 0.65% per annum respectively. The facility expires on 22 June 2021.

The above facility replaced a similar arrangement with Scotiabank Europe plc, which expired on 22 June 2020. At the prior year end, the Company had drawn down US$25.0 million (£20.5 milllion) and JP¥ 2,500.0 million (£19.4 million) on this facility at an interest rate of 2.77% and 0.52% per annum respectively.

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 has fluctuated. The maximum and minimum net interest rate exposure during the year has been as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Maximum interest rate exposure during the year – net debt | **(55,670)** | (49,114) |
| Minimum interest rate exposure during the year – net debt | **(19,741)** | (14,138) |

# Notes to the Accounts
## for the year ended 31 August 2020

### *Interest rate sensitivity*

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2019: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | 0.5% increase in rate £'000 | 0.5% decrease in rate £'000 | 0.5% increase in rate £'000 | 0.5% decrease in rate £'000 |
| Statement of Comprehensive Income – net profit | | | | |
| Net revenue profit | **21** | **(21)** | (35) | 35 |
| Net capital profit | **(149)** | **149** | (140) | 140 |
| Net total profit | **(128)** | **128** | (175) | 175 |
| Net assets | **(128)** | **128** | (175) | 175 |

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 which may affect the value of the Company' 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 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 and overall exposure is diversified.

### *Market price risk exposure*

The Company's total exposure to changes in market prices at 31 August comprised the following:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Investments at fair value through profit or loss | **672,184** | 694,569 |

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 principally comprises investments quoted on Asian stockmarkets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

### *Market price risk sensitivity*

The following table illustrates the sensitivity of the net profit for the year and net assets to an increase or decrease of 10% (2019: 10%) in the fair values of the Company's equities. 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 equities, adjusting for changes in the management fee, but with all other variables held constant.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | 10% increase in fair value £'000 | 10% decrease in fair value £'000 | 10% increase in fair value £'000 | 10% decrease in fair value £'000 |
| Statement of Comprehensive Income – net profit | | | | |
| Net revenue profit | **(141)** | **141** | (146) | 146 |
| Net capital profit | **66,889** | **(66,889)** | 69,117 | (69,117) |
| Net total profit for the year and net assets | **66,748** | **(66,748)** | 68,971 | (68,971) |

### (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.

The Board's policy is for the Company to remain fully invested in normal market conditions and that the credit facility 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 2020 £'000 | Three months or less 2019 £'000 |
|---|---|---|
| **Other payables** | | |
| Bank loan – including interest | **42,656** | 39,931 |
| Other payables and accruals | **1,392** | 1,322 |
| | **44,048** | 41,253 |

### (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 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.

The Company may sometimes invest in equity linked securities, such as low exercise price options, warrants, participatory notes and depositary receipts, which provide synthetic equity exposure where the Company may otherwise find it problematic to invest in the underlying assets directly. They have the same economic risks as a direct investment, except that there is a counterparty risk to the issuing investment bank. Counterparties must be approved by the Manager's Credit Risk Team based on a list of criteria and are monitored on an ongoing basis by Schroders' Portfolio Compliance Team.

#### 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 Aa3 with Moody's.

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

### Credit risk exposure

The following amounts shown in the Balance Sheet, represent the maximum exposure to credit risk at the current and comparative year end.

| | 2020 Balance sheet £'000 | 2020 Maximum exposure £'000 | 2019 Balance sheet £'000 | 2019 Maximum exposure £'000 |
|---|---|---|---|---|
| Current assets | | | | |
| Receivables – dividends and interest | **3,430** | **3,430** | 2,521 | 2,521 |
| Securities sold awaiting settlement | **1,779** | **1,779** | 15 | 15 |
| Cash and cash equivalents | **17,028** | **17,028** | 5,043 | 5,043 |
| Derivative financial instruments | **–** | **–** | 836 | 836 |
| | **22,237** | **22,237** | 8,415 | 8,415 |

No items included in "Receivables" are past their due date and none have been provided for.

