Schroders

Schroder Asian Total Return Investment Company plc

Report and Accounts for the year ended 31 December 2020

Investment objective

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

Investment policy

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

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

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

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

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

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

Contents

Key Performance Indicators and Long-Term Performance Record

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on page 78 together with supporting calculations where appropriate.

Total returns for the year ended 31 December 2020. *(Total returns include the impact of dividends paid. Details of the calculations are given on page 78).*

+33.7%
2019: +15.7%
Net asset value ("NAV") per share total return*

+35.6%
2019: +13.1%
Share price total return*

+18.7%
2019: +14.6%
Reference index[1]

+30.9%
2019: +13.6%
Peer group NAV per share total return*[2]

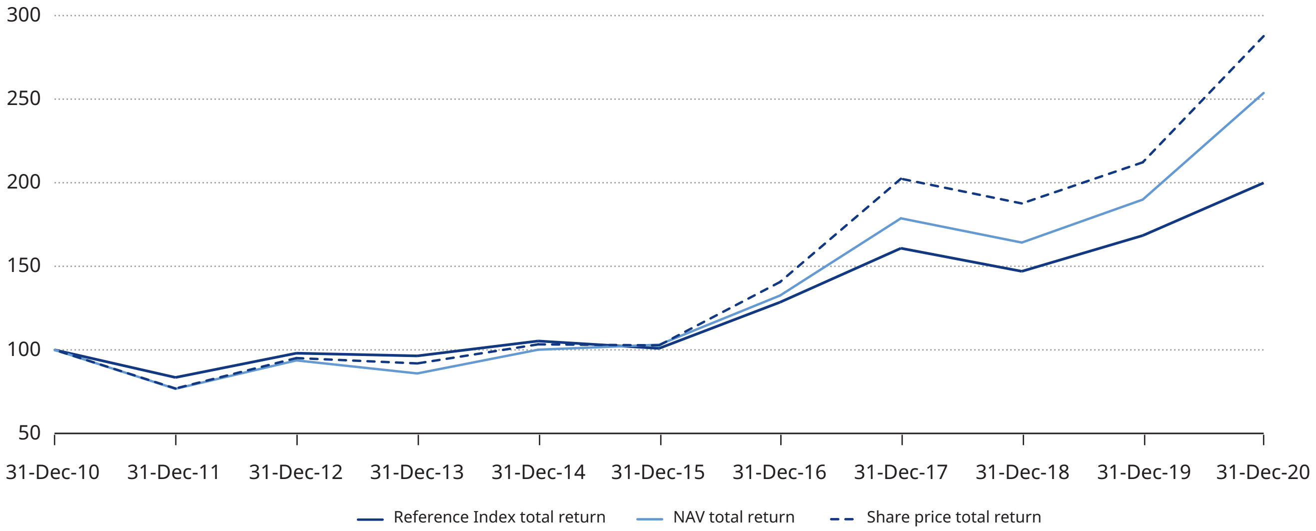
[1]Source: Thomson Reuters.
[2]Source: Morningstar. The arithmetic average of a group of nine investment trust competitors.

Other financial information

	31 December 2020	31 December 2019	% Change
Shareholders' funds (£'000)	483,548	357,871	+35.1
NAV per share (pence)	479.07	365.57	+31.0
Share price (pence)	489.00	368.00	+32.9
Share price premium to NAV per share (%)*	2.1	0.7	
Gearing (%)*	5.7	2.2	

	Year ended 31 December 2020	Year ended 31 December 2019	% Change
Net revenue return after taxation (£'000)	8,308	7,653	+8.6
Revenue return per share (pence)	8.46	8.10	+4.4
Dividend per share (pence)	7.10	6.50	+9.2
Ongoing Charges (%)*	0.9	0.9	

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



[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2010.

10 Year Financial Record

Definitions of terms and performance measures are provided on page 78.

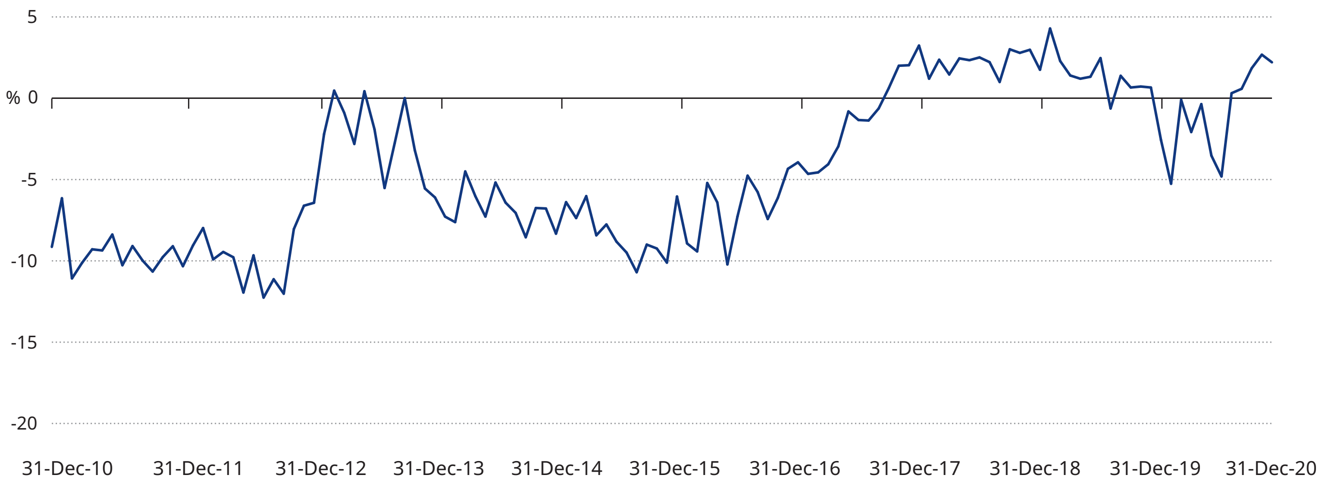
At 31 December	2011	2012	2013[1]	2014	2015	2016	2017	2018	2019	2020
Shareholders' funds (£'000)	269,417	298,076	135,240	152,342	154,186	195,017	294,426	293,783	357,871	483,548
NAV per share, diluted where applicable (pence)	167.5	201.2	181.8	208.1	211.4	267.1	354.8	321.4	365.6	479.1
Share price (pence)	152.3	185.0	176.0	194.0	190.0	255.5	362.0	331.0	368.0	489.0
Share price (discount)/premium to NAV per share*(%)	(9.1)	(8.1)	(3.2)	(6.8)	(10.1)	(4.3)	2.0	3.0	0.7	2.1
Gearing/(net cash)*%	4.1	(0.2)	(1.4)	(1.3)	1.0	7.0	4.5	(0.9)	2.2	5.7

Year ended 31 December	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net revenue after taxation (£'000)	5,760	4,526	1,793	2,272	3,236	3,940	4,183	6,303	7,653	8,308
Net revenue return per share (pence)	3.57	2.92	1.98	3.07	4.43	5.40	5.48	7.18	8.10	8.46
Dividends per share (pence)	3.25	3.25	3.25	3.25	3.80	4.50	4.80	6.20	6.50	7.10
Ongoing Charges *(%)	0.6	0.9	0.7	1.1	1.0	1.0	1.0	0.9	0.9	0.9

Performance[2]	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NAV per share total return*	100.0	76.7	93.7	85.9	100.1	103.1	132.5	178.7	164.2	189.9	253.9
Share price total return*	100.0	76.9	95.1	91.9	103.3	102.7	140.6	202.4	187.6	212.2	287.7
Reference Index total return	100.0	83.5	98.0	96.4	105.3	100.9	128.5	160.8	147.0	168.4	199.9

[1]Schroder Investment Management Limited was appointed as investment manager on 15 March 2013.
[2]Source: Morningstar/Thomson Reuters/Schroders. Rebased to 100 at 31 December 2010.
*Alternative Performance Measures.

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



[1]Source: Morningstar.

Strategic Report

Chairman's Statement

I am delighted to report that despite an extremely challenging year for global stock markets in 2020 the Company has produced excellent performance. During the year ended 31 December 2020 the Company produced a net asset value ("NAV") total return of 33.7%, significantly outperforming the Reference Index which returned 18.7%. The Company once again outperformed the peer group, which produced an average total return of 30.9% for the year. Stock selection has proved key to the Company's strong performance. The Company was well positioned to benefit from the huge disparity in performance over the year between different sectors of the market. Companies such as technology and internet-related, whose businesses flourished under lockdown, lead the market rally as earnings were revised upwards and stocks were rerated. The more traditional value stocks, such as banks, utilities and airlines, suffered extremely difficult trading conditions and struggled to perform.

The share price also performed very well, producing a total return of 35.6% with the Company moving from a 0.7% premium to end the year on a 2.1% premium.

Since year end, and as at 22 March, the NAV per share has increased by 4.1% and the share price by 3.7%; the Reference Index increased by 3.1%.

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

Earnings and dividends

The revenue return from the portfolio for the year increased to 8.46p per share from 8.10p per share in 2019. This increase in revenue was accounted for by the recovery of £1.3m from HMRC relating to a claim made by the Company for the repayment of corporation tax paid in 2007 and 2008 on overseas income. In addition the Company received special dividends of close to £1m which, after analysis of their source, have been accounted for as revenue. The Board has recommended a final dividend of 7.10p per share for the year ended 31 December 2020, an increase of 9.2% over the final dividend of 6.50p per share paid in respect of the previous financial year. £1.1m has been transferred to revenue reserves to take account of the exceptional tax credit received. Subject to approval at the AGM, the dividend will be paid on 14 May 2021 to shareholders on the register on 16 April 2021.

Promotion, discount control and share issuance

At the AGM on 19 May 2020, shareholders granted the Board authority to issue shares, including out of treasury. The Company's buyback authority was also renewed. Both authorities were used during the year. As outlined in more detail in the interim report, following a spike in the discount in March 2020 in the midst of market volatility caused by the pandemic, the Company utilised its share buyback authorities to purchase shares. A total of 180,508 shares were purchased and held in treasury. During the second half of the year, the share price returned to a premium, and the Company re-issued the shares being held in treasury, and a further 3,039,492 new shares. These were issued at an average premium to NAV of 1.3%. A resolution to renew the share issuance authorities will be proposed at the AGM, details of which can be found on page 74.

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

Gearing and the use of derivatives

Gearing was used effectively by the Portfolio Managers during the year. The Company may use gearing to enhance performance but net gearing will not exceed 30% of NAV. The Board has agreed a disciplined framework for using gearing to increase market exposure, based on a number of valuation indicators. Although the Company started the year with gearing of 2.2%, this was increased at close to the point that stock markets bottomed in late March, rising to a peak of around 12% in May. Having taken advantage of the very substantial rally in global markets during the second quarter of the year, the level of gearing was gradually reduced and stood at 5.7% at the end of the year. Shareholders should be aware that the use of borrowings must be seen in the context of the use of derivative hedging instruments to reduce the volatility of the portfolio.

Management fees

During the year, the Board reviewed the fees payable to the Manager. The Board concluded that the fee arrangements were broadly competitive and in line with the interests of shareholders. However, it has agreed with the Manager to make two amendments to the fee structure.

When calculating the performance fee, in addition to the existing performance fee requirements of the high water mark and the hurdle rate, an additional metric will need to

Chairman's Statement

be satisfied in order for the Manager to be paid a performance fee. For 2021 and future years, the Manager may only be paid a performance fee when the Company's NAV total return is equal or greater to the total return of the Reference Index.

Also effective from 1 January 2021, the overall cap on management fees (base fee and any performance fee) will be reduced from 1.5% to 1.25%. This reduces the potential total fee payable in any one year and, with the other change outlined above, the Board believes that fees are now set at an even more competitive level.

Further details are set out on page 38.

Annual General Meeting

The AGM will be held at 12.00 noon on Friday, 7 May 2021 at the Manager's offices at 1 London Wall Place, London EC2Y 5AU. I encourage all shareholders to sign up to the webinar by the Portfolio Managers. By using a webinar, I hope more shareholders, and interested parties, will be able to listen to, and ask questions of, the Portfolio Managers. Details on how to join are on the Company's webpage: www.schroders.co.uk/satric.

