Schroders

Schroder Asian Total Return Investment Company plc

Half year report and accounts for the six months ended 30 June 2023

Investment objective

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

Investment policy

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

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

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

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

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

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

Contents

Financial Highlights and Long-Term Performance Record

Total returns[1] for the six months ended 30 June 2023

+2.3%
Net asset value ("NAV") per share total return[2]

+2.3%
Share price total return[3]

-2.5%
Reference Index[4]

Long-term performance

Total returns to 30 June 2023[1]	6 months %	1 year %	3 years %	5 years %	10 years %
NAV per share[2]	2.3	6.8	20.8	36.0	160.9
Share price[3]	2.3	3.8	18.1	25.3	154.2
Reference Index[4]	(2.5)	(3.7)	4.6	12.3	85.0

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

[2] Source: Morningstar/Schroders. Fully diluted NAVs have been used where applicable.

[3] Source: Morningstar.

[4] Source: Thomson Reuters. The Reference Index is the MSCI AC Asia Pacific ex-Japan Index (with net income reinvested), sterling adjusted.

Other financial information

	30 June 2023	31 December 2022	% Change
NAV per share (pence)	**433.74**	434.60	(0.2)
Share price (pence)	**408.00**	409.50	(0.4)
Share price discount to NAV per share (%)	**5.9**	5.8	
Gearing (%)[5]	**6.2**	9.0	

[5] Borrowings used for investment purposes less cash, expressed as a percentage of net assets.

Chair's Statement

Performance

I am pleased to report that over the six-month period to 30 June 2023, both the Company's NAV total return and the share price total return outperformed the Reference Index. The NAV produced a positive total return of 2.3%, as did the share price, whilst the Reference Index produced a negative total return of 2.5% over the period. It is also extremely pleasing to note that the NAV has outperformed the Reference Index over a rolling one, three, five and ten years to 30 June 2023.

The outperformance of the Reference Index over the six-month period can be primarily attributed to three aspects of the portfolio construction. Firstly, Taiwanese technology stocks (comprising around 20% of the Company's portfolio) did well on the strong outlook and improving demand for high end semi-conductors. Secondly, the Company's 20% relative underweight position in China provided a significant contribution to performance due to a large correction in Chinese markets towards the end of the first half of 2023. Finally, stock selection in Australia made a strong contribution, where our US housing plays (James Hardie and Reliance Worldwide) performed well after a difficult 2022.

Further details on the market and portfolio performance may be found in the Portfolio Managers' Review.

Discount Management

The share price traded below net asset value during the six-month period, with an average discount of 5.3%. Consequently, the Board made use of its authority to buy back shares to assist in discount management and to target a discount of no more than 5% in normal market conditions. During the six-month period to 30 June 2023, a total of 2,167,985 shares were repurchased at an average discount of 4.9%, for a total consideration of £9.2 million. The shares were placed into treasury for reissuance at a premium to NAV at a future date. Since the end of the period, the Company has purchased a further 1,469,588 shares to be held in treasury.

Gearing

The Portfolio Managers continued to actively utilise gearing during the period with a range of 4.6% at its lowest and 10.3% at its highest, and an average of 7.4%. Average net debt over the six-month period was £30.4 million.

Gearing should be viewed in the context of the use of derivative hedging instruments and during the period Taiwanese, Korean and Australian puts[1] were purchased. The Board maintains oversight of the use of gearing and renewed its £50 million revolving credit facility at the start of July 2023.

Board

The Board continues to review its composition and effectiveness as well as planning for succession. The Board was delighted to welcome Jasper Judd as a non-executive Director with effect from 1 February 2023 and Chair of the Audit and Risk Committee from 25 April 2023 when he succeeded Mike Holt, who stepped down from the Board at the conclusion of the annual general meeting. Caroline Hitch will complete her nine-year tenure in February 2024 and will step down from the Board at the annual general meeting in May next year. The Board will conduct an executive search to recruit a new non-executive Director at the beginning of 2024.

Outlook

The outlook for Asian stock markets remains uncertain with the slowdown in Chinese economic growth, impacted by a muted rebound in consumer confidence in China post a prolonged COVID lockdown, affecting growth forecasts and sentiment around the region. Challenging markets however provide ample opportunities for active managers and the extensive investment experience of our Portfolio Managers, complemented by a regional research team of 37 analysts, puts them in a strong position to identify attractive stock opportunities around the region. The team have long term relationships with the management of many of the Companies in the region and conduct over 2,300 company meetings on an annual basis. Stock selection will continue to be the critical factor in adding value to the portfolio and securing long term relative outperformance.

Sarah MacAulay
Chair

12 September 2023

[1] A put is an options contract that gives the owner the right, but not the obligation, to sell a certain amount of the underlying asset, at a set price within a specific time. The buyer of a put option believes that the underlying stock will drop below the exercise price before the expiration date.

Portfolio Managers' Review

Performance

The first half of 2023 was a much quieter period for Asian stock markets (versus 2022) with the Company's Reference Index slightly down in sterling terms, although in local currencies and US dollar terms it was slightly up. However, the flat overall performance of the Reference Index did mask some quite divergent stock market performances across the Asian region.

The most noteworthy performance over the period was the performance of Chinese stocks. These started the year strongly with the MSCI China Index rising by almost 20% over the first four weeks of January 2023. However, the realisation that the end of draconian COVID rules was not some magic panacea likely to lead to a resurgent Chinese economy and booming stock market caused a sharp correction from early February 2023, and the MSCI China Index ended the period down by around 10%. There was a continuous stream of relatively disappointing economic numbers in China over the first half of the year whether that was exports, real estate activity, consumer confidence or private sector investment. These caused many investors to question the long-term sustainable growth rate of the Chinese economy.

The other big divergent performance in Asia over the period was the performance of technology stocks in Taiwan and Korea. The information technology ("IT") sub index within the Company's Reference Index rose by 14% over the period. With IT stocks forming a large part of the Korean and Taiwanese stock markets this resulted in these indices being the strongest performing in Asia over the period, rising by 8% and 13% respectively. Asian IT stocks did well on the back of hopes that the inventory overhang from the slowdown in technology demand in 2022 was finally starting to clear, the rally was then further spurred forward on artificial intelligence ("AI") hopes following Nvidia's very strong first quarter results in May 2023.

Elsewhere there was little of great note in the region. Indian stocks started the year weak, but then rebounded as investors switched out of China given the better long-term prospects for growth in India. Thai stocks sold off on a resurgence of political worries post elections that, whilst relatively conclusive, led to an impasse as establishment factions tried to block the more populist parties taking power. Australia also ended the period flat with resource stocks and financials slightly weaker and more globally/US focused companies like Brambles and James Hardie outperforming. In general, across Asia businesses more domestically focused (real estate, utilities, consumer staples) underperformed whilst companies more exposed to the global economy and US economy in particular outperformed as investor worries about the risk of global recession eased.

For the Company it was, relatively at least, a good period for performance with the NAV rising by 2.3% over the first half of 2023. Outperformance relative to the Reference Index came from three areas. Firstly, our Taiwanese technology stocks which are around 20% of the Company's NAV. In particular the portfolio's largest holding Taiwan Semiconductor Manufacturing ("TSMC") did well on the back of the strong outlook for demand for high end semiconductors where the company has a virtual monopoly on production. Other long-term Taiwan technology holdings such as ASE, Chroma ATE and Voltronic Power Technology also performed strongly on the back of the improving outlook for demand. The second big contribution to performance came from China. Relative to the Reference Index the Company is approximately 20% underweight China/Hong Kong stocks, so the big correction towards the end of the first half of 2023 was positive for relative performance. The final major positive was stock selection in Australia where our US housing plays (James Hardie and Reliance Worldwide) performed well after a difficult 2022.

The first half of 2023 was not a particularly active period for changes to portfolio holdings. However, after a busy corporate visit programme in the region we added two new names in the Philippines (consumer stock Century Pacific Food and BDO Bank) and used the slight pull back in the first quarter of 2023 to add ICICI Bank in India. Elsewhere, the main changes of note were to add to our China weightings into the weakness towards the end of the period. Whilst we remain cautious on the long-term outlook for Chinese stock markets several of our favoured names came down to attractive levels and we added to Tencent, Yum China, Hong Kong Exchanges, Swire Pacific B and started new positions in NetEase, Galaxy Entertainment, Shenzhou International and New Oriental Education. Purchases were funded from the sale of three of our Association of Southeast Asian Nations ("ASEAN") domestic stocks where the outlook, we think, has become more difficult due to competition, and we trimmed LVMH and Las Vegas Sands which had reached our fair values during Q2 2023. We also used the strength in IT stocks towards the end of the first half of the year to trim our technology stocks in Taiwan and software and service companies in India.

We actively deployed gearing over the first half of 2023. The Company ended 2022 with a 10% gearing level as our gearing indicators were relatively positive. After the sharp rally at the beginning of the year our gearing indicators moved back to neutral so we reduced gearing to 5%, which is where it finished the period. The hedging models used within the Company, which aim to provide an element of capital preservation, began the year positive and so we started 2023 with no hedging in place. The models turned more cautious (from positive to neutral) in May 2023 and with signs of excessive optimism seeping into the technology sector, in particular in Taiwan, we bought a small position in puts on the Taiwanese, Korean and Australian indices towards the end of the period.

Portfolio Managers' Review

Overall, as we write in early August 2023, we are moderately upbeat on Asian stock markets. We remain structurally cautious on China but, with investor expectations having had a significant reset, valuations now look more reasonable and we can selectively find interesting opportunities. The Schroders Asian research team is also finding plenty of interesting stock level opportunities across the region so we expect to remain fully invested. The key note of caution outside the usual tail risks (Ukraine war, US-China tensions, Taiwan risks etc) is the high level of domestic retail participation and increasing irrational moves that have become prevalent in AI and electric vehicle ("EV") related stocks in Taiwan and Korea. The Company is avoiding overhyped AI and EV stocks but outside of these sectors we are generally comfortable with the outlook for prospective investment returns in Asia.

Portfolio Managers' Review

What does an Asia ex China asset class look like?

For a change we will not discuss the merits and mostly pitfalls of investing in China, we covered this in some detail in the 2022 annual report and our views have not changed since then. But for those wanting a quick recap:

The advancement of the state in China is making many sectors difficult to invest in and there are structural reasons why Chinese economic growth will be slow (excessive debt, demographics, real estate bubble bursting). For the stockmarket specifically irrational capital allocation based on state priorities not Adam Smith's invisible hand, questionable application of property rights and excessive investment in "strategic" industries is resulting in poor return on invested capital ("ROIC"). The combination of these factors will we believe result in weak overall Chinese stock markets unless we have a major structural change in policy direction, which we see as unlikely at the current time. However, we do not see the stockmarket as uninvestible, there are some excellent companies in China. During the recent sell down we have added to existing holdings and introduced several new names. For the Company however the China exposure remains a large structural underweight versus the Reference Index.

Instead, as investors increasingly question their long-term exposure to Chinese equities and by implication to Asian equities as an asset class, we thought it would be worthwhile to highlight what our Asian ex China investment universe actually consists of and where we see the best opportunities given this is where the bulk of the Company's assets are invested. The breakdown of the Reference Index is shown in Chart 1, excluding China we believe the Reference Index is probably best explained as three separate asset classes:

1. **Developed Asian stockmarkets – Reference Index weight 25%**

   For better or worse, MSCI classifies Australia, New Zealand, Hong Kong, and Singapore as "developed" stockmarkets. In this instance we would actually agree with MSCI. All are well-regulated stock markets operating in countries with relatively mature, wealthy economies with functioning property rights, good regulation, effective governments, and stable politics (we give Hong Kong the benefit of doubt here).

2. **Taiwan and Korean technology and industrials – Reference Index weight 19%**

   Taiwan and Korea together are around 27% of the Reference Index but this is heavily weighted in technology and industrial stocks. The rest of the Taiwan and Korean stock markets are predominantly very mature banks and utility stocks, which especially in Korea we view as structurally unattractive/uninvestible due to continuous government interference.

3. **The hope part: India and ASEAN stock markets – Reference Index weight 20%**

   We call this the "hope" part because if we take out China from our universe, this would be the main reason most investors, we assume, would invest in Asia i.e. to capture all those rising middle classes and economic development of the world's fastest growing region – well that is the spiel that most fund managers' marketing teams give them!