## 21. 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:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Debt** | | |
| Bank loan | **42,625** | 39,868 |
| **Equity** | | |
| Share capital | **234,347** | 212,786 |
| Reserves | **412,352** | 449,018 |
| | **646,699** | 661,804 |
| **Total debt and equity** | **689,324** | 701,672 |

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

The board's policy is to limit gearing to 25%. Gearing for this purpose is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Borrowings used for investment purposes, less cash | **25,597** | 34,825 |
| Net assets | **646,699** | 661,804 |
| Gearing | **4.0%** | 5.3% |

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

– the planned level of gearing, which takes into account the Manager's views on the market;

– the need to buy back the Company's own shares for cancellation or to hold in treasury, which takes into account the share price discount;

– the opportunities for issues of new shares or to reissue shares from treasury; and

– the amount of dividend to be paid.

# Notes to the Accounts
## for the year ended 31 August 2020

### 22. Subsequent events

On 1 September 2020, the Company became tax resident in the United Kingdom. and since then 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. 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 not a “close” company for taxation purposes.

625,000 shares have been bought back between 1 September and 12 November 2020.

# Annual General Meeting – Recommendations

**The Annual General Meeting ("AGM") of the Company will be held on Friday, 11 December 2020 at 10.30 am. The formal Notice of Meeting is set out on page 61.**

**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

In light of the rapidly changing situation and government guidance regarding the outbreak of COVID-19, the board has taken the decision to alter the format of the Company's AGM. This is to ensure the safety and security of our shareholders, service providers, officers, and guests. The board has taken the decision that Shareholders will not be allowed to attend the AGM in person but instead are asked to vote by proxy, appointing the chair of the meeting as their proxy. Shareholders are also encouraged to submit any questions to the board, via the Company Secretary as described on page 5.

## Ordinary business

### Resolutions 1 to 9 are all ordinary resolutions.

Resolution 1 is a required resolution. Resolutions 2 and 3 concern the Directors' Remuneration Policy and Report, on pages 32 and 33. Resolution 4 invites shareholders to elect Nick Winsor as a director. Resolutions 5 to 7 invite shareholders to re-elect each of the other directors standing for re-election for another year, following the recommendations of the nomination committee, set out on pages 30 and 31 (their biographies are set out on pages 22 and 23). Resolutions 8 and 9 concern the re-appointment and remuneration of the Company's auditor, discussed in the Audit and Risk Committee Report on pages 27 and 28.

## Special business

### Resolution 10 – approval of the Company's dividend policy (ordinary resolution)

In line with corporate governance best practice the board is putting the Company's dividend policy to shareholders for approval. No change to the Company's dividend policy is proposed at this time.

### Resolution 11 – authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 12 December 2019, the Company was granted authority to make market purchases of up to 40,020,755 ordinary shares for cancellation or holding in treasury. 1,590,000 ordinary shares were bought back under this authority and the Company therefore has remaining authority to purchase up to 40,020,755 ordinary shares. This authority will expire at the forthcoming AGM.

The directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to NAV per share 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 at 10 November 2020 (excluding treasury shares). 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 2020 AGM will lapse at the conclusion of the AGM in 2021 unless renewed, varied or revoked earlier.

### Resolution 12 – disapplication of pre-emption rights (extraordinary 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.

An extraordinary resolution will be proposed at the forthcoming AGM to authorise the directors to allot shares up to a maximum aggregate nominal amount of £269,643 (being 10% of the issued share capital as at 10 November 2020) and to give the directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £269,643 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM).