As it is likely that there will still be restrictions in place due to the pandemic, I encourage shareholders to follow Government directions and avoid attending the AGM in person. In addition to the webinar with the Portfolio Managers, I invite shareholders to contact me with questions. I, or the Board, will then answer in writing, by email or by phone. You can contact me through the Company Secretary using the details set out on page 37.

The formalities of the meeting, as required by the Companies Act 2006 and the Company's Articles of Association, will still take place.

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

Outlook

The year ahead is unlikely to produce such strong returns from equity markets as those seen in 2020. Inflation concerns, debt levels and trade tensions have dampened the market euphoria that has been experienced by many sectors of the market. The rally in global stock markets has left valuations expensive or extended in some areas, with prices vulnerable to any earnings disappointments. Asian stock markets should prove more resilient, however, with higher earnings growth forecast for 2020 than other regions and forward price earnings ratios moderate on a relative basis. The Portfolio Managers' disciplined approach to investment has materially contributed to performance during the dramatic market sell off last spring. Good stock selection will remain crucial as economies experience structural shifts in the aftermath of the pandemic. We continue to expect our Portfolio Managers to find excellent opportunities for shareholders in this environment. We believe the investment trust structure offers potential to enhance returns to shareholders by allowing the Portfolio Managers to take a long term view and to utilise gearing when opportune. Similarly the tactical use of derivatives to mitigate against downside risk should be of benefit in difficult market conditions.

Sarah MacAulay
Chairman

24 March 2021

Portfolio Managers' Review

Our review for 2020 is quite long and split into two parts – a brief review of 2020 and then hopefully a more interesting investment outlook section which is a summary of our recently written Year of Ox report. What we do not intend to do in this report is wax lyrically on COVID and what it means for investment. We have done this many times in 2020 and for holders not heartily sick of the aforementioned five letter word there are plenty of articles available on Schroders' website.

A Brief Bullet Point Review of 2020

Performance and Attribution

- Over the year the Company enjoyed a much better performance both in absolute returns and relative to the Reference Index than we expected (in our year end 2019 reports we were forecasting returns of 10-15% for 2020). Over 2020 the Company's NAV rose 33.7% in total return terms, whilst the Reference Index rose 18.7% (Source: Morningstar/Schroders).
- The best performing markets in Asia over the year were Shenzhen, Korea and Taiwan all of which rose over 40% in US$ terms. All three indices have two things in common – firstly a high weighting in technology companies (the perceived COVID winners) and secondly from mid-2020 onwards a high and increasing level of retail investor participation in stock market activity. ASEAN indices lagged, posting negative returns for 2020, mostly due to their make up. All are heavily weighted in property, financials, retailers (perceived COVID losers) and have minimal internet and tech exposure. However, the fact the lower income Asian countries were hit harder by the COVID-19 crisis was also a factor. Australia, India and the main Hong Kong indices all posted moderate gains of 5-15%.
- Sector wise it was a hugely divergent year. Technology, internet, pharmaceutical, electric vehicle (EV) plays, and selected consumer names drove the vast bulk of market returns. Banks, property, energy, telecoms, insurance and utilities really struggled.
- Looking at the Company's attribution for the year – relative to the reference benchmark – the big contributors to performance can be broken down into four groups. These included our Taiwan technology stocks, Chinese stock selection in general (the positive of not owning banks, oil stocks, telecoms, state owned enterprises), and our Australia stocks. In the latter group we added to several oversold names at the peak of the crisis in March. The other big positive was our holding in ASEAN internet play Sea which more than quadrupled over the year. Despite gradually taking profits from mid-2020 (far too early!) this proved our most successful investment in 2020.
- In general it was a good year – however we should highlight to clients we missed many of the best performing parts of the market. We had little exposure to EV plays, which hopefully clients will be aware from past reports we think are a very clear bubble. We also had no exposure to the best performing Chinese emerging internet names like Meituan, JD and Pinduoduo. We think these are interesting, well run companies but we do not understand their valuations given the competition and regulatory risks they face. We also had little exposure to Chinese A shares where we just cannot get our head around most valuations, which in general make little sense in a broader Asian context. Fortunately we got the tech space broadly speaking correct (lots of TSMC, Samsung Electronics, Mediatek, Naver, Voltronics etc.).
- However, in truth the Company did well mostly because of what we did not own. We went into 2020 very cautious on banks due to fintech threats and disruption, and we have never really held much in the energy, utility, resources, cyclicals and in the telecoms space in Asia. Many of these companies are State-Owned Enterprises (SOEs) and/or have a fairly poor structural long-term outlook. All of these sectors performed poorly, as the impact of COVID and resulting changes in consumer behaviour accelerated many of the disruptive trends that we have discussed in previous reports.

Review of Quant Models and Stock Changes made in 2020

- We made no changes to the Company's investment process in 2020. After a difficult year in 2018 it was good to see both of the Company's models worked well in 2020 and materially contributed to performance. The short-term model started the year moderately cautious and we had some hedges in places during Q1, a strategy used to reduce the risk of adverse price movements, which added to performance during the market falls early in 2020. Both the short-term model and the long-term country forecasting models turned maximum bullish at the end of March so we closed all remaining hedges and used borrowing facilities, moving to a materially geared position (c.15% at the Company's highest level in Q2) (Source: HSBC).
- The models stayed positive until October so the Company fully benefited from the strong rebound in markets. At the end of the year the models gradually turned more cautious with the long-term country models in particular by December forecasting a relatively low probability of positive market returns in Asia on a one year view. In February 2021 the short-term models are neutral with all indicators positive except valuations – basically strong liquidity is balanced by high valuations. Given the increasing caution in the models we have gradually reduced gearing and started to build a position in puts (*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*) to hopefully provide an element of capital preservation if markets do pull back. The Company's stock level beta should also be falling as we take profits and rotate to laggard and perhaps more defensive stocks (*Beta is a measure of volatility, or systemic risk, of a security or portfolio compared to the market as a whole*).

Portfolio Managers' Review

- Stock turnover on the Company was just over 30% for the year. This is almost exactly in line with the seven year average. This rather surprised your Portfolio Managers who after a truly exhausting 2020 felt it must have been higher. However, looking at the numbers there were really two periods of intense activity (March/April and November/December) whilst for the rest of the year activity was more subdued.
- It will probably be no surprise that March/April was an active period for the Company. During this time many of our favoured long-term growth names, particularly in the technology sector, were sold down heavily. We took the opportunity to add, buying names like Mediatek, Naver, Aristocrat, Cochlear, Vanguard, SEEK, WuXi Biologics and Realtek. This proved to be well timed. To fund purchases, in addition to using gearing, we reduced our property and remaining financials exposure. This is because we took the view, in March as the crisis unfolded, that COVID-19 did appear likely to accelerate many of the disruptive themes we have discussed in past reports.
- In November and December with markets turning increasingly frothy (as a reference the Asian index at the time of writing in mid-February is now up 60% in GBP terms from March lows) we have been taking profits. This has led to a more active period for turnover on the Company. In November we trimmed almost half of our Alibaba position immediately after the Ant Group IPO (Initial Public Offering) was pulled as we felt this could herald increased regulatory scrutiny in the sector. We also trimmed some of our long-term winners like Techtronics, WuXi Biologics, ICTSI and Hong Kong Exchange which, whilst we like long term, have exceeded our fair values. Proceeds from sales have been reinvested into more domestically focused Australia stocks that have lagged and two financial names in Singapore where we think risks of disruption and government interference are relatively low.

Current Positioning

- The table below is hopefully self-explanatory when it comes to the Company's positioning. The biggest individual exposure (and thus risk) is the technology exposure at over 30% of the Company's NAV. This is heavily weighted in Korea and Taiwan and mostly semiconductor related. Our semiconductor stocks have done well and are near or approaching our fair values. Secular trends around cloud, 5G, working from home, industrial automation – along with industry consolidation – are very supportive so, for the moment, we are sticking with our exposures. In our view these remain amongst the best companies listed in Asia.
- The Company's consumer services and consumer discretionary holdings are a mix of companies. Within this exposure there are branded Asian consumer businesses, Asian export companies with a US consumer focus along with our internet stocks like Alibaba, Tencent, Sea and Naver. Whilst we continue to like the business models of our internet holdings, worries over excessive expectations mean we have been trimming positions into strength. The other consumer names are often strong mid-cap names which we think have comparative advantages that mean they could take market share whether it be in Asia or globally.
- The country split is not something we tend to focus on. It is what a stock does that is important to us rather than where it is listed. Of note perhaps is the low weighting in ASEAN markets and India – both are areas we may look to add to over 2021 if we get good opportunities. We have a list of stocks we would like to own but at the moment most are above our fair values. As mentioned above, ASEAN performed poorly because the indices are heavily weighted in banks, telecoms and property. The more attractive stocks in ASEAN, like the consumer names, have actually performed well and trade on valuations we find harder to justify.

Table 1: Country/Sector Matrix as at 31 December 2020

Sector/Country (%)	Australia	China	Hong Kong	India	Korea	Singapore	Taiwan	United Kingdom	France	Germany	Vietnam	Cash & Others	Grand Total
Communication Services	1.2	6.2			1.9	1.7							**11.0**
Consumer Discretionary	2.5	10.8	4.6				0.4		1.4	1.4			**21.1**
Consumer Staples											1.2		**1.2**
Financials	1.3	2.3	4.0	2.2		1.3							**11.1**
Banks			0.2	2.2		1.3							**3.7**
Diversified Financials			1.2										**1.2**
Insurance	1.3	2.3	2.6										**6.2**
Healthcare	3.6	3.2											**6.8**
Industrials	0.5	1.8	4.8			0.3	2.8						**10.2**
Information Technology			1.3	1.5	10.2	1.3	16.6						**30.9**
Materials	4.1							1.4					**5.5**
Real Estate			3.5			1.8							**5.3**
Cash												-5.4	**-5.4**
Derivatives			-5.1									5.1	**–**
Collective Investments				2.3									**2.3**
Grand Total	**13.2**	**24.3**	**13.1**	**6.0**	**12.1**	**6.4**	**19.8**	**1.4**	**1.4**	**1.4**	**1.2**	**-0.3**	**100.0**

Source: Schroders. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Portfolio Managers' Review

Investment Outlook

Summary

- Overall we think the next 12 months are likely to prove challenging for investors. High valuations, frothy expectations, clear bubbles in an increasingly large part of the market and rising and often irrational retail participation leave us cautious on the outlook for equity returns in Asia.
- We still hope the Company can make positive returns this year but we are now looking to position the Company more cautiously, taking profits on internet and technology stocks and if pricing is attractive adding to capital protection strategies via the purchase of puts.
- What does not change in our post-COVID world is the need for good long-term analysis. With the value of companies increasingly held in intangible assets this poses new challenges and requires a different approach. We need great analysts with the ability to think long-term and who do not get caught up in near term noise and momentum. On the other hand we also need analysts who are not so zealous on the use of traditional valuation metrics and modelling so as to think there is a magic "number" or fair value for a business. Long-term extrapolation ("what/if" and scenario analysis), deep industry knowledge, and out of the box thinking have become more important than ever as industry disruption accelerates. This is the key challenge for your Portfolio Managers, but also the most exciting one. It is what keeps us fully engaged despite the current frustrations of lockdowns and travel restrictions.

Topic 1 – Do we agree with Jeremy Grantham?

"The long, long bull market since 2009 has finally matured into a fully fledged epic bubble. Featuring extreme overvaluation, explosive price increases, frenzied issuance, and hysterical investor behaviour, I believe this event will be recorded as one of the great bubbles of financial history, right along with the South Sea Bubble, 1929, and 2000", Jeremy Grantham.[1]

Some strong words from Jeremy Grantham of GMO about the US stock market may be ringing in many investors' ears as we write in mid-February with stock markets climbing ever higher.

As Asian equity investors it is not our place to dwell on US stock markets. However, the more we look at valuations and current trading patterns there, the more we tend to agree with Mr Grantham's conclusions. With gains accelerating and the extremely high level of participation of retail investors, we do not view current US stock market conditions as healthy.