Chart 1: Country and sector breakdown of the MSCI AC Asia Pacific ex Japan Index

	Australia	China	Hong Kong	India	Indonesia	Korea	Malaysia	New Zealand	Philippines	Singapore	Taiwan	Thailand	Total
Communication Services	0.3	5.6	0.1	0.4	0.2	0.7	0.1	0.1	0.0	0.5	0.3	0.2	8.5
Consumer Discretionary	0.9	8.1	0.3	1.6	0.1	1.1	0.1	--	0.0	0.1	0.3	0.1	12.7
Consumer Staples	0.9	1.6	0.1	1.4	0.2	0.3	0.2	--	0.0	0.1	0.2	0.2	5.2
Energy	0.9	0.9	--	1.7	0.1	0.2	0.0	--	--	--	0.0	0.3	4.0
Financials	5.2	4.6	2.7	3.7	1.1	0.9	0.5	--	0.2	1.5	2.0	0.1	22.6
Banks	3.8	2.9	0.3	1.9	1.1	0.6	0.5	--	0.2	1.4	1.2	0.1	14.0
Financial Services	0.8	0.5	0.7	1.5	--	0.1	--	--	--	0.1	0.2	0.0	4.1
Insurance	0.6	1.2	1.7	0.3	--	0.2	--	--	--	--	0.5	--	4.5
Health Care	1.7	1.6	--	0.7	0.0	0.6	0.1	0.2	--	--	0.0	0.2	5.0
Industrials	0.9	1.6	0.7	0.9	0.1	1.3	0.1	0.1	0.2	0.4	0.4	0.2	7.0
Information Technology	0.3	1.8	--	1.8	--	5.7	0.0	--	--	0.0	10.7	0.1	20.4
Materials	4.1	0.9	--	1.2	0.1	1.0	0.1	--	--	--	0.7	0.2	8.5
Real Estate	0.9	0.9	1.2	0.1	--	--	--	--	0.1	0.5	0.0	0.1	3.7
Utilities	0.2	0.7	0.5	0.5	--	0.1	0.1	0.1	0.0	--	--	0.2	2.4
Total	16.3	28.3	5.5	14.0	1.9	11.8	1.3	0.5	0.6	3.1	14.9	1.8	100.0

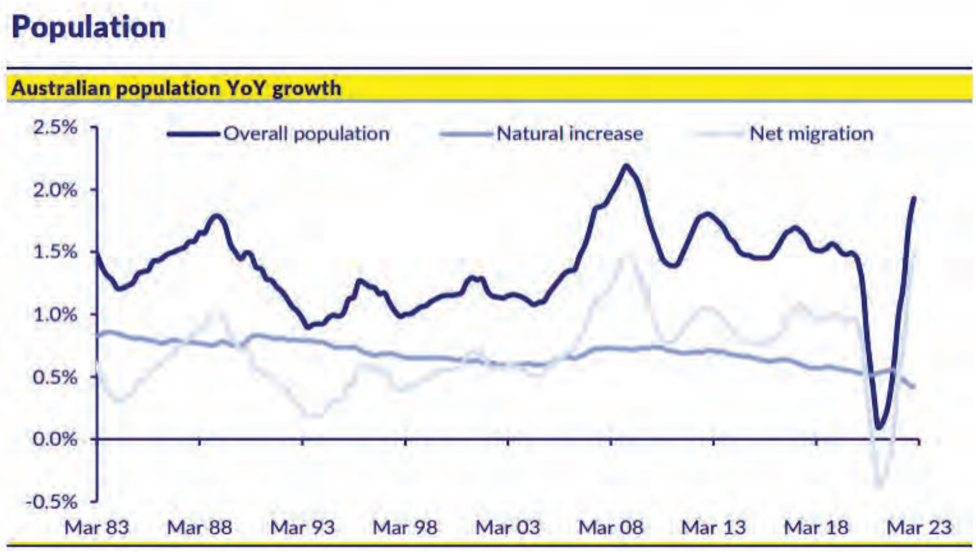
Source: Factset, Schroders, June 2023

Portfolio Managers' Review

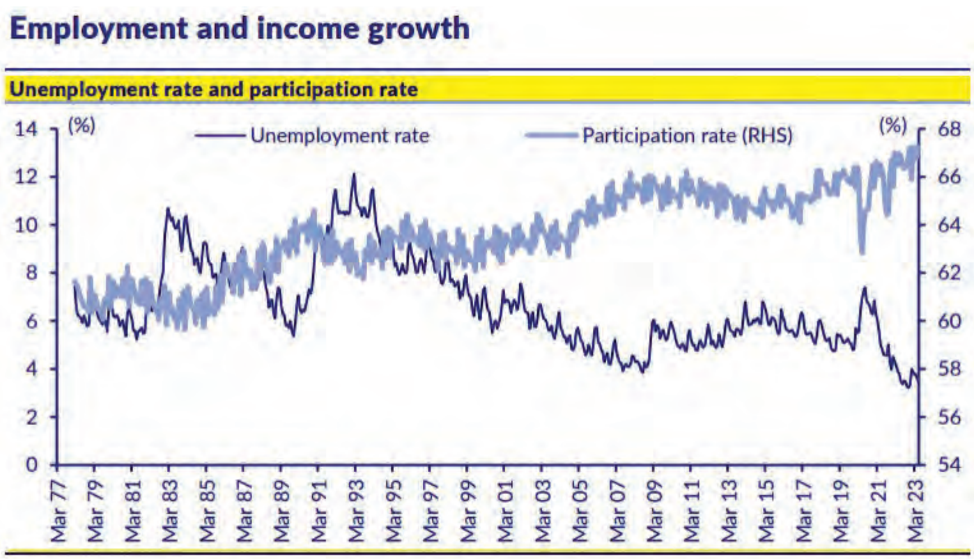
1. Developed Asian stock markets

Of the 25% of our Reference Index that is classified as developed Asian stock markets, Australia/New Zealand is by far the biggest constituent at c.17% (with Hong Kong at 5% and Singapore at 3%). Clients regularly question why we have Australia in our Reference Index given it is "boring" and "mature", unlike high-growth, developing Asia. We do not view Australia either as an economy or stock market as boring or mature – it is a well-regulated economy, with stable politics and relatively positive demographics (Chart 2 – progressive immigration policies mean the Australian working age population profile is better than most Asian countries). We would expect Australia gross domestic product ("GDP") growth on current policies to outpace many Asian countries, including China longer-term unless there is a major change in the current policy trajectory.

Chart 2: Australian working age population and participation rate profile is better than most Asian countries



Source: CLSA, ABS



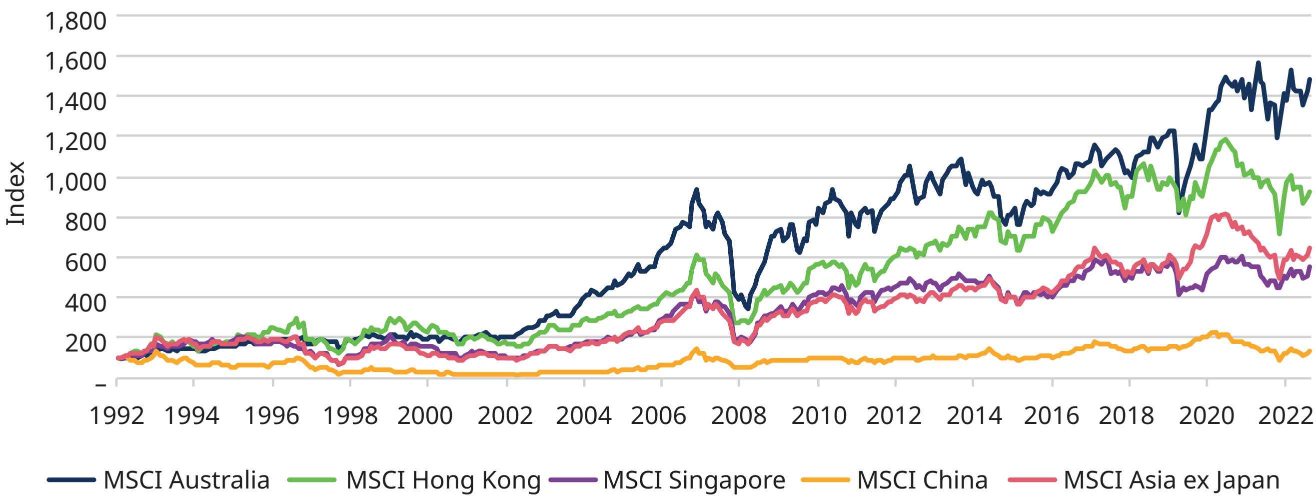
Source: CLSA, ABS

Portfolio Managers' Review

It is also the case that the Australian stock market has been the best performing in Asia over the very long-term (total return in USD), significantly outperforming the most commonly used Asian benchmark (MSCI AC Asia ex Japan) that excludes Australian stocks. Hong Kong and Singapore also stack up reasonably well particularly on a risk-adjusted basis as both are less volatile than other Asian indexes.

Chart 3: Do not let pre-conceived notions fool you – The best investment opportunities are not always the ones with the best stories!

Total return in USD of various market indices since end-1992, rebased to 100



Source: Factset, Schroders, July 2023

So, how are the developed Asian indexes made up – what stocks and sectors are heavily weighted? By far the biggest constituent of the developed Asian indices is financials at c.10% of the overall 25%, materials then make up 4%, real estate 3% and healthcare 2%. This of course does not sound terribly compelling. But banks in developed Asia generally offer good stable dividend yields, in well-regulated, oligopolistic markets whether that is Australia, Hong Kong or Singapore. Other financials like AIA Group (listed in Hong Kong) are an attractive regional proxy on rising insurance penetration particularly for health and life policies. Singapore banks meanwhile are benefitting from the rise of Singapore as the wealth management hub of Asia, and all three large Singapore banks have strong ASEAN footprints so should benefit economic growth in the broader region.

Whilst we admit none of the banks in developed Asia are "exciting", as Chart 4 shows, the major banks in Australia, Hong Kong and Singapore are moderately-valued with what we believe should be high and rising dividend yields. Investors should also remember c. 70% of long-run returns in Asia have come from reinvesting dividends (Chart 5) and this is one of the key reasons why the high-yielding developed Asian stock markets are attractive.

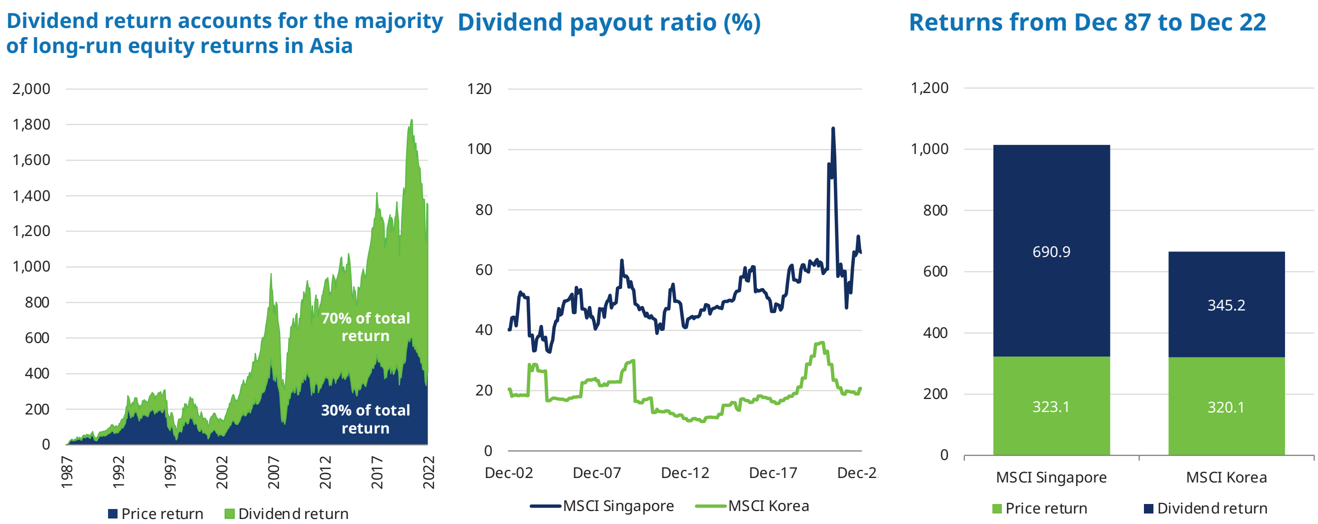
Portfolio Managers' Review

Chart 4: Banks in developed Asia may be "boring" and "safe" but these are merits, while current valuations are attractive

	FY2023E PER (x)	FY2023E Dividend yield (%)	5Y total return (USD)
Australia			
ANZ	10.5	6.4	4.5
CBA	17.5	4.2	59.8
NAB	11.8	5.9	17.9
Westpac	10.5	6.4	11.6
Hong Kong			
BOC HK	7.5	7.0	19.4
Hang Seng Bank	11.9	5.5	31.9
Singapore			
DBS	9.1	5.2	67.9
OCBC	8.6	5.9	47.2
UOB	8.9	5.5	43.3
MSCI AC Asia Pacific ex Japan	15.6	2.7	14.8

Source: Refinitiv, Factset, Schroders, July 2023

Chart 5: Why Dividends Matter – Singapore returns dwarf Korea on a total return basis



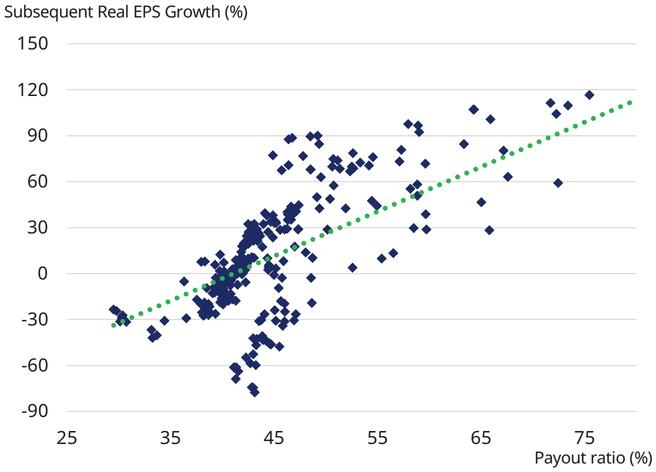
Source: Factset, Schroders, December 2022

Referring to Chart 5, this also shows the attraction of a stock market like Singapore. Price returns in Singapore have been similar to Korea over the long term, but total returns are much stronger as Singapore companies generally have much higher payout ratios than Korean companies who often view paying dividends as a sign of failure (or lack of imagination) and instead invest their corporate cash flows poorly. The importance of dividends and the attractions of the developed Asian stock markets can also be highlighted in Chart 6 – where it can be seen on the left-hand chart there is a strong positive correlation between payout ratios and subsequent earnings per share ("EPS") growth and also a strong correlation between payout ratios and corporate governance (shown on the right-hand chart).