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 2021 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 above resolutions and the other 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 Oriental Income Fund Limited will be held on 11 December 2020 at 10.30 am at **1 London Wall Place, London EC2Y 5AU** to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 10 will be proposed as ordinary resolutions. Resolution 11 will be proposed as special resolutions and resolution 12 will be proposed as an extraordinary resolution:

1. To receive the Directors' Report and the audited accounts for the year ended 31 August 2020.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31 August 2020.
4. To approve the election of Nick Winsor as a director of the Company.
5. To approve the re-election of Alexa Coates as a director of the Company.
6. To approve the re-election of Kate Cornish-Bowden as a director of the Company.
7. To approve the re-election of Paul Meader as a director of the Company.
8. To re-appoint PricewaterhouseCoopers CI LLP as auditor of the Company.
9. To authorise the directors to determine the remuneration of PricewaterhouseCoopers CI LLP as auditor to the Company.
10. To approve the Company's dividend policy as set out on page 25 of the Annual Report and Accounts.
11. 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 315 of The Companies (Guernsey) Law, 2008 (as amended), to make market purchases of ordinary shares of 1p each in the capital of the Company ("Share") at whatever discount the prevailing market price represents to the prevailing net asset value per share, provided that:

    (a) the maximum number of Shares hereby authorised to be purchased shall be 40,419,489, representing 14.99% of the issued Share capital as at 10 November 2020;

    (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 immediately 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 which may be paid for a share is 1p, being the nominal value per share;

    (d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company in 2021 (unless previously renewed, varied or revoked 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 held in treasury or cancelled."
12. To consider and, if thought fit pass the following as an extraordinary resolution:

    "That the board be and is hereby authorised in accordance with Section 291 of The Companies (Guernsey) Law, 2008 (as amended) to allot ordinary shares for cash and/or sell treasury shares up to 26,964,302 ordinary shares of 1p each in aggregate, representing 10% of the share capital in issue on 10 November 2020, for cash and the right of shareholders to receive a pre-emptive offer in respect of such ordinary shares shall be excluded pursuant to Article 3.24 of the Company's articles of incorporation, provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) from the conclusion of the annual general meeting of the Company to be held in 2021 save that the board may allot ordinary shares for cash or sell treasury shares after the expiry of this authority in pursuance of an offer or agreement made by the Company before such expiry that would or might require ordinary shares to be allotted or treasury shares to be sold after such expiry."

By order of the board
For and on behalf of

**Schroder Investment Management Limited**
Company Secretary

12 November 2020

Registered office:
PO Box 208
Arnold House
St Julian's Avenue
St Peter Port
Guernsey GY1 3NF

Registered number: 43298

# Explanatory Notes to the Notice of Annual General Meeting

1. An ordinary shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and (insofar as permitted by the Company's articles of incorporation) to vote instead of him/her. Due to COVID-19 shareholders are asked not to attend.

   A proxy need not be a member. A form of proxy is enclosed for ordinary shareholders which should be completed and returned to the Company's registrar, care of Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 48 hours before the time fixed for the meeting. Due to COVID-19 shareholders are encouraged to appoint the Chairman as proxy. Completion of the proxy will not preclude an ordinary shareholder from attending and voting in person.

2. The biographies of each of the directors offering themselves for election and re-election are set out on pages 22 and 23 of the annual report and accounts for the year ended 31 August 2020.

3. As at 10 November 2020, the Company had 269,643,024 ordinary shares of 1p each in issue (no shares were held in treasury). Accordingly, the total number of voting rights in the Company on 10 November 2020 is 269,643,024.

# Definitions of Terms and Performance Measures

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

## Net asset value ("NAV") per share

The NAV per share of 239.28p (2019: 251.94p) represents the net assets attributable to equity shareholders of £646,699,000 (2019: £661,804,000) divided by the number of shares in issue of 270,268,024 (2019: 262,683,024).

The change in the NAV amounted to -5.0% (2019: -0.4%) 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.

## 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 2.6% (2019: premium of 0.4%), as the closing share price at 233.00p (2019: 253.00p) was 2.6% lower (2019: 0.4% higher) than the closing NAV of 239.28p (2019: 251.94p).

## 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. The gearing figure at the year end is calculated as follows:

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Borrowings used for investment purposes, less cash | 25,597 | 34,825 |
| Net assets | 646,699 | 661,804 |
| Gearing | 4.0% | 5.3% |

## 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.

## Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable amounting to £5,573,000 (2019: £5,463,000), expressed as a percentage of the average daily net asset values during the year of £642,219,000 (2019: 636,976,000).