Are Asian equities in a bubble too?

In his report, Mr Grantham suggests that "value" stocks and emerging markets (of which Asian stock markets now account for 81%) are the safest places to be, relatively speaking. (*A value stock is a security trading at a lower price than what the company's performance may otherwise indicate*).

However, we believe "frothy" (if not outright bubbly) conditions are now broadly prevalent across global stock markets. If the US stock market corrects, Asian markets will not be immune. Particularly given the very high correlations in short-term performance.

But how worried should investors in Asia be?

Let's start with the reassuring charts first. Chart 1 shows a variety of valuation measures, on which Asia doesn't look crazily expensive, particularly on forecast 2021 price-to-earnings (P/E) ratios.

Meanwhile, most markets are offering dividend yields of between 2% and 4%, which perhaps are not to be sniffed at in a zero interest rate environment.

Chart 1: MSCI Asia Pacific Valuations – not cheap, but not crazy

MSCI Asia Pacific universe market valuations

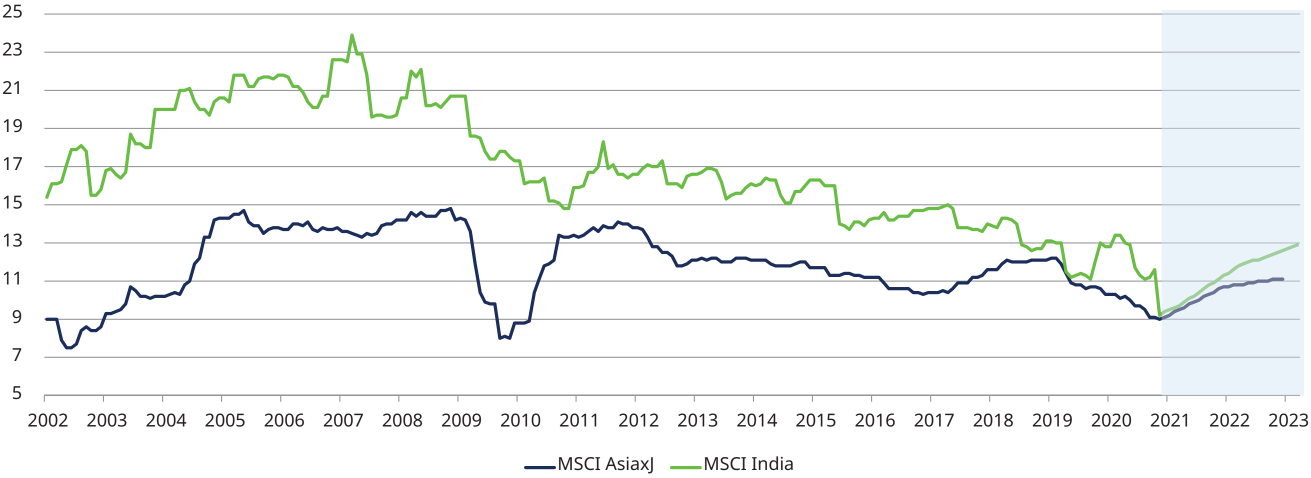
	PE (x)		Earnings growth (%)		PB (x)		Div yield (%)		ROE (%)		Div payout (%)	
	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
Asia Pac ex-Japan	21.1	16.8	(3.3)	26.0	2.0	1.8	2.0	2.3	9.0	10.5	42	38
Japan	23.6	7.2	(8.2)	37.4	1.4	1.3	2.0	2.2	8.4	7.8	48	38
Australia	22.7	20.6	(24.7)	26.0	2.1	2.1	3.0	3.3	8.7	9.5	65	66
China	18.2	15.4	2.6	19.1	2.1	1.9	1.5	1.7	11.7	12.7	26	25
Hong Kong	22.5	17.0	(26.8)	30.9	1.2	1.2	2.6	2.9	5.4	7.0	60	50
India	30.8	22.3	4.1	37.9	3.3	3.0	1.2	1.4	9.7	11.8	38	32
Indonesia	22.9	17.3	(26.5)	31.5	2.5	2.3	2.6	2.7	10.5	13.3	59	44
Korea	19.8	13.9	25.1	43.3	1.3	1.2	1.7	1.8	4.5	6.8	30	23
Malaysia	23.3	14.2	(20.6)	65.0	1.7	1.6	2.5	3.8	9.0	10.5	60	54
Philippines	26.7	18.8	(40.6)	41.4	1.8	1.7	1.6	1.5	7.1	9.4	42	28
Singapore	21.0	14.2	(38.1)	47.4	1.1	1.1	3.4	4.2	5.9	8.1	68	58
Taiwan	20.7	18.3	20.0	13.5	2.6	2.4	2.8	3.2	12.9	13.9	59	58
Thailand	26.6	19.5	(38.6)	36.3	1.8	1.7	2.2	2.7	11.0	15.1	58	53

Note: Based on MSCI index universe. Japan, India: years beginning 1 April. Australia: years ending 30 June. Source: FactSet, I/B/E/S, Jefferies, January 2021. The forecasts included are not guaranteed; they are provided only as at the date of issue and should not be relied upon. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

[1] Waiting for the Last Dance, GMO, January 2021.

Chart 2: A cyclical improvement in prospect

MSCI India and MSCI AC Asia ex-Japan trailing RoE and forecasts for next two years



Source: Factset, Jefferies, January 2021

The forecasts included are not guaranteed; they are provided only as at the date of issue and should not be relied upon. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

Also, as chart 2 shows, although return on equity (RoE) has been under pressure, we should see a good cyclical improvement as the global economy normalises. This should support stock market performance.

These charts are pretty reassuring. However, other signs are more worrying and lead us to think that 2021 could be a challenging year for Asian investors to make significant absolute returns.

Chart 3, for example, shows that on current forecast price earnings multiples (P/E), Asian valuations are now as high as they have ever been in the recent past. This means we really need good earnings growth in 2021 to justify current share prices.

Can Asian profits meet such elevated expectations? Based on history, almost certainly not; brokers' forecasts nearly always disappoint. This is one of the main risks for 2021.

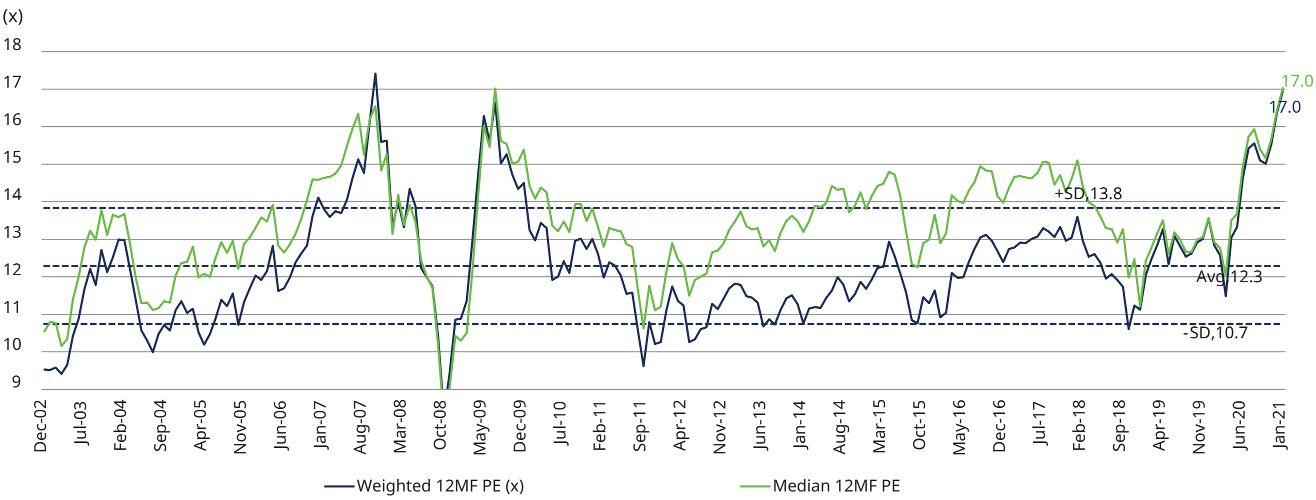
Chart 4 has perhaps the more interesting sector breakdown. The black dots show the current forward P/E ratio (so assuming those nice earnings-per-share numbers come true) for all the key sectors in Asia. The bars have the historic range since 2004.

Of note is that nearly all sectors outside those facing significant, obvious and in some cases terminal, challenges (property, banks, insurance, utilities) are near or at the top of their historic ranges.

Valuations may not be crazy, but they are most definitely expensive versus history. And if earnings don't come

Chart 3: Asian valuations now back to historic highs

MSCI Asia ex-Japan 12MF P/E: Median vs weighted



Notes: Price Earnings data are bottom-up aggregated using rolling MSCI Asia ex-Japan universe. Data as of 31 January 2021. Historical sector valuations are adjusted for GICS (Global Industry Standard) sector classification changes. Source: Datastream, Factset, CLSA, February 2021.

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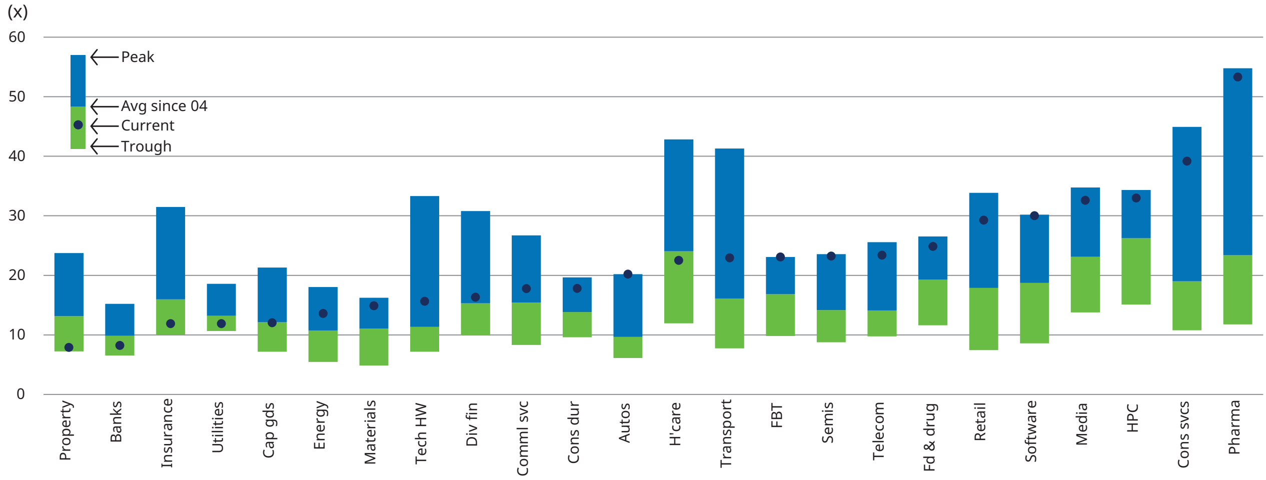
through, we doubt markets in Asia will perform well in the near term.

More anecdotally, similar to in the US, we have seen a very large increase in retail investor participation in stock markets across Asia. Historically this has been a good indicator of market peaks.

What are these retail investors buying? It appears retail money is heavily flowing into thematic Exchange Traded Funds (ETFs) in the region, some of which have seen their assets grow exponentially.

Chart 4: Show me the "value" – gains will be harder from here

MSCI Asia ex-Japan Forward P/E peak-to-trough



Notes: PE data are bottom-up aggregated using rolling MSCI AxJ universe. Data as of 31 January 2021. Historical sector valuations are adjusted for GICS sector classification changes.
Source: Datastream, Factset, CLSA, February 2021.
The sectors shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell

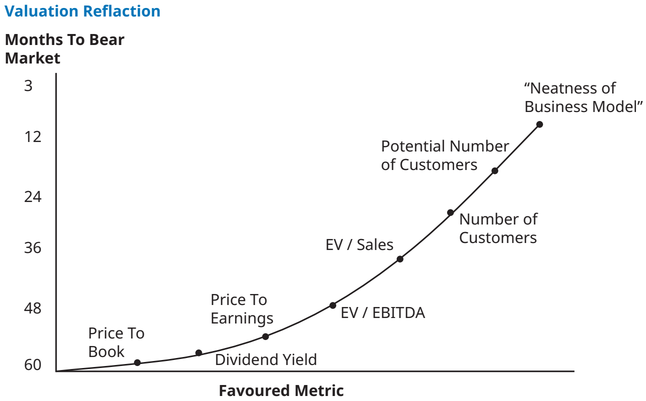
The most popular themes are of course electric vehicles (EV – more on these later), the internet sector, technology, green energy, biotech and so on.