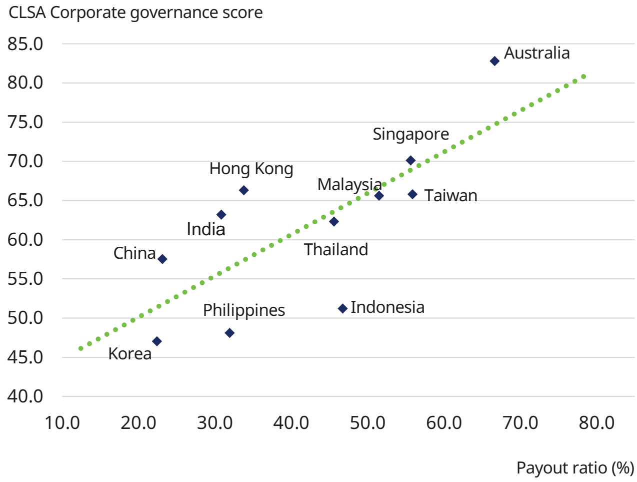
Portfolio Managers' Review

Chart 6: Why Australia, Hong Kong and Singapore are attractive stock markets

Positive relationship between payout ratio and earnings growth in Asia[1]



Positive relationship between payout ratios and corporate governance standards of Asian countries[2]

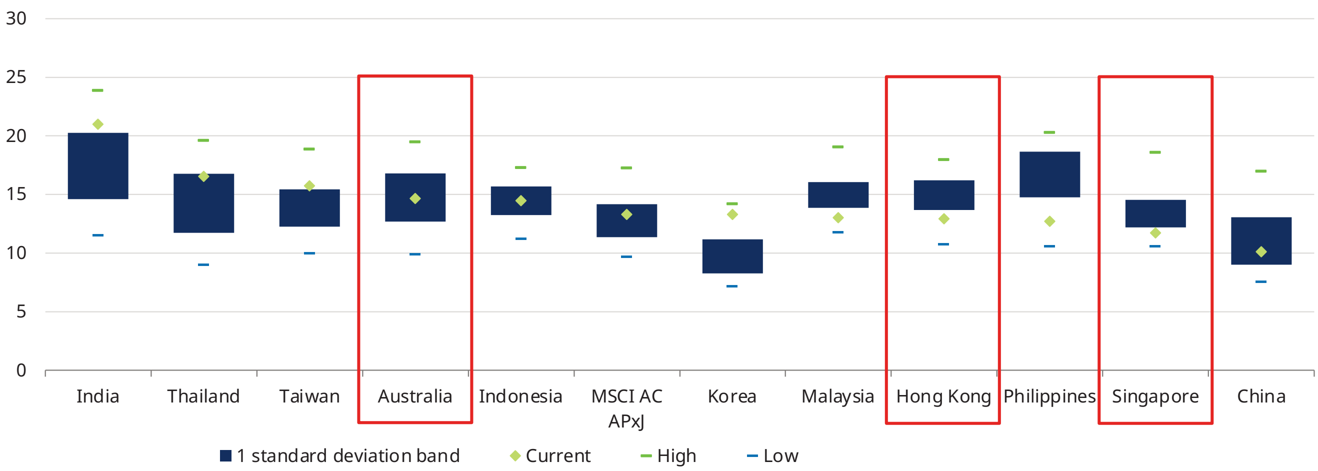


[1]Source: Factset, Schroders, December 2022
[2]Source: Factset, Schroders, July 2019

As of end-June 2023, the Company had c. 37% exposure to developed Asian stock markets (16% Australia, 12% Hong Kong, 9% Singapore). This is because we see substantial bottom-up value in all three stock markets. None have performed particularly well short-term as they lack hyped-up AI or EV plays and instead, they have mostly solid, steady companies paying good dividends. As Chart 7 shows, all three developed Asian markets currently look reasonable or cheap (the green diamond) versus their long-term trading range (the blue bars).

Chart 7: Australian, Hong Kong and Singapore stockmarkets look cheap relative to history and we believe are attractive at current levels

Price earnings ratio (P/E) Next 12 Months of MSCI AC Asia Pacific ex Japan markets since 2010



Source: Factset, MSCI, June 2023. Note: PE data based on forecast data.

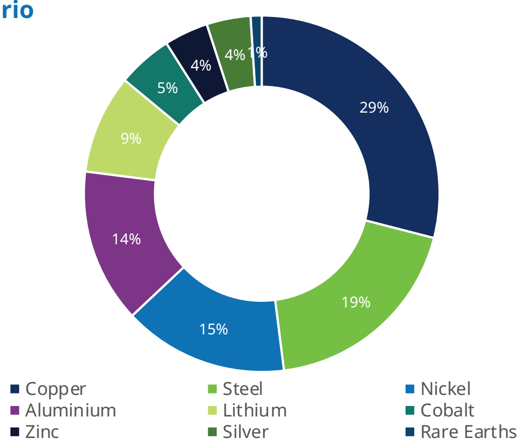
Portfolio Managers' Review

Where do we see the best opportunities in developed Asia? Outside of the selected financials like Singapore banks and AIA Group as discussed earlier, the Company has c. 6.5% in Australian material stocks, principally BHP Group and Rio Tinto. Whilst we are not bullish on commodity-intensive Chinese real estate, we still like the long-term outlook for both stocks. As highlighted in Chart 8, the switch to decarbonise the economy along with onshoring of production outside of China will be resource-intensive. As Chart 8 also highlights, capital discipline in the industry has been much better, and both BHP and Rio Tinto are paying large and progressive dividends, so we are happy to maintain exposure even though we are not particularly bullish on iron ore prices.

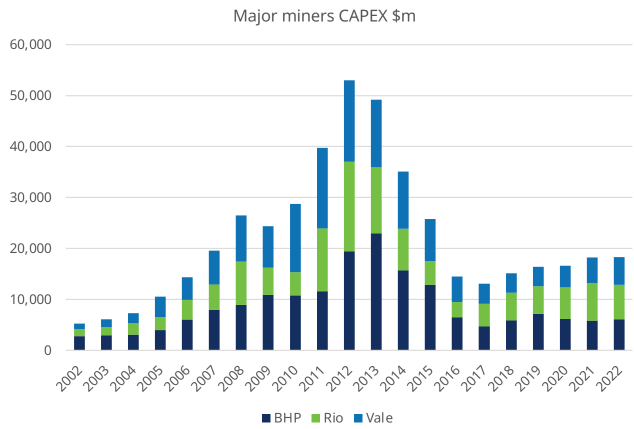
Chart 8: Why we hold BHP and Rio Tinto - The solution, not the problem, to decarbonisation

Producing EVs, wind turbines and rebuilding grids will be resource intensive – we own the best names in industry who are committed to carbon neutrality

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



General lack of investment over the last decade



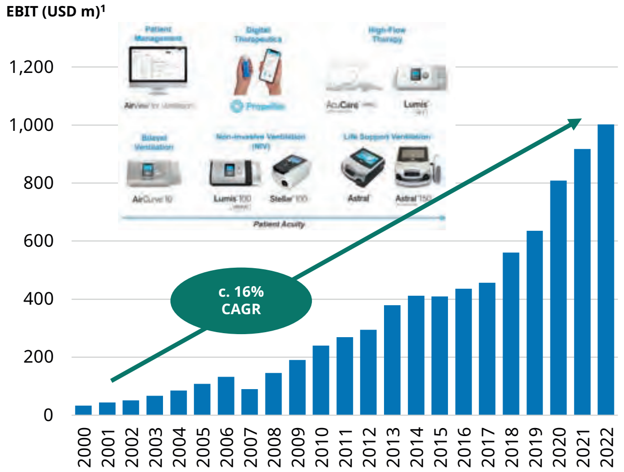
Source: Citi Research, BNEF, IPCC, November 2021

The other area in Australia where the Company has substantial investments is health care where we have c. 6.5% exposure across four names. Historically, Australia has had a strong cluster of innovative health care companies. Several we think are globally attractive as they operate in sectors where technology and aging populations are likely to drive substantial growth in their addressable market. All the names we hold are the leading players in a growing area of healthcare – Chart 9 shows the example of ResMed which is the global leader in sleep apnea management, a historically poorly-diagnosed and treated health issue where rapid progress in technology should lead to better patient outcomes.

Portfolio Managers' Review

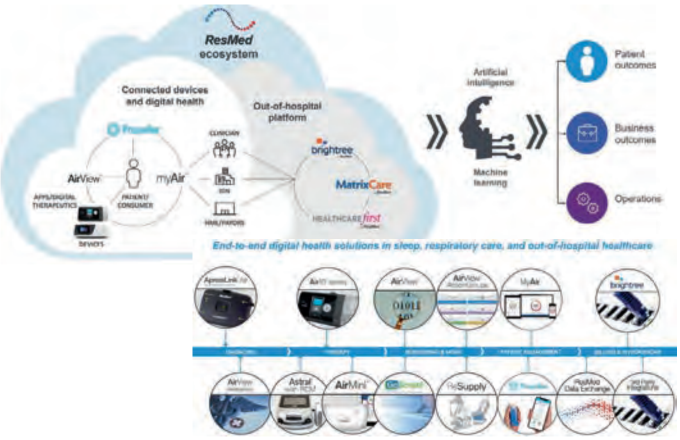
Chart 9: There's more to Asia than China and Tech e.g. Australian health care (ResMed)

A global leader in sleep apnea management, boasting a full spectrum of respiratory care products



A global leader in Connected Care driving better patient outcomes and business efficiencies

More than 17m cloud connected medical devices liberating data everyday[2]



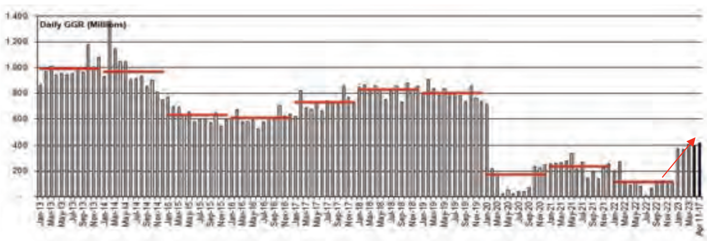
[1]Source: Refinitiv, Schroders, as at June 2022. Years shown are fiscal years ending June.
[2]Source: Company presentation, June 2022

Wrapping up on developed Asian markets - why do we hold 12% in Hong Kong? Isn't Hong Kong a value trap as it gets squeezed by China on one side and Singapore on the other? We do not think this is the case. The Hong Kong economy may take time to reinvent itself, but Hong Kong has survived far greater challenges in the past. The stock market meanwhile has some well-run companies that offer good exposure to Chinese reopening, trading at attractive valuations and often with good dividend yields whether this is Swire Pacific, Hong Kong Exchanges, or Macau gaming plays. As Chart 10 shows Macau is rebounding strongly and with companies having reduced costs the turnaround in profitability should be strong particularly for those players focused on the mass market like Galaxy Entertainment and Sands China.

Chart 10: Macau gaming – Attractive play on mass Chinese leisure

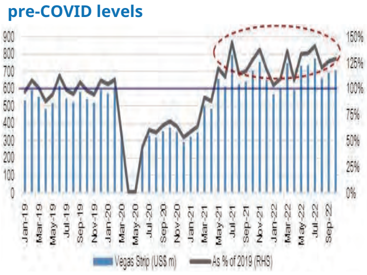
Greater regulatory clarity. Stocks offer upside on resumption of cross-border travel

Macau gaming revenues – daily run rate

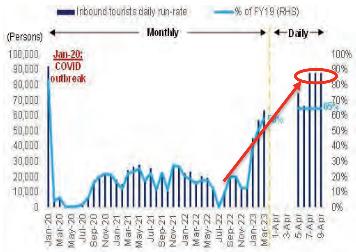


- Market now discounts complete loss of all Junket VIP business after crackdown on Sun City operator.
- VIP has already declined to very small % of industry profits, so impact of latest moves manageable.
- Recent licence renewals for all existing operators brings greater stability to industry framework
- Relaxation of COVID travel restrictions are allowing a rapid normalisation of mass market in Macau

Las Vegas gaming recovered rapidly to pre-COVID levels



Encouraging signs of Macau visitation rebound YTD as COVID restrictions eased



Stocks still offer longer term upside assuming:

- Normalized EBITDA post COVID below 2019 due to loss of VIP
- EV:EBITDA multiples contract 15-20% v. previous mid-cycle
- Galaxy preferred given local ownership, balance sheet strength and growth potential from new hotel capacity over 2022/23.