## Total return

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

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

| | | | | |
|---|---|---|---|---|
| NAV at 31/8/19 | | | | 251.94p |
| NAV at 31/8/20 | | | | 239.28p |
| Dividend | XD date | NAV on XD date | Factor | Cumulative factor |
| 4.6p | 07/11/2019 | 257.91p | 1.0178 | 1.0178 |
| 1.9p | 30/01/2020 | 240.95p | 1.0079 | 1.0259 |
| 1.9p | 09/04/2020 | 207.35p | 1.0092 | 1.0353 |
| 1.9p | 06/08/2020 | 241.50p | 1.0079 | 1.0434 |
| NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage increase in the opening NAV | | | | –0.9% |

# Definitions of Terms and Performance Measures

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

| | |
|---|---|
| Share price at 31/8/19 | 253.00p |
| Share price at 31/8/20 | 233.00p |

| Dividend | XD date | Share price on XD date | Factor | Cumulative factor |
|---|---|---|---|---|
| 4.6p | 07/11/2019 | 263.00p | 1.0175 | 1.0175 |
| 1.9p | 30/01/2020 | 237.00p | 1.0080 | 1.0256 |
| 1.9p | 09/04/2020 | 216.00p | 1.0088 | 1.0347 |
| 1.9p | 06/08/2020 | 226.00p | 1.0084 | 1.0434 |
| Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage increase in the opening share price | | | | –3.9% |

# Notes

# Notes

# Shareholder Information

## Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/orientalincome. The webpages are the Company's primary method of electronic communication with shareholders. They contain details of the Company's 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 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.

The Manager publishes monthly and quarterly updates on the Company and other Schroders investment trusts, which may be found under the "Literature" section 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 independent financial advisers 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 the returns to investors are predominantly based on exposure to listed equities and equity-based instruments.

## Financial calendar

| | |
|---|---|
| First interim dividend paid | January |
| Second interim dividend paid | May |
| Half year results announced | April/May |
| Third interim dividend paid | July |
| Financial year end | 31 August |
| Annual results announced | November |
| Fourth interim dividend paid | November/December |
| Annual General Meeting | December |

## Alternative Investment Fund Managers Directive ("AIFMD") disclosures

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

### Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the Company's webpages. The Company is also required to periodically publish its actual leverage exposures. As at 31 August 2020 these were:

| Leverage exposure | Maximum ratio | Actual ratio |
|---|---|---|
| Gross method | 2.00 | 1.14 |
| Commitment method | 2.00 | 1.14 |

### 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 be found in the Company's AIFMD information disclosure document published on the Company's webpages.

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

Pursuant to the Packaged Retail and Insurance Based Investment Products 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/orientalincome

## Directors

Peter Rigg
Alexa Coates
Kate Cornish-Bowden
Paul Meader
Nick Winsor

## Advisers

### Alternative investment fund manager (the "Manager")

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

### Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
United Kingdom
Telephone: 020 7658 6596

### Registered office

PO Box 208
Arnold House
St Julian's Avenue
St Peter Port
Guernsey GY1 3NF

### Safekeeping and cashflow monitoring agent (including custodian)

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

### Lending bank

Sumitomo Mitsui Banking Corporation
99 Queen Victoria Street
London EC4V 4EH
United Kingdom

### Corporate broker

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
United Kingdom

### Independent auditor

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey GY1 4ND

### Registrar

Computershare Investor Services (Guernsey) Limited
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey GY1 1DB

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 Computershare Investor Services (Guernsey) Limited at the address set out above.

### Designated manager

HSBC Securities Services (Guernsey) Limited
Arnold House
St Julian's Avenue
St Peter Port
Guernsey GY1 3NF

### Shareholder enquiries

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

### Dealing codes

ISIN: GB00B0CRWN59
SEDOL: B0CRWN5
Ticker: SOI

### Global intermediary identification number (GIIN)

1TVP6A.99999.SL.83

### Legal entity identifier (LEI)

5493001U9X6P8SS0PK40

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



Schroders