True to form, brokers are now feeding the bubble by coming up with ever more nonsensical price targets based on ever more nonsensical valuation methods to justify further moves in the hottest areas of the market.

This is summed up nicely in the great chart below from David Scott of Chaam Advisors, which we think encapsulates the way the market often works for the "hot" sectors.

We are now indeed moving to the right hand side of the chart, with broker notes on EV stocks in particular now only talking about "potential customers", normally in 2030. Meanwhile, the one we love regarding the "neatness of business model" is that apparently EVs are really software platforms that provide mobility as a service.

Chart 5: David Scott's Valuation Inflation – how the favoured metric determines how close we are to the bear market in a sector



Source: Chaam Advisors, December 2020

Why the BEVI bubble is still a concern

As we've discussed regularly in recent months, the area that concerns us most regarding valuations is in the biotech, electric vehicle and internet (BEVI) sectors.

Our worries to date about the BEVI bubble (https://www.schroders.com/en/uk/tp/markets2/markets/beware-the-bevi-bubble-in-asia/) have proved completely unfounded as most stocks have surged ever higher.

So have we got it wrong?

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We think not. In fact, we would rate the current trading in the EV stocks in Asia as one of the clearest bubbles or manias we have seen in our 30-year investment careers.

Our problem with EVs is not that we do not believe they are better cars than traditional internal combustion engine ones (ICE). Nor do we doubt that we are on the cusp of an inexorable acceleration in EV car sales over the next five to ten years.

Our problem with EVs is that they are all technically very similar. An EV has a fraction of the number of moving parts that a traditional car has.

What does this mean? If an EV is mostly a battery, a motor, and a lot of electronics, then the barriers to entry are low as most of these can be bought off the shelf. An EV doesn't need hundreds of brilliant German engineers to optimise its ICE engine, so your entry barriers to making a good EV are lower.

With barriers to entry relatively low (vs a traditional ICE car), lots of hot money in the sector and a huge numbers of new start-ups, all the classic ingredients are in place for a major price war and shake out. This is very similar to what we have seen in the past in the smartphone and flat panel television market in Asia.

So what does all this mean for the automotive and related stocks in Asia? We think the EV stocks themselves are likely to disappoint and many are expected to fail as the industry will need to consolidate. Sales volumes should be strong as competition and rapid technology improvements lead to better, cheaper products. But the huge number of players making fairly generic products means profits are likely to be thin or non-existent.

Internet stocks are much more interesting and, in Asia's case, more important given they take up around 20% of the main Asian equity index, the MSCI AC Asia ex Japan.

These stocks are amongst the most innovative companies in Asia with genuinely disruptive business models that deliver new and better services to consumers, whether it is e-commerce, music and film streaming, social media, food delivery, ride hailing, travel aggregation and so on.

However, we are now increasingly worried that excessive euphoria is driving many stocks in the sector to bubble-like valuations which leave them vulnerable to very sharp falls if the now-lofty expectations for sales and profits fail to be met.

With brokers continually increasing their revenue and margin forecasts to justify share price moves (remember broker forecasts don't lead but follow share prices upward) we think the scope for disappointment within the sector is significant.

When we look at most internet-related sectors in China they seem to be getting more competitive, not less. Also, new formats like live streaming e-commerce look set to potentially disrupt more traditional e-commerce channels.

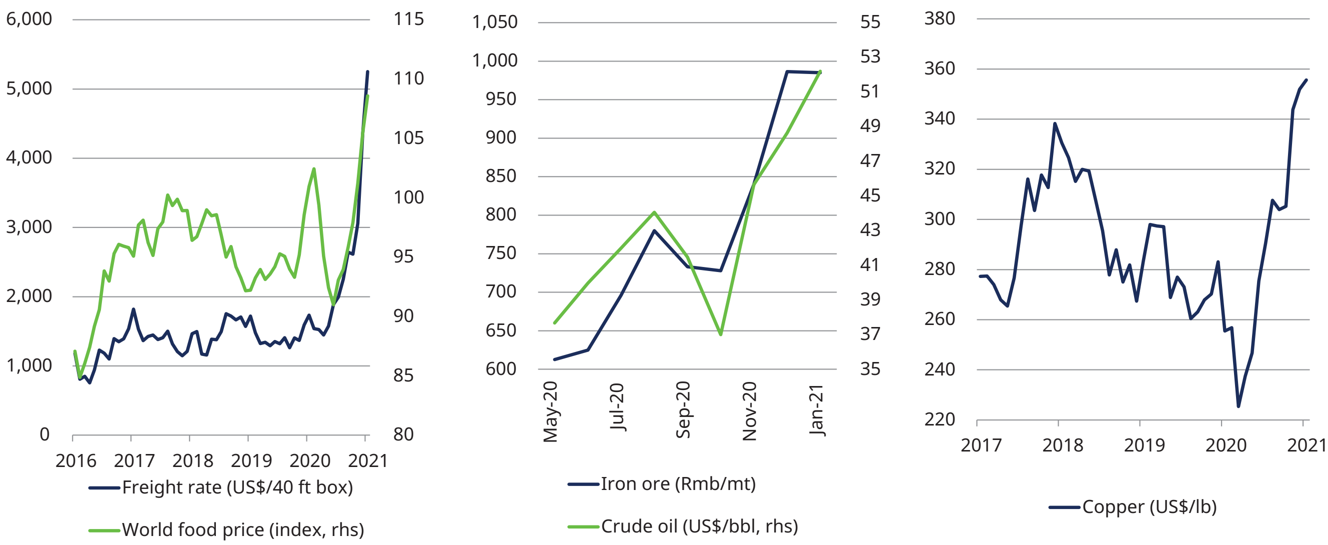
With rapid disruption, lots of competition, vast arrays of new disruptive services and a now relatively well penetrated e-commerce sector (latest consensus estimates are that e-commerce is now over 35% of total retail sales in China) we don't believe this is a case of everyone's a winner.

So going back to the first question: are Asian markets a bubble?

We would say in aggregate they are not – we can still find things we want to buy in some sectors, particularly in the semiconductor and tech hardware sectors.

But bubble-like conditions clearly are prevalent in a large and growing part of our Asian investment universe (and c.30% of Asian indices by market cap), so we need to tread carefully and be aware of the risks as we discuss in the next section.

Chart 6: Signs of soaring prices are emerging



Source: Bloomberg, Schroders, February 2021

Strategic Report

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Topic 2: The Return of Inflation (or not)

One of the most topical questions on investors' minds today is whether inflation is set to return after a three-decades-long absence. A judgement on this should be a key driver of investment strategies going forward. So where do your Portfolio Managers stand on this? The answer is likely to depend on the time horizon that one is looking at.

Certainly in the short-term, with the vaccine being increasingly rolled out globally, we think we are likely to see a temporary return of inflation. The anecdotal signs are already emerging: copper prices reaching eight-year highs, freight rates soaring worldwide, component shortages for IT hardware, global food prices surging to their highest level since 2015, and continually rising energy prices. These symptoms have, in our experience, always led to higher inflation, and there is no reason to believe that it will be different this time. In fact, an increase in inflation is almost necessary in order to balance the pent-up reopening demand with the disrupted supply chain.

Whether this short-term inflation persists into the long-term should however depend on a myriad of factors, in particular the reaction of policymakers.

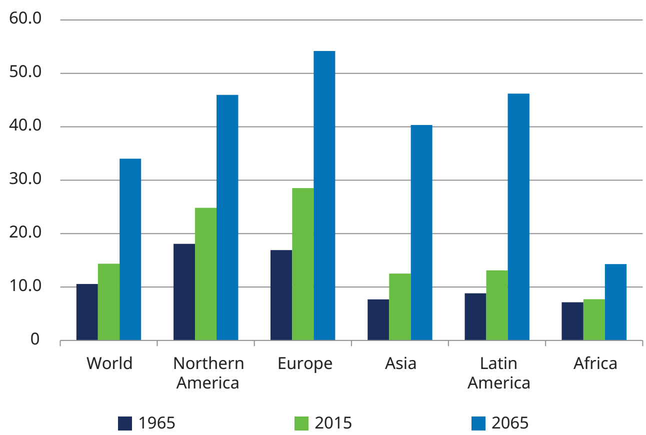
Regular readers of our materials will be familiar with your Portfolio Managers' arguments for a deflationary world for a good part of the decade preceding this pandemic. Our reasons are surmised as the four Ds, namely demographics, disruption, disparity in income and deleveraging. Your Portfolio Managers are not going to torture readers with an umpteenth rendition of what the four Ds mean. However, it is worth noting that of the four forces, we have always viewed disruption and deleveraging as the two most powerful factors driving deflation – and neither of these has gone away.

However new long-term factors could now change our structurally deflationary thesis. Rising trade tensions generally but particularly between China and the USA are likely to lead to a de-globalisation of supply chains. This started during Donald Trump's term in the White House and looks set to continue and possibly accelerate post the pandemic. The Chinese are unlikely to allow themselves to be subjected to the whims of the US government for their semiconductor supplies over the long-term, just as most countries are unlikely to expose themselves to the supply instability of key medical items such as respirators and PPE again. The localisation of production of those goods

Chart 7: The 4 Ds driving deflation

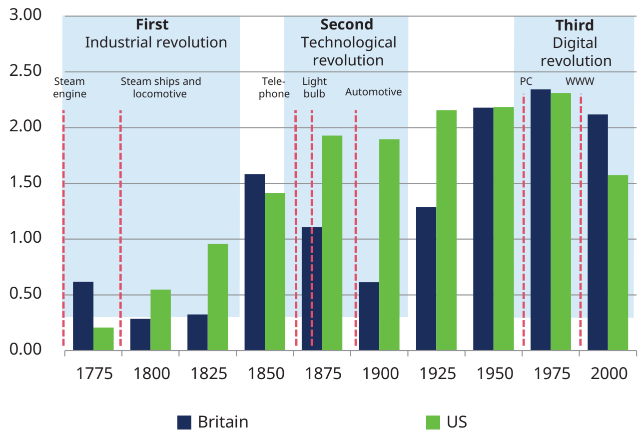
Demographics: Aging population and shrinking working-age group is deflationary

Old-age dependency ratio (ratio of population aged 65+ per 100 aged 20–64, %)



Disruption: GDP slows, not accelerates, during Industrial Revolution. Tech disruption is a threat to all workers

GDP per capita, average annual % change over 25-year periods



Source: United Nations, Maddison Project, The Economist
The regions shown are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

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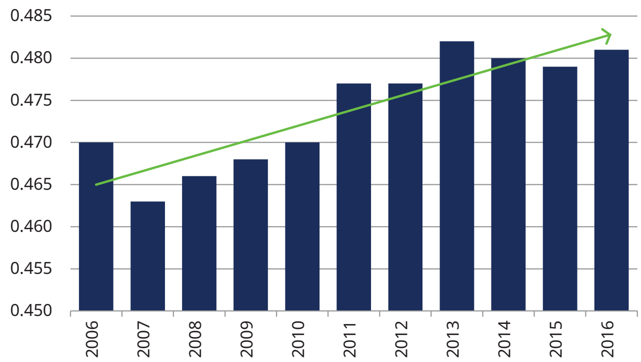
Disparity in income: High income earners save more. Income inequality means higher savings

Income Gini ratio for households by race of householder, all races, ratio, annual, not seasonally adjusted



Debt and (not much) deleveraging: Almost all parts of economies now have higher leverage than before Global Financial Crisis