Source: JP Morgan, December 2022, Goldman Sachs April 2023, Citi April 2023

Portfolio Managers' Review

So, to sum up – the Australian, Hong Kong and Singapore stock markets we believe offer an attractive mix of opportunities for the total return investor. Growth stocks may be more limited but high dividends, strong corporate governance and reasonable valuations make this a place where we continue to find plenty of good long-term investment opportunities, particularly in companies that offer exposure to regional growth with less governance and political risks.

2. Taiwan and Korean technology stocks

As highlighted earlier, Korean and Taiwan stocks are weighted at around 27% of our Reference Index and this is heavily skewed towards technology stocks. Chart 11 has the split of the Company as at end-June 2023, where over 30% of the portfolio is invested in technology stocks principally in Korea and Taiwan.

Chart 11: Schroder Asian Total Return Investment Company – Portfolio positioning (June 2023)

Sector/Country (%)	Australia	China	Hong Kong	India	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Thailand	United Kingdom	United States	France	Vietnam	Cash & Others	Grand Total
Communication Services	1.2	4.1		0.9					0.7								**6.8**
Consumer Discretionary	1.8	3.6	1.3					2.0		4.1			2.3	1.4	0.7		**17.0**
Consumer Staples								0.9	1.0						0.2		**2.1**
Energy																	**--**
Financials	1.5		5.4	5.8	2.5			1.1	6.2								**22.3**
Banks			0.6	5.8	2.5			1.1	4.5								**14.4**
Diversified Financials			1.6						1.6								**3.2**
Insurance	1.5		3.2														**4.7**
Healthcare	5.2			1.8													**7.0**
Industrials	2.5		2.0					1.3		2.1							**8.0**
Information Technology				3.0		9.0			1.2	17.2							**30.5**
Materials	4.6											1.8					**6.3**
Real Estate			3.1														**3.1**
Utilities																	**--**
Cash																-6.0	**-6.0**
Derivatives	-2.0					-2.8										5.0	**0.1**
Collective Investments				2.8													**2.8**
Grand Total	**14.7**	**7.6**	**11.7**	**14.3**	**2.5**	**6.2**	**--**	**5.3**	**9.1**	**23.4**	**--**	**1.8**	**2.3**	**1.4**	**0.9**	**-1.1**	**100.0**

Fund Positioning in %	Stocks (%)	Hedges (%)	Net Long (%)
Strategic hedges – Notional		--	
Tactical hedges – Notional		-13.0	
Total Exposure – Notional	**105.9**	**-13.0**	**92.9**
Strategic hedges – Delta-adjusted		--	
Tactical hedges – Delta-adjusted		-4.8	
Total Exposure – Delta-adjusted	**105.9**	**-4.8**	**101.0**
Cash	-6.0		

Source: Schroders, June 2023

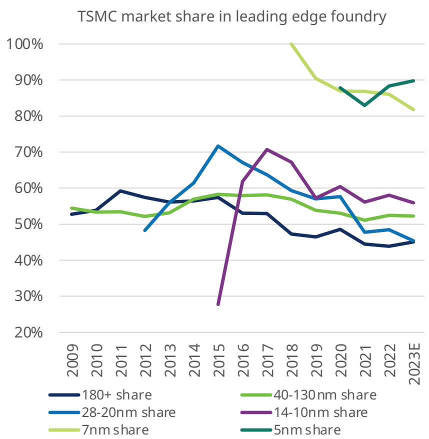
Since inception, the Company has had a significant exposure to technology stocks in Korean and Taiwan because we believe these are the amongst the best stocks in Asia, ones that are using their comparative advantages (clustering effect, well educated workforces, strong government support, deep supply chain integration) to grow market share in an industry that whilst clearly cyclical, has strong secular growth dynamics as semiconductor usage continues to grow.

The biggest individual position in the portfolio remains TSMC. As Chart 12 shows, we believe that TSMC is well positioned to dominate high end semiconductors, and the movement towards AI applications should only enhance TSMC's strong competitive position. The company remains a key long-term position in the portfolio.

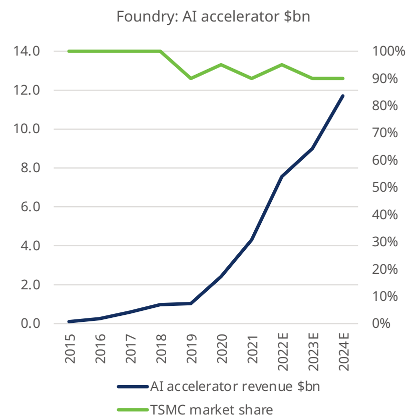
Portfolio Managers' Review

Chart 12: TSMC – A reasonably priced and not overhyped beneficiary of AI applications and growing use of high-end semiconductors

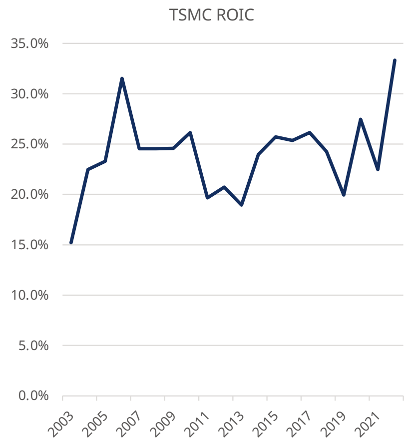
Near monopolistic positioning in leading edge[1]



Nvidia GPUs will be fabricated at leading edge[2]



Confidence that 25% ROICs can endure



[1]Source: Credit Suisse
[2]Source: Schroders estimates

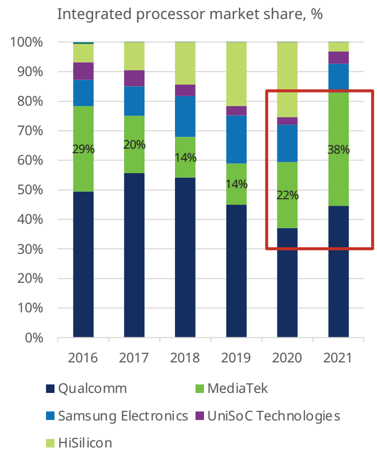
That said, the Taiwanese tech sector is not just about TSMC. There are a large number of attractive, often niche, specialists players in the technology space. Often these are mid-sized companies that have a high market share in defined niches whether that is Chroma ATE in system level test equipment, Advantech in industrial/embedded personal computers, Sinbon in cabling, Sporton in testing and certification, or semiconductor design houses like Mediatek, Realtek and Novatek who benefit from having the world's largest semiconductor foundries sitting on their doorstep. As Chart 13 shows, Mediatek (whilst facing challenges at the moment due to the slowdown in smartphone demand) has grown market share in the key segments in which it operates. Like many Taiwanese stocks, it also has a high dividend yield with a forecast yield of c. 8%[1]. This is one of reasons the Company has substantial exposure to Taiwan – good corporate governance, combined with interesting companies operating in industries with strong secular drivers. Business trips to Taiwan are usually the most illuminating of the visits we make in the region.

[1] Per Refinitiv sell-side consensus

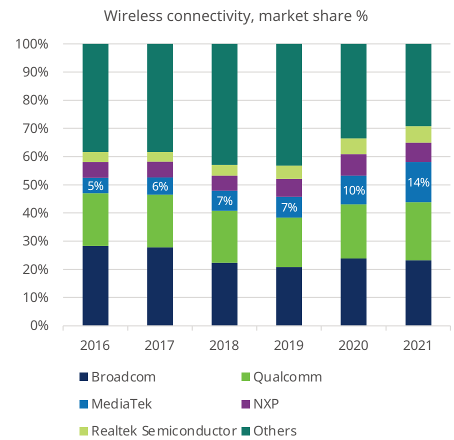
Portfolio Managers' Review

Chart 13: Taiwanese stocks like Mediatek continue to grow share – and now offer attractive valuations following share price falls due to current weak consumer demand

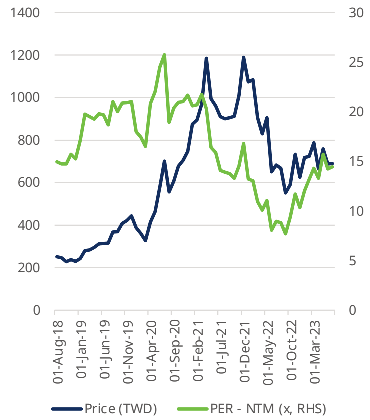
Step change in market share[1]



Growing competitiveness[1]



Reasonable valuation[2]

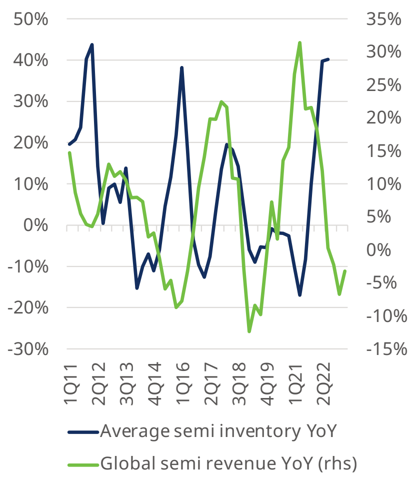


[1]Source: Gartner
[2]Source: Factset, July 2023

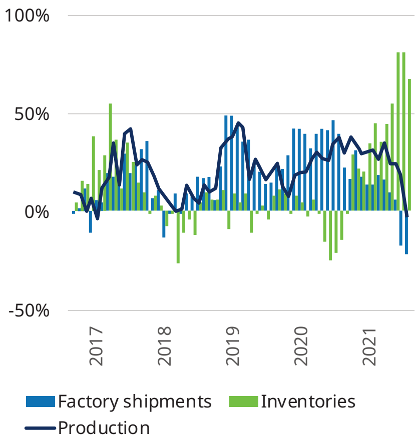
Korea is a bit different. Our exposure to Korea technology is primarily to memory names (Samsung Electronics) and EV batteries. Korean technology tends to be dominated by the Samsung group and unlike Taiwan, we do not find a long list of interesting mid-cap niche players with strong technology and comparative advantages. Corporate governance and payout ratios in Korea (back to Chart 6) are a marked contrast to Taiwan. Korean technology stocks tend to operate in more commoditised areas and more cyclical areas, often ones that face more threat from Chinese competition. That said, the Company has a significant position in Samsung Electronics, because (as Chart 14 shows) we think in the memory space at least we are seeing inventories finally clearing and a better revenue outlook. As the middle graph in Chart 14 also demonstrates share prices tend to follow revenues and not profitability in this sector.

Chart 14: Memory inventories finally set to fall as Samsung, Micron and Hynix cut production?

Inventory adjustment needed to see recovery[1]



Korean chipmakers cut production as stockpiles remain elevated[2]



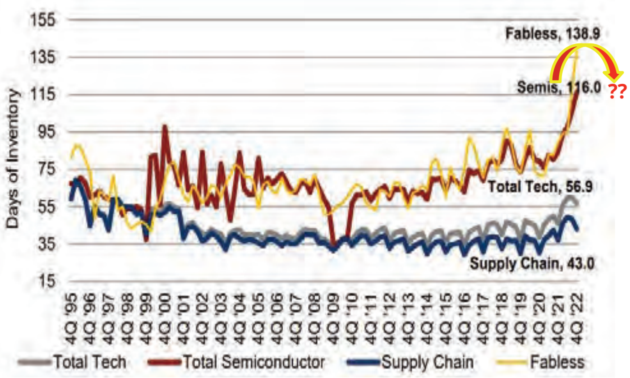
[1]Source: Macquarie, May 2023
[2]Source: Statistics Korea, Macquarie, September 2022

Portfolio Managers' Review

We should however highlight a near-term note of caution on the Asian technology sector. With froth seeping into EV and battery names (as well as anything with a supposed AI angle), we would be cautious about chasing stocks at current levels, and for the Company have been trimming positions in those technology holdings which have exceeded our fair values. As Chart 15 shows, whilst inventories may have peaked, they remain elevated and the current rally in some technology stocks, in particular those ramped on AI hype, looks overdone.