Sovereign and nonfinancial private sector debt-to-GDP ratio (%)

	Households		Non-financial		General		Total	
	2006	2016	2006	2016	2006	2016	2006	2016
Advanced economies								
JPN	59	57	100	92	184	239	**343**	**388**
CAN	74	101	76	102	70	92	**221**	**295**
USA	96	79	65	72	64	107	**225**	**259**
GBR	90	88	79	73	41	89	**210**	**250**
ITA	36	42	67	71	103	133	**205**	**246**
AUS	105	123	73	79	10	41	**187**	**243**
KOR	70	93	83	100	29	38	**183**	**232**
FRA	44	57	56	72	64	96	**164**	**226**
DEU	65	53	49	46	66	68	**180**	**168**
Emerging economies								
CHN	11	44	105	165	25	44	**142**	**254**
BRA	14	23	39	44	66	78	**118**	**145**
IND	10	10	38	45	77	70	**125**	**125**
ZAF	39	35	33	37	31	52	**104**	**124**
TUR	9	18	27	67	45	28	**81**	**113**
MEX	12	16	14	28	38	58	**64**	**103**
RUS	8	16	32	52	10	16	**49**	**84**
SAU	12	15	28	50	26	13	**66**	**78**
ARG	4	6	20	12	70	54	**93**	**73**
IDN	11	17	14	23	36	28	**61**	**68**

Source: Federal Reserve of St Louis; IMF Global Financial Stability Report October 2017.
The regions shown are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

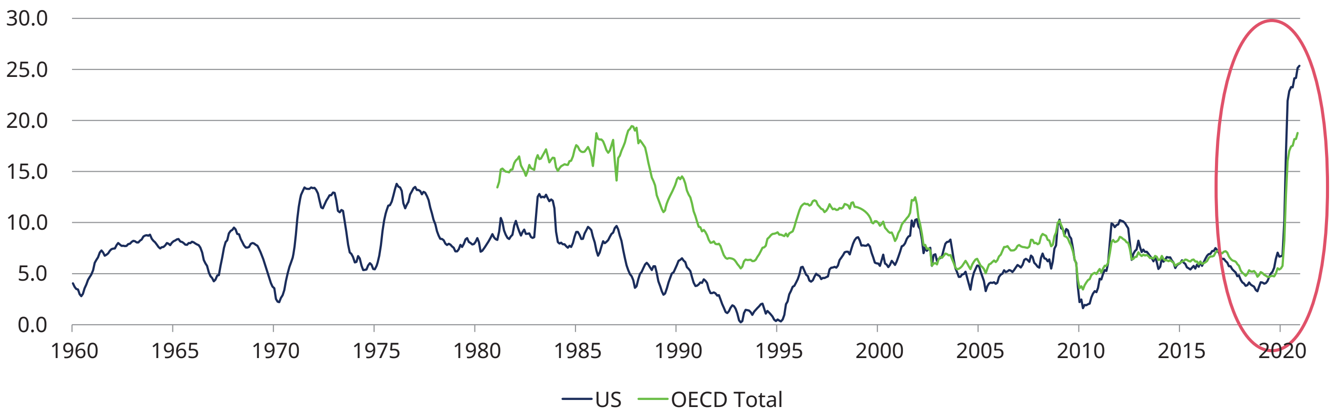
considered by politicians to be "essential" will necessarily be inflationary for at least those goods concerned and are expected to add to the overall price pressures.

Meanwhile, the pandemic has also provided policymakers an opportunity to repair a key mechanism that had prevented the massive central bank balance sheet expansions over the last decade from being transmitted to the real economy. That mechanism is the broken credit multiplier that had resulted because commercial banks were reluctant to expand bank credit amid an environment of rising indebtedness. With governments now taking over the reins of money creation and offering credit guarantees to commercial banks, the new "fountain pen" money is already finding its way into not just base money growth but broad money supply increases as well. If "inflation is (truly) always and everywhere a monetary phenomenon" as posited by Milton Friedman, then higher prices are set to follow.

Whether these inflationary pressures from de-globalisation and fountain pen money are sufficient to offset the disinflationary effects of disruption and deleveraging will hinge critically on the responses of central bankers and policymakers.

Chart 8: Fountain pen money is now finding its way into broad money supply growth

Broad money supply (M3 y/y % change)



Source: Factset, Schroders, January 2021

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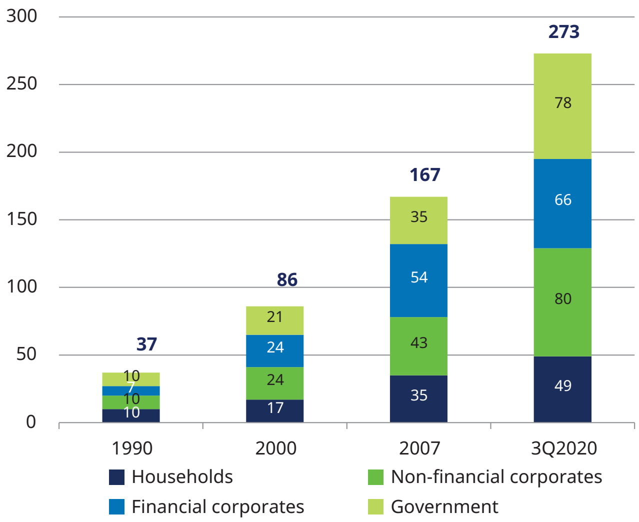
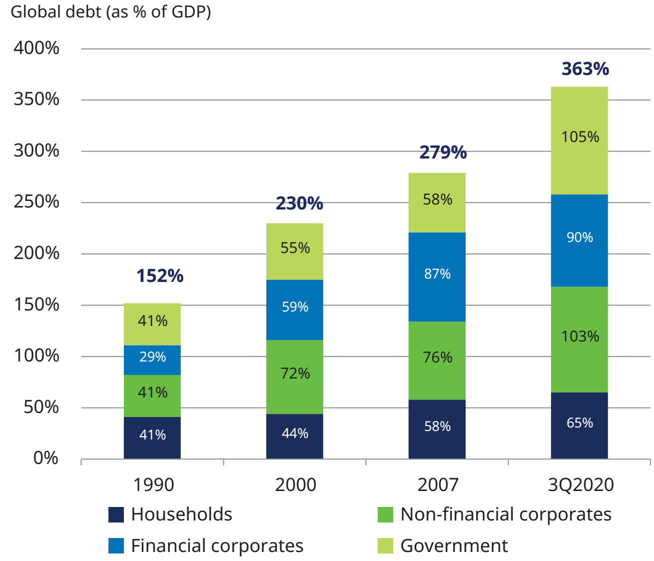
For governments and policymakers, the return of inflation will be a test of their political resolve in keeping to fiscal and budgetary responsibilities. This however requires them to unwind their stimulus efforts at the same time as economic recovery takes hold, which will likely prove unpalatable to the general public. Saddled with a mountain of public debt, governments might instead prefer to see a return of inflation in order to shrink the real value of their debt and ease budget strain.

Chart 9: Governments might prefer inflating away the massive public debt burden





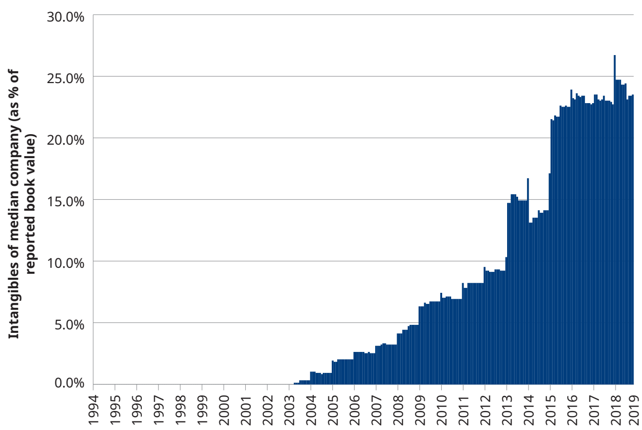
Source: IIF, Macquarie Research, November 2020

The long-term evolution of inflation will hinge critically on how these two policy reactions interact.

For now, we view inflation as a significant near-term downside risk to stock market returns this year. Taper tantrums appear increasingly likely as the world normalises and potential pent-up demand, particularly for services, feeds through. Early indications of shortages and logistical challenges in the semiconductor and goods sector do suggest that pressures are mounting. For those "growth" themed stocks that have skyrocketed on the back of central bank largesse and retail fervour, the risk of rising inflation and interest rate worries leaves this part of the market particularly vulnerable. This also means that those "value" stocks that have mostly lagged the market over the last few years should continue to see spurts of outperformance.

Longer-term, whether inflation becomes more permanent will depend on whether monetary and fiscal policies confluence into a Modern Monetary Theory (MMT)-type union which, when combined with an end of globalisation, may well overwhelm the deflationary forces (4 Ds) that have been so prevalent since the Global Financial Crisis.

Chart 10: Intangible investment has been growing rapidly over the last fifteen years, and is set to become more important going forward



Source: Factset, Schroders, 2020

Topic 3: The rise of intangibles

Over the last decade, a structural trend has been playing out which your Portfolio Managers believe should massively transform the way business models operate, and significantly alter the way investors should analyse and invest in companies. That trend is the Rise of Intangibles.

Intangible assets are essentially "identifiable, non-monetary assets without physical substance." Examples of these include things like brands, patents, copyrights, and innovative products. Intangible assets, like tangible assets, generate future economic benefits for businesses. However,

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they possess very different economic characteristics which means that businesses with mostly intangible assets often behave very differently from the ones with lots of tangible assets. Economists Jonathan Haskel and Stian Westlake coined the term the "four Ss" to describe these distinctive characteristics of intangibles.

The 4 Ss of Intangibles

The first S stands for *scalability*. Unlike tangible assets which can only be used by one person at any time, intangible assets are highly scalable as they can be used repeatedly and simultaneously without constraint or decay. This is perhaps one of the most important features of intangibles because powerful network effects fuel scalability. The more people who use a company's services, the more useful these services then are to other users. This increasing returns to scale also means that the bigger they get, the cheaper it becomes to serve another customer. This scalability of knowledge has been vital to the success of companies like Google, Alibaba, and Facebook, and helps create barriers to potential competition. The result is therefore a winner-takes-all landscape in which the dominant player is miles ahead of the second-best firm. An eventual winner-takes-all outcome explains why a number of these intangible-heavy companies could stay loss-making for years as they continually plow their cash flow into ever more intangibles creation in a bid to be the last man standing. The scalability of intangibles also means that mean reversion, a key tenet to value investing , may have become much less likely. After all, the economic reasoning behind mean reversion is the belief that supernormal profits attract new entrants who then compete those profits away, while subnormal profits see competition exiting the market and hence restoring normal profits. While this is true when businesses are mostly driven by tangible assets, it is unlikely to be so when intangibles are increasingly the name of the game.

The second S stands for *sunkenness*. Sunkenness refers to the fact that the expenses incurred in creating an intangible asset is often sunk and irrecoverable. Unlike physical assets which usually have some second-hand value, intangible assets, unless they are brands or patents, are typically not easily transferred and are difficult to liquidate. After all, how does one sell one's corporate culture, or a set of relationships with customers and suppliers? This creates a problem for companies looking to debt-finance investments in intangible assets, as banks are more likely to balk at the lack of collateral available for lender liquidation. Without sufficient internally generated cash, this leaves equity issuance as their only major financing channel.

The third S refers to *spillovers*. These effects are generated by intangible investments because, unless protected by patents and copyrights, business and product ideas are often relatively easy to copy. This means that companies may be unwilling to invest in intangibles if they are unsure that they will retain the benefits of their investments. This however creates a problem for "Value" stocks who are facing declining profitability from disruption and new competition. Their reluctance to invest in R&D, marketing etc actually ends up keeping them mired in that low-value bracket, rendering them as value traps.

The last S refers to *synergies* which are important because ideas and their counterparts often work well together, and multiply in value when combined. Intangible assets therefore generate more synergies than their tangible cousins, with much of that intangible synergy being driven by open innovation.

The confluence of the four Ss ultimately means that there is greater *uncertainty* in the value of intangible investments. This also means that strong qualitative judgement becomes key in identifying the winners and losers.