Chart 15: A near term note of caution – Certain technology stocks are probably getting ahead of themselves as elevated inventories and weak demand remain an issue

Total tech inventory above high-end of the range – peak expected soon

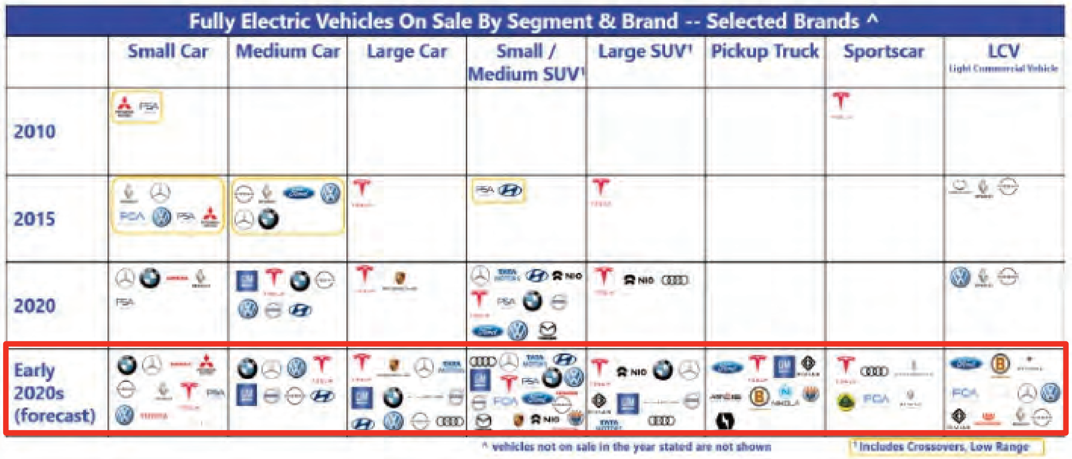


MSCI AxJ IT Sector Index price & price relative

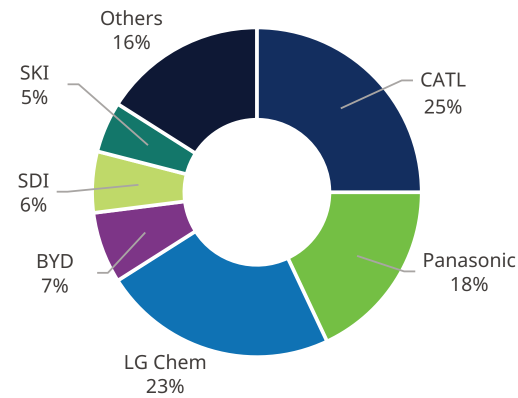
Source: Bloomberg, May 2023

We are also cautious on EVs and most battery-related names in China and Korea. A lot of capital is being deployed in this space and it has become "strategic" for almost all countries to have a thriving EV and battery industry. This we believe should lead to large excess overcapacity in an industry where the technology barriers are substantially less than semiconductors and the products are increasingly generic. As Chart 16 highlights, we have literally hundreds of EVs brands and start-ups, and we increasingly worry the battery industry, where we have recently reduced our exposure, is likely to become mostly commoditised too. The reality is the hardware in an EV is much simpler and more generic than in a combustion engine car – it is the software that will be most likely to differentiate the vehicle – but will many customers really pay for software, we have our doubts……

Chart 16: The EV and battery industry we believe will be difficult as excess capital in a globally "strategic" industry leads to poor returns long-term. Unlike the Memory industry (3 players) and High-End Foundry (1 player) there are lots of companies and lots of capital.................



2020 global EV battery shipment market shares



Source: Bernstein analysis, December 2020; Schroders; JP Morgan, February 2021

So, to sum up – we believe Korean and in particular Taiwanese technology stocks are an attractive long-term investment area. We own key bellwether stocks like Samsung Electronics and TSMC which we believe have sustainable comparative advantages in a consolidated industry (semiconductors) with strong secular growth. In Taiwan we also find interesting opportunities in the mid-cap technology space in companies with strong niches and often these companies pay high dividend yields. Longer-term, we are happy with our Asian technology positions, but we are currently trimming some holdings where froth and hype around AI and EVs has pushed share prices above fair value.

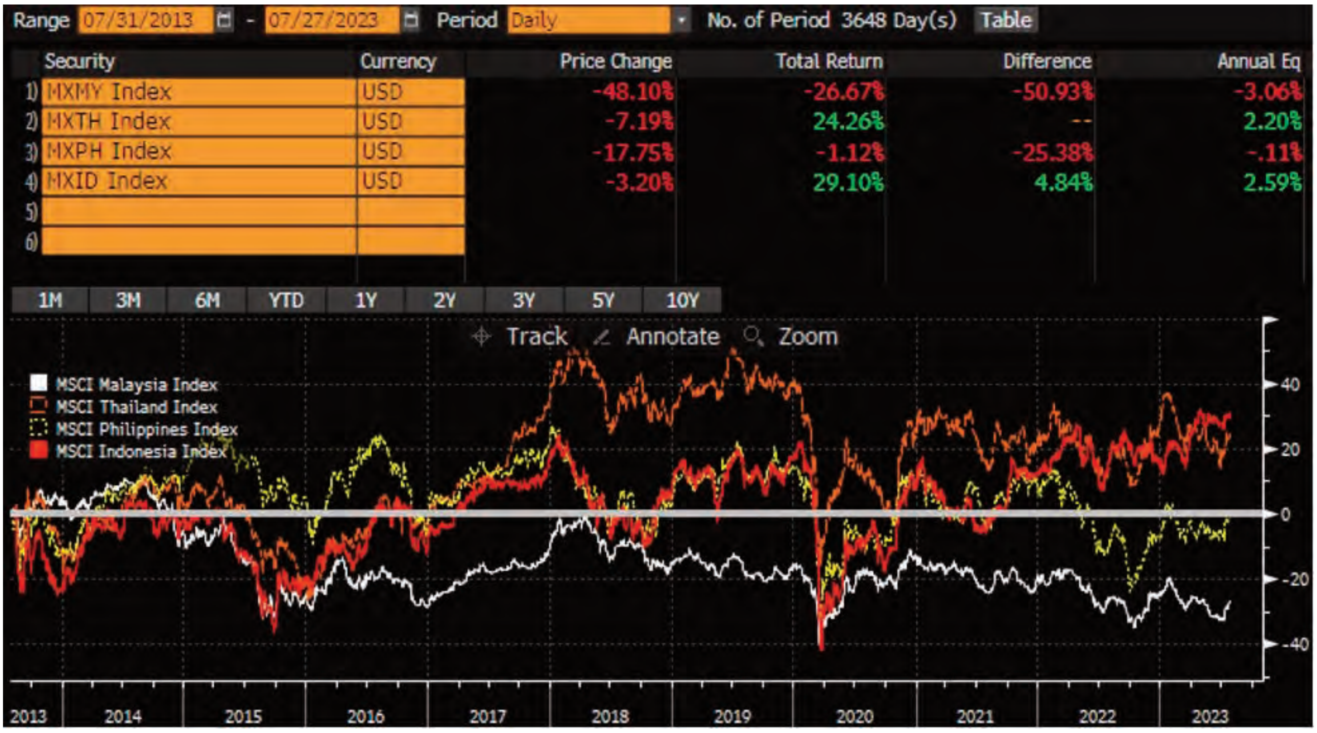
3. The hope part: India and ASEAN stock markets

For investors less familiar with Asia, if you asked what a benchmark for an Asia ex China fund looked like, we suspect they would assume it was mostly India and ASEAN stocks. As highlighted in Chart 1, this is clearly not the case. India is a meaningful part of the Reference Index at 14% whilst ASEAN stock markets (when referring to ASEAN for purposes of this note we are excluding Singapore) are only c. 5.5% of the Reference Index.

ASEAN stock markets have shrunk massively in the Asian universe over the last 20 years, becoming something of a sideshow. As Chart 17 shows, over the last ten years the ASEAN stock markets have not performed, broadly speaking they are flat in aggregate over the period.

Portfolio Managers' Review

Chart 17: The Thai, Malaysia, Indonesian, and Philippine markets have done nothing for ten years



Source: Bloomberg, July 2023.

What is the reason for the weak returns and going forward can we get more excited? The Company has around 8% in ASEAN stock markets across five stocks: two banks (one in Indonesia and one in the Philippines), and in the Philippines two consumer stocks and a port operator. So, it would be fair to say we are not finding huge stock opportunities in the ASEAN region. This partly reflects the make-up of the ASEAN stockmarkets. As Chart 18 shows, for the larger, liquid stocks they are heavily-weighted towards banks, commodities and utilities. For obvious reasons we are not terribly interested in oil, gas and cement stocks, so this narrows our universe down to a relative limited range of stocks, primarily the banks.

Portfolio Managers' Review

Chart 18: ASEAN markets – Banks, energy & materials, and telecoms dominate – likely to be defensive but hardly an inspiring long-term investment universe

Banks
Telecoms
Energy & Materials

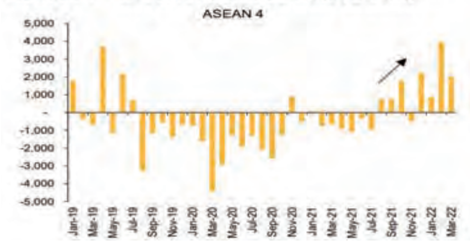
Indonesia	US$ free	MXASJ index wt.
BANK CENTRAL ASIA	33,452	0.59%
BANK RAKYAT INDONESIA	24,676	0.43%
TELKOM INDONESIA	13,341	0.23%
BANK MANDIRI	12,695	0.22%
ASTRA INTERNATIONAL	8,782	0.15%
BANK NEGARA INDONESIA	4,411	0.08%
SUMBER ALFARIA TRIJAYA	3,227	0.06%
KALBE FARMA	3,067	0.05%
UNITED TRACTORS	2,620	0.05%
CHAROEN POKPHAND INDO	2,457	0.04%
MSCI TOP 10	**108,727**	**1.9%**

Thailand	US$ free float mkt	MXASJ index wt.
CP ALL PCL	10,487	0.18%
PTT	9,087	0.16%
AIRPORTS OF THAILAND	8,757	0.15%
BANGKOK DUSIT MED. SVCS	8,413	0.15%
DELTA ELECTRONICS THAI	8,073	0.14%
SIAM CEMENT	7,691	0.14%
ADVANCED INFO SERVICE	7,267	0.13%
PTT EXPLORATION & PROD	5,982	0.11%
BUMRUNGRAD HOSPITAL PUB	4,058	0.07%
GULF ENERGY DEVELOPMENT	4,053	0.07%
MSCI TOP 10	**73,867**	**1.3%**

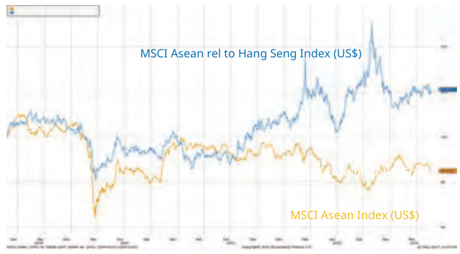
Philippines	US$ free	MXASJ index wt.
SM INVESTMENTS	4,078	0.07%
SM PRIME HOLDINGS	7,065	0.12%
BDO UNIBANK	5,957	0.10%
BANK OF PHIL ISLANDS	3,727	0.07%
ICTSI INTL CONTAINER	3,665	0.06%
JG SUMMIT HOLDINGS	2,737	0.05%
AYALA CORP	3,087	0.05%
AYALA LAND	3,592	0.06%
UNIVERSAL ROBINA CORP	2,324	0.04%
METROPOLITAN BANK &TRUST	1,923	0.03%
MSCI TOP 10	**38,154**	**0.7%**

Malaysia	US$ free float mkt	MXASJ index wt.
MALAYAN BANKING	9,328	0.16%
PUBLIC BANK	12,767	0.22%
CIMB GROUP HOLDINGS	7,668	0.13%
TENAGA NASIONAL	5,602	0.10%
SIME DARBY PLANTATION	2,057	0.04%
PRESS METAL ALUMINIUM	3,905	0.07%
PETRONAS CHEMICALS GROUP	3,628	0.06%
IHH HEALTHCARE	2,309	0.04%
SIME DARBY	1,272	0.02%
AXIATA GROUP	1,820	0.03%
MSCI TOP 10	**50,355**	**0.9%**

ASEAN 4 – net foreign funds flow (US$m)



MSCI ASEAN index relative to Hang Seng Index



Source: Factset, Schroders, May 2023

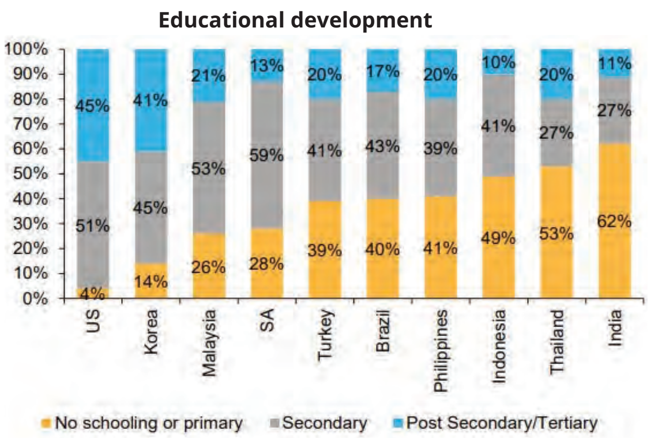
What of the outlook for ASEAN economies and stock markets? To us it feels like a mixed bag, economies are probably not completely stuck in a middle income trap but there are significant challenges to drive stronger growth. As Chart 19 shows, educational attainment in India and the ASEAN region, whilst improving on the United Nations Development Programme's ("UNDP's") Education Index, has a long way to go to catch up with developed Asia, and 50% of children in the region still only get primary-level schooling.

Chart 19: Educational attainment improving in ASEAN and India but still lagging developed peers significantly – and many children lose out

UNDP's Human Development Report - Education Index (Percentile), and Educational development (right-hand chart)

	2000	2019
Australia	0.90	0.92
Singapore	0.65	0.92
Hong Kong	0.69	0.88
South Korea	0.79	0.87
Malaysia	0.62	0.73
Thailand	0.52	0.68
Philippines	0.57	0.68
China	0.48	0.66
Indonesia	0.52	0.65
Vietnam	0.47	0.63
India	0.38	0.56

Source: UNESCO Institute of Statistics



Source: Macquarie, February 2022

Portfolio Managers' Review

Other indicators also suggest economies in ASEAN face hurdles to significantly accelerate growth. The transparency international surveys of corruption perceptions suggest little relative improvement in the region outside of Vietnam, whilst the Heritage Foundation Economic Freedom Index also indicates large gaps in policy-making remain to create dynamic capitalist economies in ASEAN countries (admittedly the Heritage Foundation is a US conservative think tank and may be biased however, stock markets without functioning capitalism and strong property rights etc don't work as any frontier fund investor knows).