Perhaps the best illustration of the importance of intangibles can be found in Techtronics and Stanley Black & Decker. Power tool manufacturer Techtronics has been one of the investment trust's best performing long-term holdings. At first glance, the lack of operating leverage in the company is intriguing. While revenues of the company have been growing rapidly over the last few years, its R&D and SG&A expenses (as a proportion of sales) have expanded as well. Meanwhile its competitor Stanley Black & Decker has seen its proportion of R&D spend decline as sales grew, a feature that investors accustomed to analyzing companies with lots of tangible assets have come to expect. In reality, what Techtronics has been doing is to relentlessly invest in intangibles. This has allowed the company to continually roll out ever more powerful tools that can take full advantage of the massive improvements in batteries, motors and integration software. The result is significant market share gains for Techtronics versus Stanley Black & Decker, and superb share price outperformance to boot.

Implications for equity investors

So what does this all mean for us as equity investors?

1. Scrutinise how companies are investing, especially in intangibles. Are they sacrificing long-term profits for short-term returns by under-investing in intangibles?
2. Where companies are investing heavily in intangibles, we should accept that uncertainty is part of the game. Instead of pursuing quick investment paybacks (or pushing for loss-making companies to quickly get into the black), we should instead be asking ourselves whether we believe in what they are doing. If so, our price targets should reflect that potential long-term value creation rather than the short-term profitability.
3. Greater uncertainty in the value of intangible investments also means that it is important to spend as much time exploring the range of fair value outcomes as it is in figuring out the fair value of a stock under a base-case scenario.
4. Be mindful that for some "value" companies, the pace of mean reversion may have significantly slowed down, if not halted. For certain "value" sectors such as traditional retailers who are challenged by e-commerce, large fossil fuel companies who are facing headwinds from renewable energy and shale technology, or legacy financials who are threatened by customer-friendly fintech startups boasting slick mobile interfaces and innate online instincts, it means that they may remain trapped as value for years to come.

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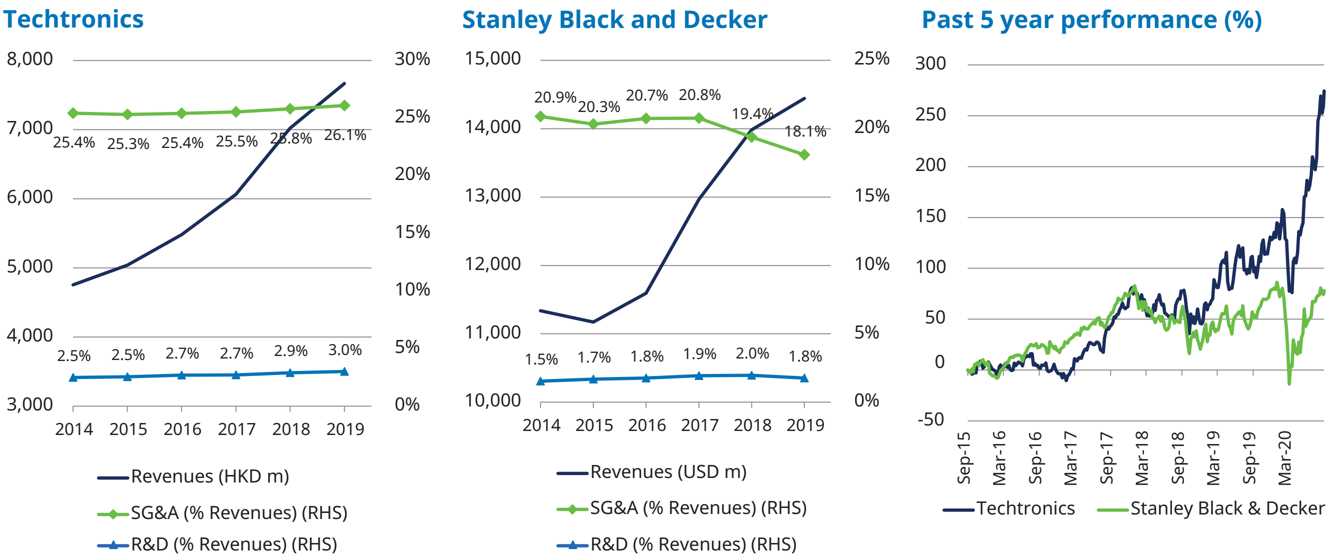
Chart 11: Why Intangibles Matter – Why Techtronics remains a top 10 holding in the Company despite the significant rerating in the stock



Source: Bloomberg, Factset, September 2020. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

5. The lack of mean reversion and the *scalability* of intangibles, when turbo-charged by *synergies*, also means that companies who are currently growing rapidly may not see a fade in their growth rates until much later.
6. The winner-takes-all nature of intangibles-driven industries should see the lion share of the benefits accrue to the dominant player. It can be argued that in some sectors today, we are already seeing every player being valued as that dominant player. One will prove to be true, which leaves shareholders in the rest at risk of ending with little or nothing. Superior qualitative judgement will be key in identifying that one eventual winner.
7. Not all intangibles are equal, and not all of them will reside in the internet, e-commerce and biotechnology industries. Even in old-economy sectors, there can be intangible-rich companies such as Techtronics in power tools.

Topic 4 – So how is the Company Positioned?

A brief summary of the current country and sector positioning of the Company was outlined in Part 1 of this report. In Chart 12 we highlight some of the key secular trends we have exposure to via the companies the Company is invested in.

Going back to Table 1 at the very beginning of the report we have circled in red a few of the areas which we think are of most interest to clients. Sector-wise the Company is significantly invested in consumer areas (but not staples), and is also heavily weighted in the information technology sector (in particular semiconductors in Taiwan and Korea). Lastly we thought it worth noting the combined HK/China country weighting within the Company is almost 40%. This weighting is actually down from a peak of over 50% early in 2020, so perhaps it is worth discussing how we see the current balance of risks in China versus the long-term investment opportunities.

As we discussed previously the fall in the Company's weighting in Chinese stocks is principally due to a reduction in our exposure to Chinese internet names. However we are also concerned that the market is choosing to gloss over some of the macro risks in China. Firstly as we have highlighted in past reports, Chinese debt levels are high in absolute terms and relative to comparable countries at similar stage of economic development. As Chart 13 shows, having stabilised from 2017-2019 after a very sharp rise in indebtedness post the Global Financial Crisis (GFC) in 2008, debt levels jumped again in 2020 on the back of COVID stimulus measures.

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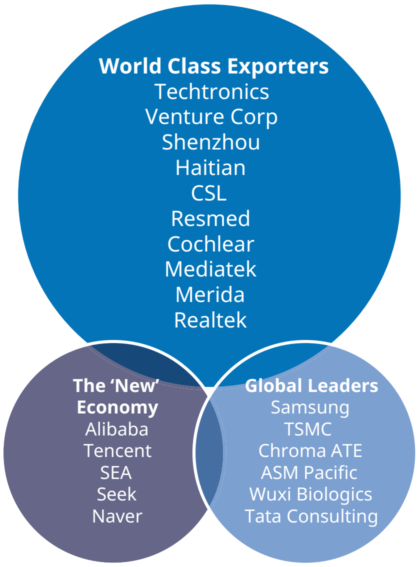
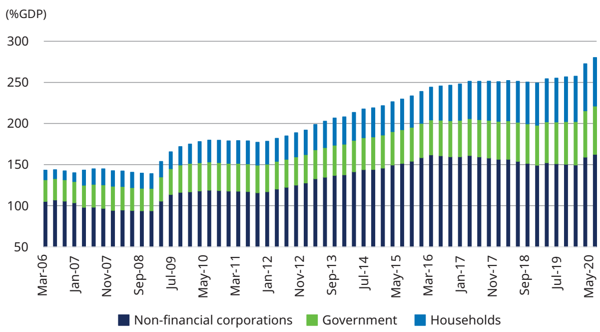
Chart 12: What do we like: key investment themes

Tech leadership and innovation, Chinese upgrading, Indian finance, Sensible Capital Management



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

Chart 13: China non-financial sector debt as % of GDP



Source: BIS, Jefferies, January 2021

The rapid increase in Chinese debt levels post the Global Financial Crisis was primarily to fund state driven infrastructure and property projects, often with questionable return profiles. We therefore continue to suspect there are significant unrealised bad debts in the banking system and that a substantial level of ever greening of loans is taking place. This is why the Chinese banks remain an unattractive investment proposition (even before we start talking about disruption from internet banks). It is also why the state owned sector generally continues to make very poor returns as investment decisions are not based on commercial considerations but the greater good or perhaps in China's case the "greater glory". We expect China's economic growth rate to slow from here as investment rates fall if, on the other hand, debt driven investment continues the risk of more serious financial problems in the future will rise.

The second key risk we see in China is a continuing deterioration in US-China relations and an escalation of commercial tensions. We worry that a combination of China's increasingly assertive stance in its relations with many Western countries will enable a more "diplomatic" Biden-led administration to build a cohesive coalition and coherent set of policies when dealing with China. For liberal, outward looking investors like your Portfolio Managers we find this both sad and concerning.

What could this mean in practice for investors? We expect broad and increasing restrictions on Chinese access to US/Western technology, and of course much less academic sharing of materials and overseas study. Increasingly in many technology areas there is likely to be a China bloc and a Western block and neither will want to be reliant on the other for critical supply of technology and materials (whether that is intellectual property or physical goods). This does have implications for investment and we are cautious on Chinese companies, particularly technology ones, where the investment case is based on a significant growth in sales to Western markets.

So what do we hold in China and why does the Company have around 40% of its assets directly or indirectly (via Hong Kong) invested there? Despite the risks, private sector Chinese stocks are the most dynamic and interesting part of the Asian investment universe. Urban China is the fastest changing society we visit (or sadly as stands today, used to visit!) – both physically in terms of infrastructure, buildings etc. but more importantly socially with a relatively young, dynamic and increasingly well educated population who embrace new technology at an often frightening pace. Despite some Western perceptions of China as an oppressive, highly controlled state, any visitor will instead

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notice how vibrant, dynamic and rapidly moving society there is – this makes it fascinating for the investor.

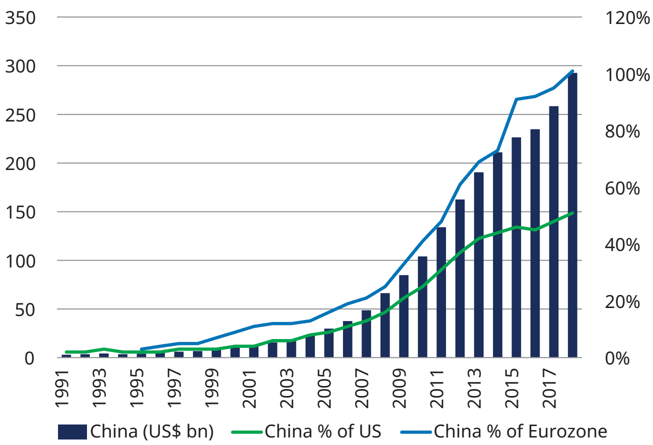
As Chart 12 at the beginning of this section highlights one of the key areas of focus for the Company is the upgrading of Chinese consumption and services. We remain focussed on this as we see investment in China moving increasingly to services and intangible areas and away from capital goods. China is a global research and development powerhouse (Chart 14), and as investment in this and intangibles grows we continue to see the best Chinese companies rapidly improving product quality and levels of innovation.

Going back to Chart 12 it is perhaps worth noting the Company has relatively little exposure to ASEAN stock markets and rising middle class/consumption plays in Asia outside of China. Why is this given for many this is the prime reason to invest in the region?