Chart 20: Are ASEAN economies failing to achieve potential due to corruption and economic policy settings?

Corruption Perceptions Index

	2012 (Out of 176)	2022 (Out of 180)
Singapore	5	5
Hong Kong	14	12
Australia	13	13
Taiwan	37	25
South Korea	45	31
Malaysia	54	61
China	80	65
Vietnam	123	77
India	94	85
Thailand	88	101
Indonesia	118	110
Philippines	105	116

Source: Transparency International

Economic Freedom Index

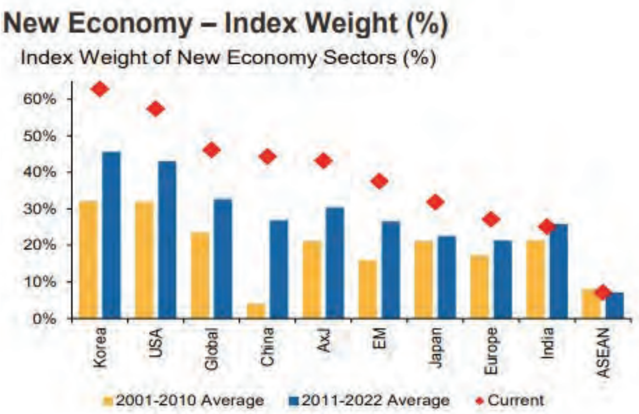
	2023 (Out of 176)
Singapore	1
Taiwan	4
Australia	13
South Korea	15
Malaysia	42
Indonesia	60
Vietnam	72
Thailand	80
Philippines	89
India	131
China	154

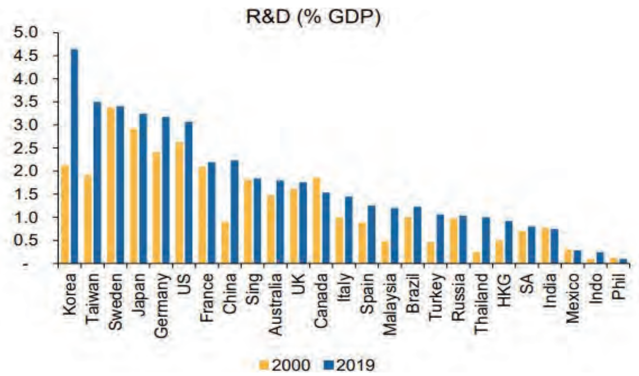
Source: Heritage Foundation

Going back to stock markets in ASEAN, they face a lack of dynamism too. As Chart 21 shows, New Economy (technology, internet etc.) stocks are a very small part of the indexes in ASEAN, and R&D spending relative to GDP is very low. This has tended to mean both the economies in the ASEAN region and stock markets exhibit a lack of dynamism which limits their potential. As mentioned in Chart 18, this is not all bad as the ASEAN stock markets can be quite defensive but for your portfolio managers if we want to be defensive, we would prefer to buy the high-yielding stocks listed in the developed Asian stock markets as discussed earlier.

Portfolio Managers' Review

Chart 21: ASEAN economies and stock markets lack dynamism – reflecting the "old" economy, not the new





Source: Macquarie, February 2022

Of the four ASEAN stock markets, we are currently more optimistic on Indonesia and the Philippines. Malaysia and Thailand both appear to be stuck in classic middle income traps, with poor policy-making and politics in Thailand in particular messy. Neither stock market has much bottom-up attraction at the current time. Indonesia is the most interesting market. Policy-making and stability has generally improved under President Jokowi and the country should undoubtedly benefit from the "green" transition given its exposure to key commodities like nickel. Upcoming elections in 2024 are key but we are hopeful we will see a continuation of current better policies. We are likely to use any dips in the market on election worries to add to our weighting in Indonesia.

The Philippines is also interesting – a country where for the last 30 years it has been one step forward, one step backward (on a good day). Expectations after years of disappointment are low but President Marcos has surprised us by mostly doing very little himself and by appointing relatively well-qualified people to key ministries. Whether this is enough to get the country growing faster than its current c. 5% GDP growth rate remains to be seen but with overseas remittances strong and the business process outsourcing sector (BPO) still resilient there is plenty of potential from a low base. A reasonable education system, improving infrastructure, expanding broadband network should be supportive of growth in both the Philippines and Indonesia.

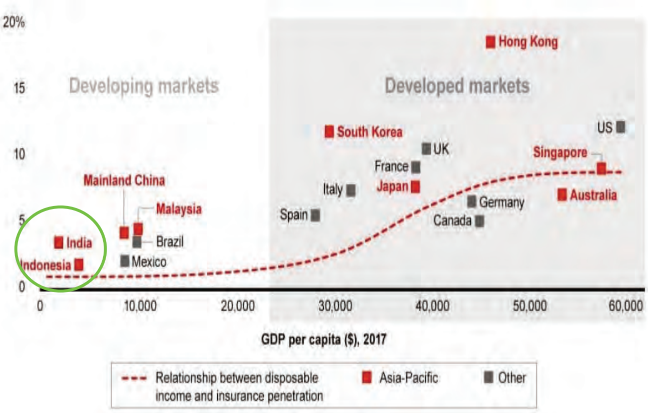
This is why we continue to like well-run retail-focussed banks in the lower-income Asian countries (India, Indonesia and Philippines). As Chart 22 shows, financial penetration in all three countries is low (the Philippines is not shown on the chart but has a similar credit to GDP as India) and, unlike countries like China and Korea, they have not seen a rapid growth in bank credit/GDP over the last ten years. With the rollout of digital platforms and now high penetration of smartphones in the region, the ability to reach more customers and raise financialisation is strong. With young, increasingly better-educated populations we are hopeful the Indonesian and Philippines economies and stock markets can do better over the next ten years (versus the last ten years) – assuming the politicians and policymakers do not mess up.

Portfolio Managers' Review

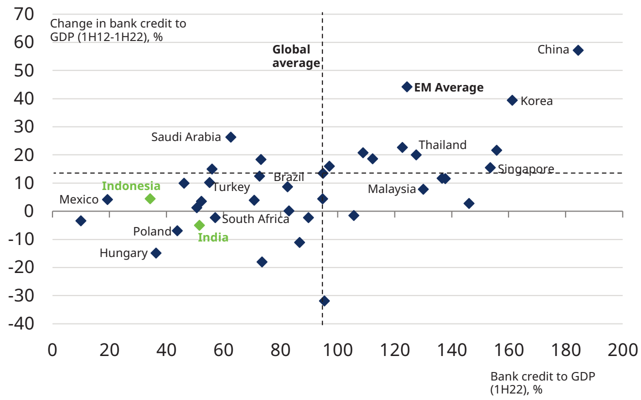
Chart 22: Our key financials exposure is in countries with low credit penetration

Good banks and insurers in India, Philippines and Indonesia to benefit from growth and financialisation of economies

Total insurance penetration, 2017[1]



Change in bank credit to GDP ratio compared versus current ratio[2]

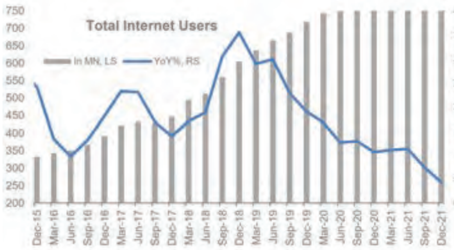


[1]Source: insurancenews.com, GlobalData Global Life/Non-Life Insurance Database, World Bank World Development Indicators, May 2019.
[2]Source: BIS, January 2023

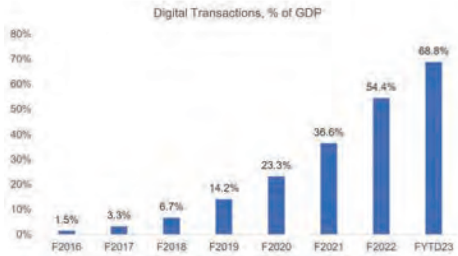
India we do however view somewhat differently from the ASEAN economies and stock markets. On current policy settings the potential for an acceleration in the sustainable growth rates is high. India has a young population, and many structural dynamics are in its favour – whether that is better infrastructure provision, improved educational attainment, digitalisation of the economy (Chart 23), stronger property rights and bankruptcy laws, rising financialisation and urbanisation as mortgages become widely available (Chart 24).

Chart 23: India – building a strong digital infrastructure – raising growth potential

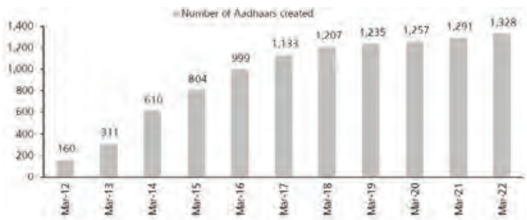
Total Internet users have stabilised at a high level[1]



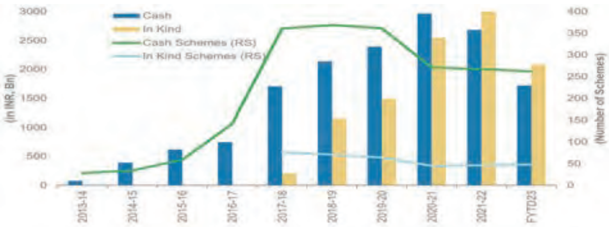
Sharp growth in digital transactions[2]



1.3 bn people enrolled for Unique Identification Number (UID)[3]



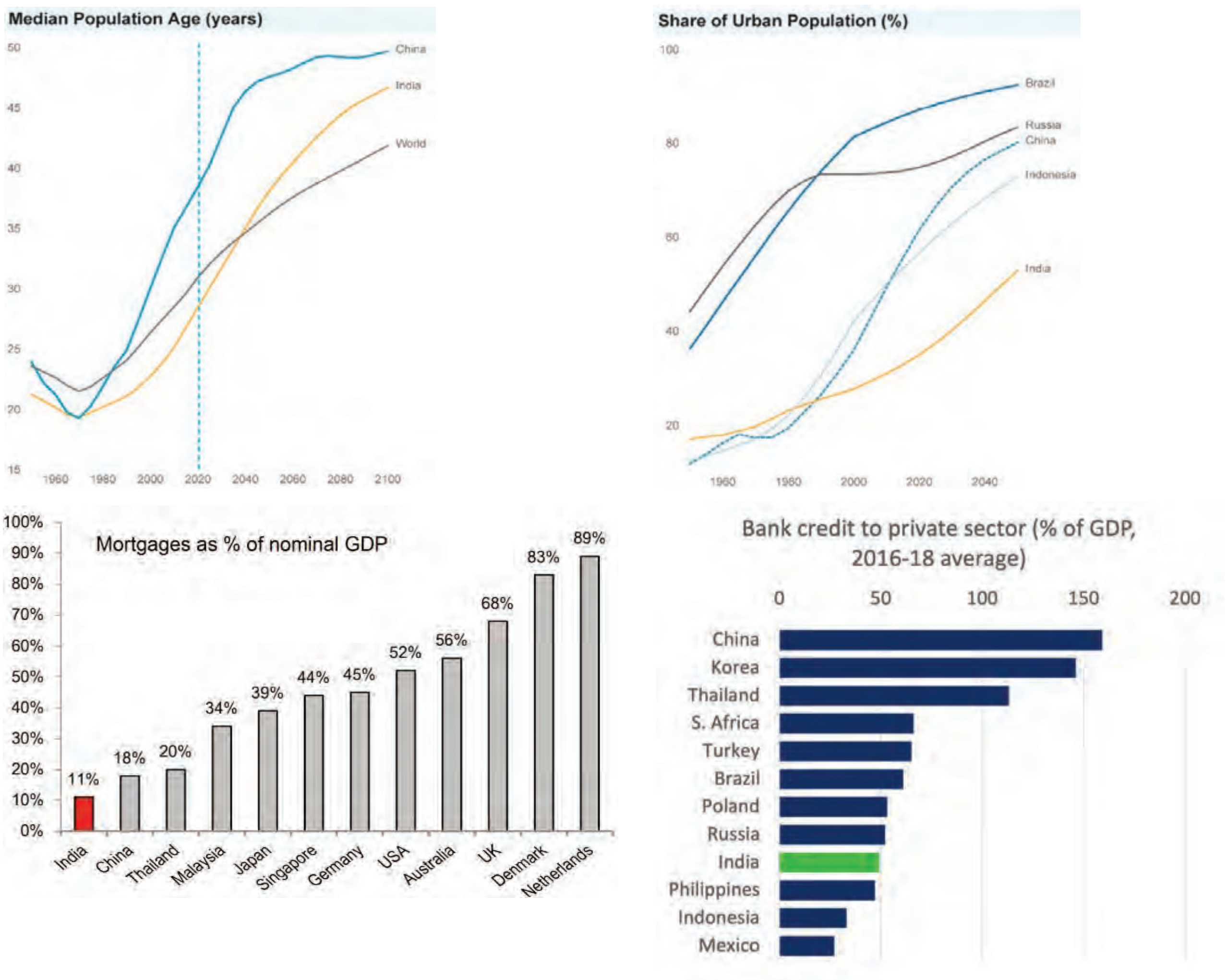
Digital infra being effectively used to execute Direct Benefit Transfer (DBT) schemes of the government[4]



[1]Source: Morgan Stanley, June 2022.
[2]Source: Morgan Stanley, Jan 2023.
[3]Source: UID Portal, Kotak Institutional Equities, June 2022.
[4]Source: DBT, Morgan Stanley Research, Jan 2023.

Portfolio Managers' Review

Chart 24: India – Long-term catch-up potential remains attractive

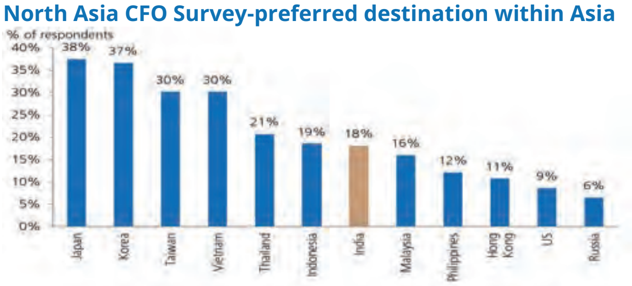


Source: Macquarie, Credit Suisse, November 2021

India also has the potential to benefit from the shift of manufacturing out of China. Historically this has not happened due to poor infrastructure, horrendous red tape and random application of tax laws. To date, the primary beneficiaries of the movement of manufacturing out of China have been Vietnam, Mexico and Eastern Europe. New tax rates and scale advantages, and potentially better application of laws could potentially now mean India does realise some of its potential – though the process is likely to be gradual as red tape and infrastructure as ever in India remain challenging.

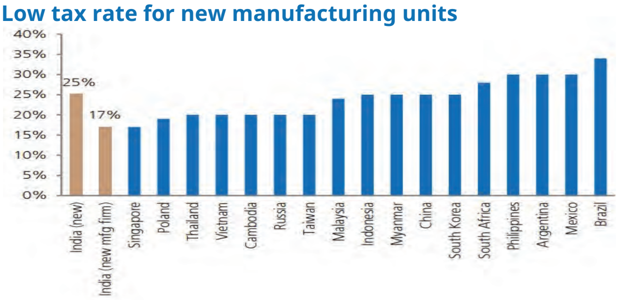
Chart 25: Can India benefit from the movement of manufacturing away from China?

North Asia CFO Survey-preferred destination within Asia



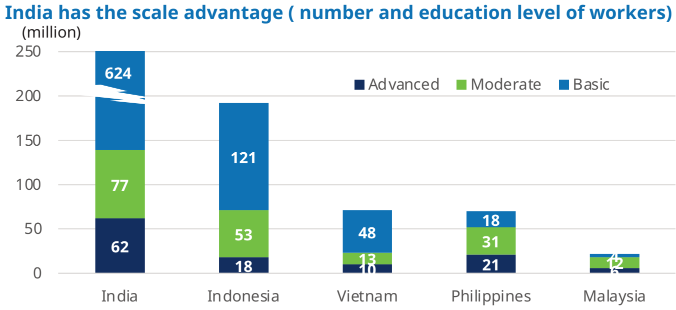
Source: UBS, Jan 2023

Low tax rate for new manufacturing units



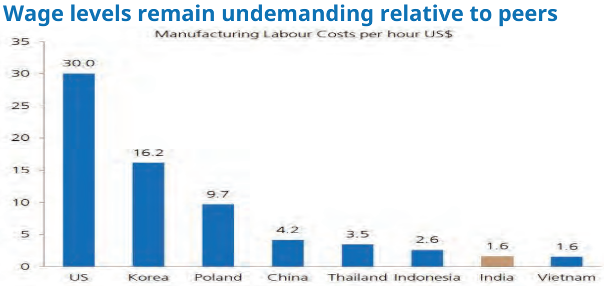
Source: UBS, Jan 2023

India has the scale advantage (number and education level of workers)



Source: UBS, June 2019

Wage levels remain undemanding relative to peers



Source: World Bank, UBS, Jan 2023

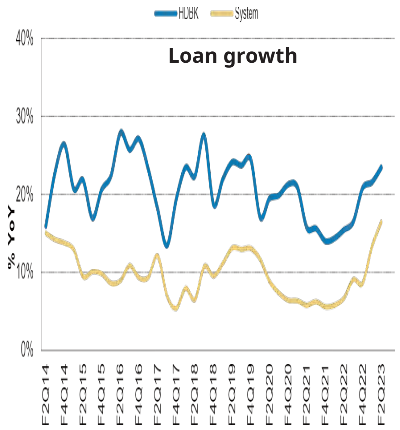
The problem for stock market investors in India is the potential and the positives above have been widely discussed and at current stock market valuations (back to Chart 7) are broadly we believe priced in. Yes, we think the Indian economy can now grow at a higher sustainable pace but we expect there will be road bumps and disappointments on the way. Stock markets can be fickle creatures and there is no automatic correlation between GDP growth and stock market returns. As highlighted above we do like financials in lower income Asian countries and as Chart 26 shows, we think both HDFC Bank and ICICI Bank are structurally well placed in India and trade at reasonable valuations.

Portfolio Managers' Review

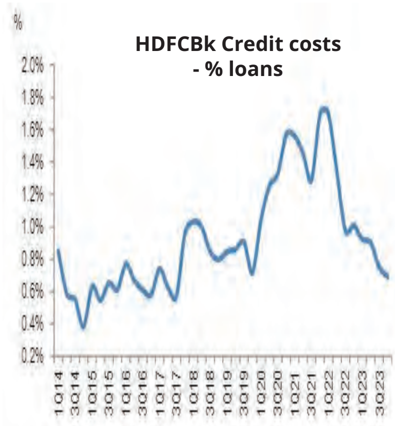
Chart 26: HDFC Bank and ICICI Bank – Attractive returns, accelerating growth

Private sector banks consistently gaining share given structural weakness of the state sector. ICICI dramatically improved performance recently under new management.

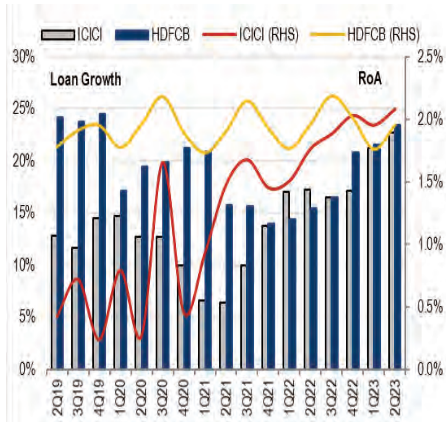
HDFCBK – consistently gaining market share[1]



HDFCBk – lower credit risk profile[2]



ICICI closed the gap in last 18m with improving growth and returns[3]



[1]Source: RBI, Company data, Morgan Stanley, October 2022
[2]Source: JPMorgan, April 2023
[3]Source: Credit Suisse, October 2022

The Company also has exposure to Indian health care and two technology/internet stocks focussed on travel and recruitment. We also have many stocks on our Indian watchlist and will look for opportunities to add on dips but want to maintain our valuation discipline – we struggle in particular with valuations for some of the consumer staple names operating in well-penetrated categories like shampoo, detergents, toothpaste, biscuits etc. On the other hand India, unlike ASEAN stock markets, has an interesting selection of internet start up and technology companies this makes the universe more dynamic and for incumbent companies creates the threat of significant disruption. Your portfolio managers are increasingly focussed on the need to dedicate more of our investment time to the Indian stock market.

So to sum up on the "hope" markets, it is really only the Indian stock market that offers significant exposure to the growth of emerging Asia. Indonesia and the Philippines, whilst having potential to accelerate their growth rates, are too small in stock market terms (both size and breadth of markets) to form a large part of the portfolio. Malaysia and Thailand on the other hand offer little investment attraction at the current time given current policy settings and stock market valuations.

Conclusion

We hope this provides a reasonably comprehensive run down of the Asia ex China investment universe. In the view of your portfolio managers it is not a homogenous investment area but really three quite distinct asset classes. All three have long-term investment attractions whether it be for more income focused investors or growth investors. What investors should be aware of is that the Asia ex China investment universe is diversified and at best only a partial play on rapidly rising or developing emerging Asian economies – which outside India, Vietnam and possibly Indonesia we would question is really happening.

Lee King Fuei and Robin Parbrook
12 September 2023

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

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

Investment Portfolio as at 30 June 2023

Investments are classified by the Portfolio Manager in the country of listing, except where noted. Stocks in bold are the 20 largest exposures to companies, which by value account for 53.8% (30 June 2022: 54.4% and 31 December 2022: 54.2%) of total investments and derivative financial instruments.

	£'000	%
TAIWAN		
Taiwan Semiconductor Manufacturing	**42,883**	**9.0**
Mediatek	**8,288**	**1.7**
Chroma ATE	**7,905**	**1.7**
Voltronic Power Technology	7,336	1.5
Merida Industry	7,206	1.5
Advantech	6,733	1.4
Nien Made Enterprise	6,616	1.4
ASE Technology	6,313	1.3
United Micro Electronics	5,246	1.1
Eclat Textile	4,415	0.9
Sporton International	2,284	0.5
TOTAL TAIWAN	**105,225**	**22.0**
AUSTRALIA		
CSL	**8,537**	**1.8**
BHP Billiton[1]	**7,871**	**1.7**
Aristocrat Leisure	**7,810**	**1.6**
ResMed	**7,763**	**1.6**
Cochlear	6,923	1.5
Medibank Private	6,603	1.4
Reliance Worldwide	6,147	1.3
Seek	5,350	1.1
Brambles	5,150	1.1
Orica	4,714	1.0
James Hardie Industries	4,361	0.9
Incitec Pivot	3,472	0.7
TOTAL AUSTRALIA	**74,701**	**15.7**

	£'000	%
INDIA		
Schroder India Equity Fund[2]	**12,787**	**2.7**
HDFC Bank	**11,267**	**2.4**
Apollo Hospitals Enterprise	**8,117**	**1.7**
Housing Development Finance	**7,678**	**1.6**
ICIC Bank	6,978	1.5
Infosys (ADR)[3]	6,824	1.4
Tata Consultancy	4,968	1.0
MakeMyTrip	4,028	0.8
Info Edge	3,907	0.8
Mphasis	1,734	0.4
TOTAL INDIA	**68,288**	**14.3**
HONG KONG (SAR)		
AIA	**14,457**	**3.0**
Swire Pacific	**9,899**	**2.1**
Techtronic Industries	**8,897**	**1.9**
Hong Kong Exchanges and Clearing	7,090	1.5
Galaxy Entertainment	5,742	1.2
Hang Lung	4,008	0.8
BOC Hong Kong	2,732	0.6
TOTAL HONG KONG (SAR)	**52,825**	**11.1**
SINGAPORE		
DBS	**13,775**	**2.9**
Singapore Exchange	7,376	1.5
United Overseas Bank	6,578	1.4
Venture	5,548	1.2
Sheng Siong	4,483	0.9
Sea (ADR)[3]	3,036	0.6
TOTAL SINGAPORE	**40,796**	**8.5**
SOUTH KOREA		
Samsung Electronics	**34,697**	**7.3**
Samsung SDI	5,860	1.3
TOTAL SOUTH KOREA	**40,557**	**8.6**

Investment Portfolio as at 30 June 2023

	£'000	%
MAINLAND CHINA		
Tencent Holdings[4]	**15,613**	**3.3**
Shenzhou International Group[4]	5,926	1.2
Yum China[3,4]	6,425	1.4
New Oriental Education (ADR)[3]	3,472	0.7
NetEase[4]	2,775	0.6
New Oriental Education & Technology[4]	193	0.1
TOTAL MAINLAND CHINA	**34,404**	**7.3**
PHILIPPINES		
Wilcon	**8,797**	**1.8**
International Container Terminal Services	5,952	1.3
BDO Unibank	4,790	1.0
Century Pacific Food	4,040	0.8
TOTAL PHILIPPINES	**23,579**	**4.9**
INDONESIA		
Bank Mandiri	**11,172**	**2.3**
TOTAL INDONESIA	**11,172**	**2.3**
UNITED KINGDOM		
Rio Tinto	**7,910**	**1.7**
TOTAL UNITED KINGDOM	**7,910**	**1.7**
FRANCE		
LVMH	6,240	1.3
TOTAL FRANCE	**6,240**	**1.3**
UNITED STATES		
Las Vegas Sands	6,236	1.3
TOTAL UNITED STATES	**6,236**	**1.3**
VIETNAM		
Mobile World Investment	3,089	0.6
Vietnam Dairy Products	972	0.3
TOTAL VIETNAM	**4,061**	**0.9**
TOTAL INVESTMENTS[5]	**475,994**	**99.9**

	£'000	%
DERIVATIVE FINANCIAL INSTRUMENTS		
Index Futures		
Korean Stock Exchange Put Option 342.5 August 2023	239	0.1
S&P ASX 200 Put Option 7175 July 2023	138	–
Korean Stock Exchange Put Option 327.5 August 2023	107	–
TOTAL INDEX FUTURES	**484**	**0.1**
TOTAL INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS	**476,478**	**100.0**

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

	£'000
Equities	449,875
American Depositary Receipts (ADR)	13,332
Collective investment fund	12,787
Total investments	**475,994**

Interim Management Report and Directors' Responsibility Statement

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: geopolitical and political; strategic; investment management; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; service provider; cyber and ESG and climate change. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 52 to 54 of the Company's published annual report and accounts for the year ended 31 December 2022.