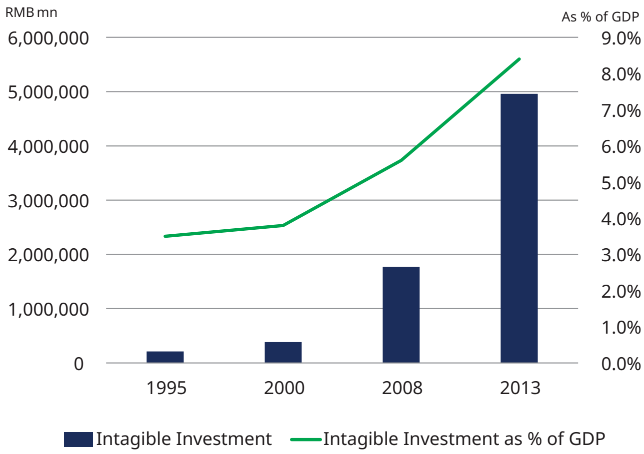
Chart 15 is a chart we often use to debunk some of the myths of investing in Asia and Emerging Markets. There is no historic correlation between per capita growth rates and starting income levels. And low/middle income countries "catching up" with rich countries is not the norm – in 2018 more countries were falling behind the US (in terms of GDP per capita) than catching up. Given this there is no reason to believe it is inevitable most emerging market countries are suddenly going to have a rapidly rising middle class.

Chart 14: Why we are still positive on Chinese upgrading of consumption and products

China – R&D Spending (US$ bn) (% of US & Euro)[1]

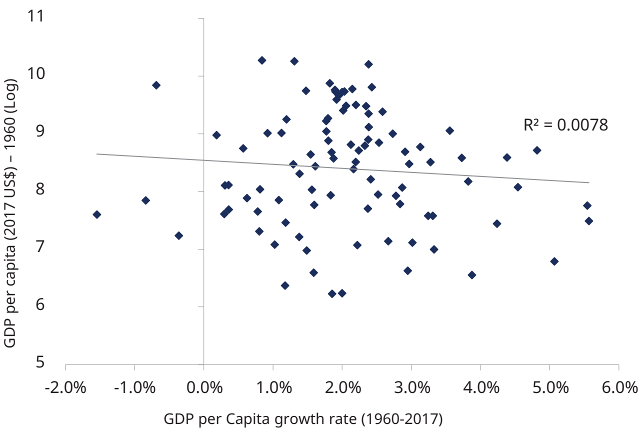


China – Intangible asset (Rmbm) (% GDP)[2]



[1]Source: OECD, Macquarie Research, September 2019. [2]Source: Wu, Hao (2018) Intangible Investment by Industry in China, CEIC, Macquarie Research, September 2019

Chart 15: No convergence – per capita growth rates do not correlate with starting income levels



Source: World Bank, Macquarie Research, September 2020

Portfolio Managers' Review

Instead to get a rising middle class and consumption upgrading you need productivity growth. This requires at least some of the following: improving education levels, infrastructure, legal frameworks, ease of doing business, property rights, stable tax system, etc. etc. When we look at progress in many of these areas we see the emerging ASEAN countries struggling (Chart 16 and Chart 17), which is why we think places like Thailand and Malaysia risk falling into middle income traps, whilst Philippines and Indonesia face major challenges if they want growth to accelerate from current levels.

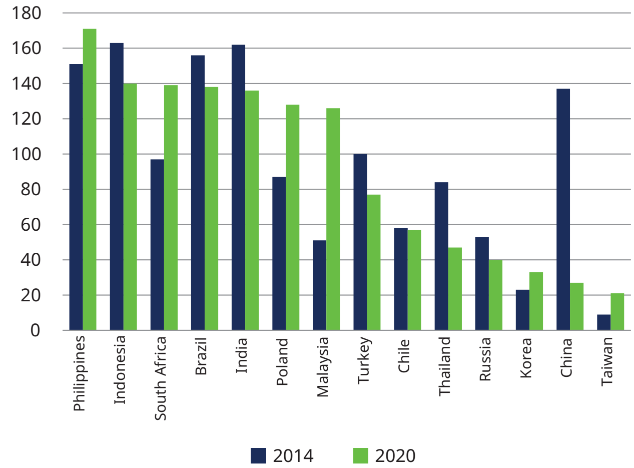
Strategic Report

Chart 16: Why ASEAN is stuck in a middle income trap

Corruption Perception Index (higher score is better)[1]

	2012	2014	2016	2018
Germany	79	79	81	80
UK	74	78	81	80
Japan	74	76	72	73
France	71	69	69	72
US	73	74	74	71
Taiwan	61	61	61	63
Korea	56	55	53	57
Malaysia	49	52	49	47
South Africa	43	44	45	43
India	36	38	40	41
Turkey	49	45	41	41
China	39	36	40	39
Indonesia	**32**	**44**	**37**	**38**
Thailand	37	38	35	36
Philippines	**34**	**38**	**35**	**36**
Brazil	43	43	40	35
Vietnam	31	31	33	33
Russia	28	27	29	28

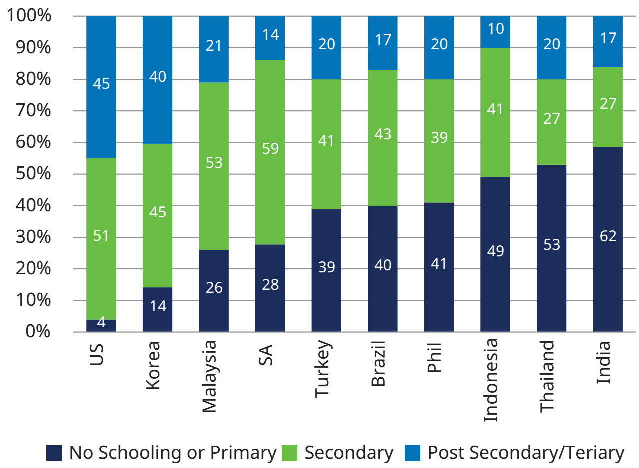
Ease of Starting Business rank – remains very tough to start new business in ASEAN countries but easier in China[2]



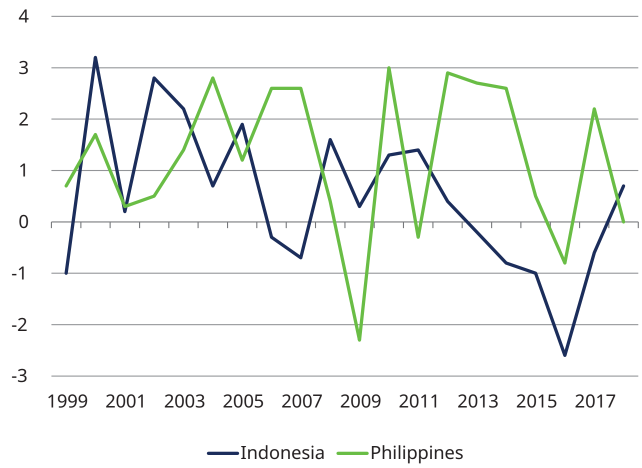
[1]Source: TI, Macquarie Research, September 2019. [2]Source: Source: World Bank, Macquarie Research, January 2020

Chart 17: What are the consequences of serious educational failings – poor productivity and income growth

Adult Education Attainment (25 years & above) 2018[1]



Indonesia & Philippines Total Factor Productivity Growth Rates (%)[2]



[1]Source: ILO, Macquarie Research, September 2019. [2]Source: TED, Macquarie Research, September 2019

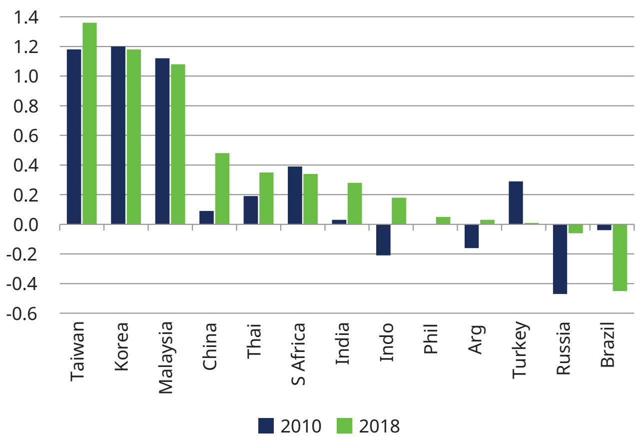
Portfolio Managers' Review

What about India – surely we are more upbeat here? We are indeed at a macro level more positive on India relative to ASEAN. For all the questionable aspects of Mr Modi's policies (it is very much two step forwards, one step backwards – on a good day) there does appear to be progress on the infrastructure side and legal frameworks (bankruptcy codes etc). As Chart 18 from Macquarie shows from a low base we are at least moving in the right direction.

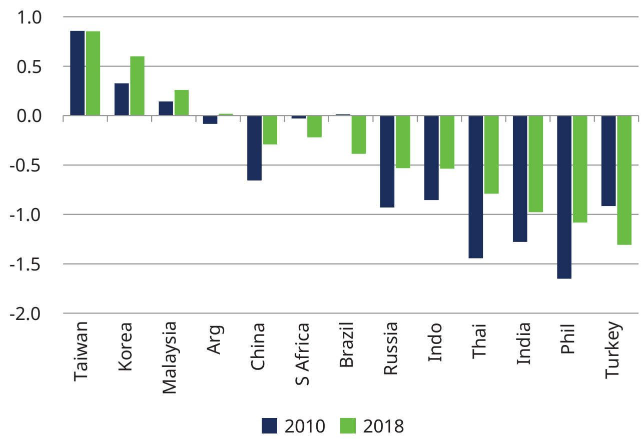
The improved policy framework, combined perhaps with a desire from exporters to diversify manufacturing bases, has seen foreign direct investment (FDI) into India finally pick up (Chart 19). What is also quite interesting is that much of the pick up in FDI is going into digital areas. With a young population, now thanks to Reliance/Jio connected to the internet, the scope for India to grow by adopting new technology and taking out wasteful middlemen is huge given the low starting base.

Chart 18: India – Room for improvement but at least we are going in right direction

Government Effectiveness – modest improvement



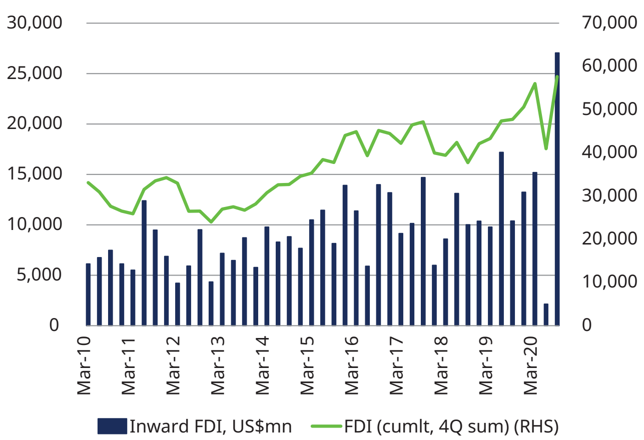
Political Stability & Lack of Violence – remains poor



Source: WGI, Macquarie Research, September 2020

Chart 19: India FDI picking up – particularly in the digital space where the scope for transformation is large

India – Gross FDI (US$ m)[1]



India – Recent Major Foreign Acquisitions (US$ m)[2]

Announce Date	Target Name	Acquirer Name	Announced Total Value (USD mn)
Jul 20	Reliance	Amazon	20,000
May 18	Flipkart Online Services	Walmart	16,000
Apr 20	Reliance	Facebook	5,700
Jul 20	Reliance	Alphabet	4,490
Jun 20	Bharti Airtel	Amazon.com	2,000
May 20	Reliance	KKR	1,500
Jun 20	Reliance	Vista	1,500
Jun 20	Reliance	Silverlake	1,348
Jun 20	Reliance	General Atlantic	870
Jun 20	Reliance	TPG	598

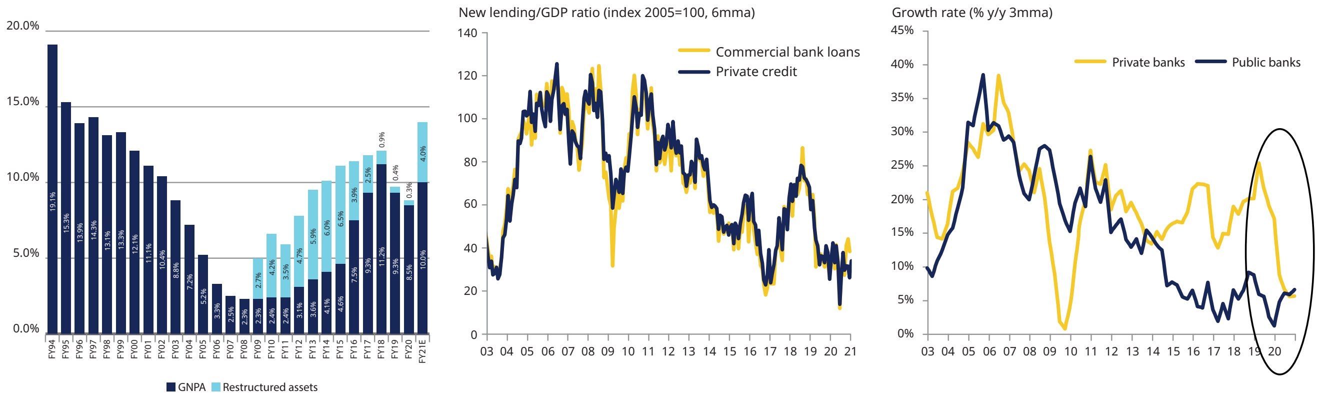
[1]Source: CEIC; Macquarie Research, September 2020. [2]Source: Bloomberg; Macquarie Research, September 2020; Amazon transaction is yet to be confirmed and completed.