These risks and uncertainties have not materially changed during the six months ended 30 June 2023. However, the Board undertook a review of principal and emerging risks for the Company while reviewing these accounts. The Directors noted that geopolitical risk and climate change risk in particular continue to develop and will be reported on in the next annual report as appropriate.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 55 of the published annual report and accounts for the year ended 31 December 2022, the Directors consider it appropriate to adopt the going concern basis in preparing these accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 30 June 2023.

Directors' responsibility statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in July 2022 and that this half year report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure Guidance and Transparency Rules.

Income Statement

	Note	(Unaudited) For the six months ended 30 June 2023 Revenue £'000	Capital £'000	Total £'000	(Unaudited) For the six months ended 30 June 2022 Revenue £'000	Capital £'000	Total £'000	(Audited) For the year ended 31 December 2022 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss		**–**	**5,786**	**5,786**	–	(97,381)	(97,381)	–	(86,397)	(86,397)
Net (losses)/gains on derivative contracts		**–**	**(1,718)**	**(1,718)**	–	5,578	5,578	–	9,487	9,487
Net foreign currency gains/(losses)		**–**	**2,187**	**2,187**	–	(4,838)	(4,838)	–	(5,341)	(5,341)
Income from investments		**8,113**	**–**	**8,113**	8,787	–	8,787	16,278	63	16,341
Other interest receivable and similar income		**119**	**–**	**119**	–	–	–	34	–	34
Gross return/(loss)		**8,232**	**6,255**	**14,487**	8,787	(96,641)	(87,854)	16,312	(82,188)	(65,876)
Investment management fee		**(383)**	**(1,150)**	**(1,533)**	(417)	(1,250)	(1,667)	(809)	(2,427)	(3,236)
Administrative expenses		**(424)**	**–**	**(424)**	(432)	–	(432)	(720)	–	(720)
Net return/(loss) before finance costs and taxation		**7,425**	**5,105**	**12,530**	7,938	(97,891)	(89,953)	14,783	(84,615)	(69,832)
Finance costs		**(342)**	**(1,026)**	**(1,368)**	(87)	(260)	(347)	(300)	(903)	(1,203)
Net return/(loss) before taxation		**7,083**	**4,079**	**11,162**	7,851	(98,151)	(90,300)	14,483	(85,518)	(71,035)
Taxation	3	**(648)**	**(133)**	**(781)**	(570)	1,130	560	(1,017)	1,129	112
Net return/(loss) after taxation		**6,435**	**3,946**	**10,381**	7,281	(97,021)	(89,740)	13,466	(84,389)	(70,923)
Return/(loss) per share	4	**6.18p**	**3.79p**	**9.97p**	6.68p	(89.04)p	(82.36)p	12.47p	(78.13)p	(65.66)p

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

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

Statement of Changes in Equity

For the six months ended 30 June 2023 (Unaudited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2022		5,456	114,656	11,646	29,182	270,838	25,696	457,474
Repurchase of the Company's own shares into treasury		–	–	–	–	(9,254)	–	(9,254)
Net return after taxation		–	–	–	–	3,946	6,435	10,381
Dividend paid in the period	5	–	–	–	–	–	(11,432)	(11,432)
At 30 June 2023		**5,456**	**114,656**	**11,646**	**29,182**	**265,530**	**20,699**	**447,169**

For the six months ended 30 June 2022 (Unaudited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2021		5,439	113,004	11,646	29,182	370,969	21,505	551,745
Issue of shares		17	1,652	–	–	–	–	1,669
Repurchase of the Company's own shares into treasury		–	–	–	–	(1,838)	–	(1,838)
Net (loss)/return after taxation		–	–	–	–	(97,021)	7,281	(89,740)
Dividend paid in the period	5	–	–	–	–	–	(9,275)	(9,275)
At 30 June 2022		**5,456**	**114,656**	**11,646**	**29,182**	**272,110**	**19,511**	**452,561**

For the year ended 31 December 2022 (Audited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2021		5,439	113,004	11,646	29,182	370,969	21,505	551,745
Issue of shares		17	1,652	–	–	–	–	1,669
Repurchase of the Company's own shares into treasury		–	–	–	–	(15,742)	–	(15,742)
Net (loss)/return after taxation		–	–	–	–	(84,389)	13,466	(70,923)
Dividend paid in the year	5	–	–	–	–	–	(9,275)	(9,275)
At 31 December 2022		**5,456**	**114,656**	**11,646**	**29,182**	**270,838**	**25,696**	**457,474**

Statement of Financial Position

	Note	(Unaudited) 30 June 2023 £'000	(Unaudited) 30 June 2022 £'000	(Audited) 31 December 2022 £'000
Fixed assets				
Investments held at fair value through profit or loss		**475,994**	490,426	499,305
Current assets				
Debtors		**5,839**	6,877	517
Cash at bank and in hand		**15,968**	4,975	5,161
Derivative financial instruments held at fair value through profit or loss		**484**	1,723	–
		22,291	13,575	5,678
Current liabilities				
Creditors: amounts falling due within one year		**(50,983)**	(51,440)	(47,509)
Net current liabilities		**(28,692)**	(37,865)	(41,831)
Total assets less current liabilities		**447,302**	452,561	457,474
Non current liabilities				
Deferred taxation		**(133)**	–	–
Net assets		**447,169**	452,561	457,474
Capital and reserves				
Called-up share capital	6	**5,456**	5,456	5,456
Share premium		**114,656**	114,656	114,656
Capital redemption reserve		**11,646**	11,646	11,646
Special reserve		**29,182**	29,182	29,182
Capital reserves		**265,530**	272,110	270,838
Revenue reserve		**20,699**	19,511	25,696
Total equity shareholders' funds		**447,169**	452,561	457,474
Net asset value per share	7	**433.74p**	416.45p	434.60p

Registered in England and Wales
Company registration number: 02153093

Cash Flow Statement

	Note	(Unaudited) For the six months ended 30 June 2023 £'000	(Unaudited) For the six months ended 30 June 2022 £'000	(Audited) For the year ended 31 December 2022 £'000
Net cash inflow from operating activities	8	**3,662**	4,104	11,019
Net cash inflow from investment activities		**28,854**	11,709	23,401
Dividends paid		**(11,432)**	(9,275)	(9,275)
Interest paid		**(1,365)**	(330)	(1,122)
Net bank loans drawn down		**–**	18,237	18,237
Repurchase of the Company's own shares into treasury		**(8,615)**	(1,838)	(15,451)
Issue of shares		**–**	1,669	1,669
Net cash inflow in the period		**11,104**	24,276	28,478
Reconciliation of net cash flow to movement in net debt				
Net cash inflow in the period		**11,104**	24,276	28,478
Net bank loan drawn down		**–**	(18,237)	(18,237)
Exchange movements		**2,187**	(4,838)	(5,341)
Changes in net funds arising from cash flows		**13,291**	1,201	4,900
Net debt at the beginning of the period		**(40,987)**	(45,887)	(45,887)
Net debt at the end of the period		**(27,696)**	(44,686)	(40,987)
Represented by:				
Cash at bank and in hand		**15,968**	1,024	5,161
Bank loans		**(43,664)**	(45,710)	(46,148)
Net debt		**(27,696)**	(44,686)	(40,987)

Notes to the Accounts

1. Financial Statements

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

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

2. Accounting policies

Basis of accounting

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

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

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

3. Taxation

	(Unaudited) Six months ended 30 June 2023			(Unaudited) Six months ended 30 June 2022			(Audited) Year ended 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Irrecoverable overseas tax	**648**	**–**	**648**	570	–	570	1,017	–	1,017
Provision for overseas capital gains tax	**–**	**133**	**133**	–	(1,130)	(1,130)	–	(1,129)	(1,129)
Taxation	**648**	**133**	**781**	570	(1,130)	(560)	1,017	(1,129)	(112)

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income.

4. Return/(loss) per share

	(Unaudited) Six months ended 30 June 2023 £'000	(Unaudited) Six months ended 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
Revenue return	**6,435**	7,281	13,466
Capital return/(loss)	**3,946**	(97,021)	(84,389)
Total return/(loss)	**10,381**	(89,740)	(70,923)
Weighted average number of shares in issue during the period	**104,131,132**	108,960,402	108,005,903
Revenue return per share	**6.18p**	6.68p	12.47p
Capital return/(loss) per share	**3.79p**	(89.04)p	(78.13)p
Total return/(loss) per share	**9.97p**	(82.36)p	(65.66)p

Notes to the Accounts

5. Dividend paid

	(Unaudited) Six months ended 30 June 2023 £'000	(Unaudited) Six months ended 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
2022 dividend paid of 11.0p (2021: 8.5p)	**11,432**	9,275	9,275

No interim dividend has been declared in respect of the year ending 31 December 2023 (2022: nil).

6. Called-up share capital

	(Unaudited) Six months ended 30 June 2023 £'000	(Unaudited) Six months ended 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
Changes in called-up share capital during the period were as follows:			
Opening balance of ordinary shares of 5p each, excluding shares held in treasury	**5,263**	5,439	5,439
Repurchase of shares into treasury	**(108)**	(22)	(193)
Issue of shares	**–**	17	17
Subtotal, ordinary shares of 5p each, excluding shares held in treasury	**5,155**	5,434	5,263
Shares held in treasury	**301**	22	193
Closing balance, ordinary shares of 5p each, including shares held in treasury	**5,456**	5,456	5,456

	(Unaudited) Six months ended 30 June 2023	(Unaudited) Six months ended 30 June 2022	(Audited) Year ended 31 December 2022
Changes in the number of shares in issue during the period were as follows:			
Ordinary shares of 5p each, allotted, called-up and fully paid			
Opening balance of shares in issue, excluding shares held in treasury	**105,263,203**	108,774,651	108,774,651
Repurchase of shares into treasury	**(2,167,985)**	(443,000)	(3,851,448)
Issue of shares	**–**	340,000	340,000
Closing balance of shares in issue, excluding shares held in treasury	**103,095,218**	108,671,651	105,263,203
Closing balance of shares held in treasury	**6,019,433**	443,000	3,851,448
Closing balance of shares in issue, including shares held in treasury	**109,114,651**	109,114,651	109,114,651

Notes to the Accounts

7. Net asset value per share

	(Unaudited) 30 June 2023	(Unaudited) 30 June 2022	(Audited) 31 December 2022
Total equity shareholders' funds (£'000)	**447,169**	452,561	457,474
Shares in issue at the period end, excluding shares held in treasury	**103,095,218**	108,671,651	105,263,203
Net asset value per share	**433.74p**	416.45p	434.60p

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

	(Unaudited) Six months ended 30 June 2023 £'000	(Unaudited) Six months ended 30 June 2022 £'000	(Audited) Year ended 31 December 2022 £'000
Total return/(loss) before finance costs and taxation	**12,530**	(89,953)	(69,832)
Less capital (return)/loss before finance costs and taxation	**(5,105)**	97,891	84,615
(Increase)/decrease in prepayments and accrued income	**(2,277)**	(1,975)	83
Decrease/(increase) in other debtors	**6**	(6)	(1)
Increase/(decrease) in other creditors	**71**	(250)	(388)
Special dividend allocated to capital	**–**	–	63
Stock dividend	**–**	–	(63)
Management fee allocated to capital	**(1,150)**	(1,250)	(2,427)
Overseas withholding tax deducted at source	**(413)**	(353)	(1,031)
Net cash inflow from operating activities	**3,662**	4,104	11,019

Notes to the Accounts

9. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value include its investment portfolio and any derivative financial instruments.

FRS 102 requires that these financial instruments are categorised into a hierarchy consisting of the following three levels:

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

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

Level 3 – valued using inputs that are unobservable.

The following table sets out the fair value measurements using the above hierarchy:

	30 June 2023 (unaudited)			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	**475,994**	**–**	**–**	**475,994**
Derivative financial instruments – index put options	**484**			**484**
Total	**476,478**	**–**	**–**	**476,478**

	30 June 2022 (unaudited)			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	490,426	–	–	490,426
Derivative financial instruments – index futures	1,723			1,723
Total	492,149	–	–	492,149

	31 December 2022 (audited)			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	499,305	–	–	499,305
Total	499,305	–	–	499,305

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

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

Directors

Sarah MacAulay (Chair)
Andrew Cainey
Caroline Hitch
Mike Holt (resigned 25 April 2023)
Jasper Judd (appointed 1 February 2023)

Advisers

Alternative Investment Fund Manager ("Manager")

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Investment Manager and Company Secretary

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Lending Bank

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Website: www.shareview.co.uk

*Calls to this number are free of charge from UK landlines

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

Shareholder enquiries

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

Dealing Codes

ISIN Number:	GB0008710799
SEDOL Number:	0871079
Ticker:	ATR

Global Intermediary Identification Number (GIIN)

TRPJG6.99999.SL.826

Legal Entity Identifier (LEI)

549300TQNNGZ0JHO2L78

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

Schroders