Portfolio Managers' Review

This is all good news, but there are headwinds. The state bank sector remains saddled with bad debts, and it is still unclear how much of the restructured assets will relapse.

As can be seen from Chart 20 the post COVID credit hangover looks significant and could hold back investment and growth in India near term.

Chart 20: The key issue remains the banking system – are many banks in a position to extend credit? GDP growth may disappoint.



[1]Source: RBI, Macquarie Research, September 2020. [2]Source: CEIC, Emerging Advisors Group, November 2020

So putting this all together – we are more upbeat on India than many other stock markets in Asia. There are some excellent companies bottom up in India and policy is hopefully gradually moving in the right direction. We have added slightly to weightings in India over the last 12 months – principally to Indian IT software plays like Infosys and TCS and also to private sector banks (which in this instance we view as the disruptors in the sector). We also have a small exposure to internet play Infoedge. We are likely to use any stock market dips to add to India but are happy to do so cautiously – valuations are high and the consumer stocks in particular we think may disappoint as rising input costs are expected to be a headwind for margins.

The other large area of exposure within the Company and one we have significantly raised over the course of the last 12 months is our information technology exposure. Clients should note in this instance we are principally referring to semiconductor stocks. These stocks, along with our internet names, were by far the biggest contributors to the absolute performance of the Company in 2020. Unlike internet names we have not taken profits on our semiconductor stocks but instead have decided to maintain and in some cases add to exposures.

Why do we remain positive? This comes down to two factors. Firstly valuations for Asian semiconductor stocks remain relatively "sensible" especially when compared with US peers and secondly we believe the actual outlook for our companies has structurally improved in our new post COVID world. The upgrading of technology has been accelerated by COVID and the rapid changes and disruption we already expected should now be larger. In a nutshell, versus 12 months ago we think the investment thesis has changed and improved for many of these stocks and thus our fair values have materially moved up.

Congratulations to anyone who has managed to read the whole report – it ended up much longer and more verbose than your Portfolio Managers expected. Perhaps given the incredible events over the last 12 months this is not altogether surprising!

Robin Parbrook/Lee King Fuei

24 March 2021

Investment Portfolio as at 31 December 2020

Investments are classified by the investment manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 58.9% (2019: 61.1%) of total investments and derivative financial instruments. The largest investment, Samsung Electronics, represents 8.2% of total investments (2019: Alibaba, 5.7%).

	£'000	%
Mainland China		
Tencent Holdings[1]	**30,145**	**5.9**
Alibaba[1] (including ADR[2])	**17,233**	**3.4**
Midea Group (UBS) 29/05/21[3]	**11,270**	**2.2**
Ping An Insurance[1]	**11,265**	**2.2**
New Oriental Education and Technology[1] (including ADR[2])	**10,921**	**2.1**
Shenzhou International Group[1]	**8,266**	**1.6**
WuXi Biologics[1]	7,877	1.5
Hutchison China MediTech (ADR)[2]	7,790	1.5
Haitian International Holdings[1]	5,993	1.2
Yum China[1 & 2]	5,179	1.1
51 Jobs (ADR)[2]	2,700	0.5
Total Mainland China	**118,639**	**23.2**
Taiwan		
Taiwan Semicon Manufacturing	**41,622**	**8.1**
Mediatek	**11,864**	**2.3**
Voltronic Power Technology	**10,562**	**2.1**
Advantech	6,796	1.3
Chroma ATE	6,386	1.2
Vanguard International Semicon	5,690	1.1
Getac Technology	5,012	1.0
Realtek Semiconductor	3,360	0.7
Sporton International	3,145	0.6
Merida Industry	1,886	0.4
Total Taiwan	**96,323**	**18.8**

	£'000	%
Hong Kong (SAR)		
Techtronic Industries	**15,501**	**3.0**
AIA	**12,570**	**2.4**
Galaxy Entertainment	**10,329**	**2.0**
Kerry Logistics Network	**7,915**	**1.5**
Hong Kong Television Network	7,754	1.5
Swire Properties	6,799	1.3
ASM Pacific Technology	6,020	1.2
Hang Lung	5,761	1.1
Hong Kong Exchanges and Clearing	5,698	1.1
Swire Pacific	4,703	0.9
Johnson Electric Holdings	2,529	0.5
Pacific Textiles Holdings	1,983	0.4
Dah Sing Banking	1,036	0.2
Convenience Retail Asia	212	–
Total Hong Kong (SAR)	**88,810**	**17.1**
Australia		
BHP Billiton	**13,515**	**2.6**
CSL	7,628	1.5
Medibank Private	6,510	1.3
Aristocrat Leisure	6,498	1.3
Seek	6,092	1.2
Crown	5,823	1.1
ResMed	5,813	1.1
Incitet Pivot	3,414	0.7
Cochlear	3,312	0.6
Orica	3,001	0.6
Brambles	2,478	0.5
Total Australia	**64,084**	**12.5**
South Korea		
Samsung Electronics	**42,011**	**8.2**
Naver	**9,496**	**1.8**
SK Hynix	7,577	1.5
Total South Korea	**59,084**	**11.5**

Investment Portfolio as at 31 December 2020

	£'000	%
Singapore		
Mapletree Commercial Trust	**8,983**	**1.7**
Sea (ADR)[2]	**8,077**	**1.6**
Venture	6,526	1.3
DBS	6,195	1.2
SATS	1,235	0.2
Total Singapore	**31,016**	**6.0**
India		
Schroder International Selection Fund – Indian Opportunities[4]	**11,026**	**2.1**
HDFC Bank (ADR)[2]	**10,789**	**2.1**
Infosys (ADR)[2]	7,406	1.4
Total India	**29,221**	**5.6**
France		
LVMH	6,998	1.4
Total France	**6,998**	**1.4**
United Kingdom		
Rio Tinto	6,987	1.4
Total United Kingdom	**6,987**	**1.4**
Germany		
Adidas	6,733	1.3
Total Germany	**6,733**	**1.3**
Vietnam		
Vietnam Dairy Products	5,770	1.1
Total Vietnam	**5,770**	**1.1**
Indonesia		
Sumber Alfaria Trijaya	6	–
Total Indonesia	**6**	**–**
Philippines		
Wilcon	–	–
Total Philippines	**–**	**–**
Total Investments[5]	**513,671**	**99.9**

	£'000	%
Derivative Financial Instruments		
Index Put Options		
Hong Kong Hang Seng Index Put Option 26400 January 2021	70	–
Hong Kong Hang Seng Index Put Option 26600 February 2021	158	–
Hong Kong Hang Seng Index Put Option 26800 January 2021	109	–
Hong Kong Stock Exchange Put Option 10500 January 2021	231	–
Hong Kong Stock Exchange Put Option 10600 January 2021	124	–
Hong Kong Stock Exchange Put Option 10500 February 2021	255	0.1
Toal Index Put Options[6]	**947**	**0.1**
Total Investments and Derivative Financial Instruments	**514,618**	**100.0**

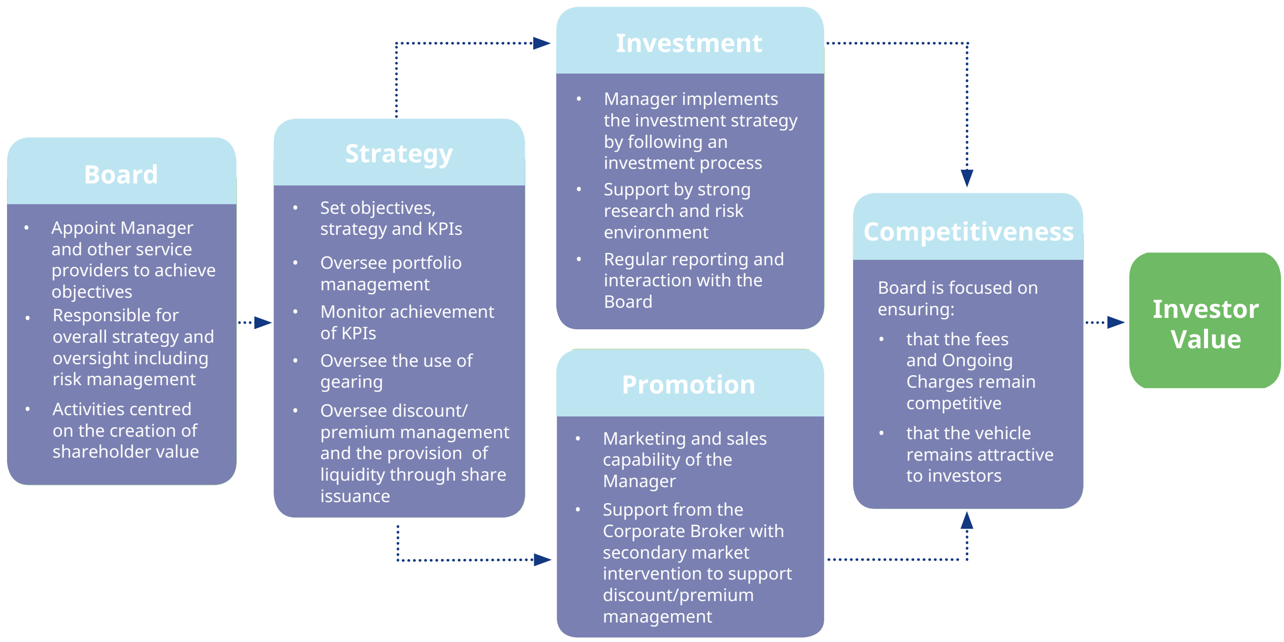
[1]Listed in Hong Kong
[2]Listed in the USA
[3]Participatory notes.
[4]Open-ended collective investment fund.
[5]Total investments comprise the following

	£'000
Equities	433,388
American Depositary Receipts (ADR)	57,987
Participatory notes	11,270
Collective investment funds	11,026
Total investments	513,671

[6]The combined effect of the options gives downside protection to 5.1% of total investments.

Strategic Report

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



Business model

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

Investment

Investment approach

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

The Company invests principally in equity and equity-related securities of companies operating primarily in the region, wherever they may be listed, including exposure to small and mid cap companies. Volatility reduction and offering a degree of capital preservation is achieved through the strategic and tactical use of derivatives as described below and on page 25.

Investment process – an overview

Key attributes of the investment process are as follows:

– Stock selection is unconstrained and driven by proprietary research and investment conviction

– Focus on stocks for absolute return potential, or stocks with significant alpha generation potential

– Decreases overall volatility and risks associated with investing in the Asian region through the use of derivatives for hedging

– A disciplined and repeatable investment process with strong risk controls

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

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

The Portfolio Managers are supported by an experienced team of 34 research analysts, based in Asia, with an average of 16 years of experience. They also have access to the management of Asian companies – with over 2,000 meetings taking place throughout the Asia Pacific ex Japan region (in 2020).

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

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

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

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

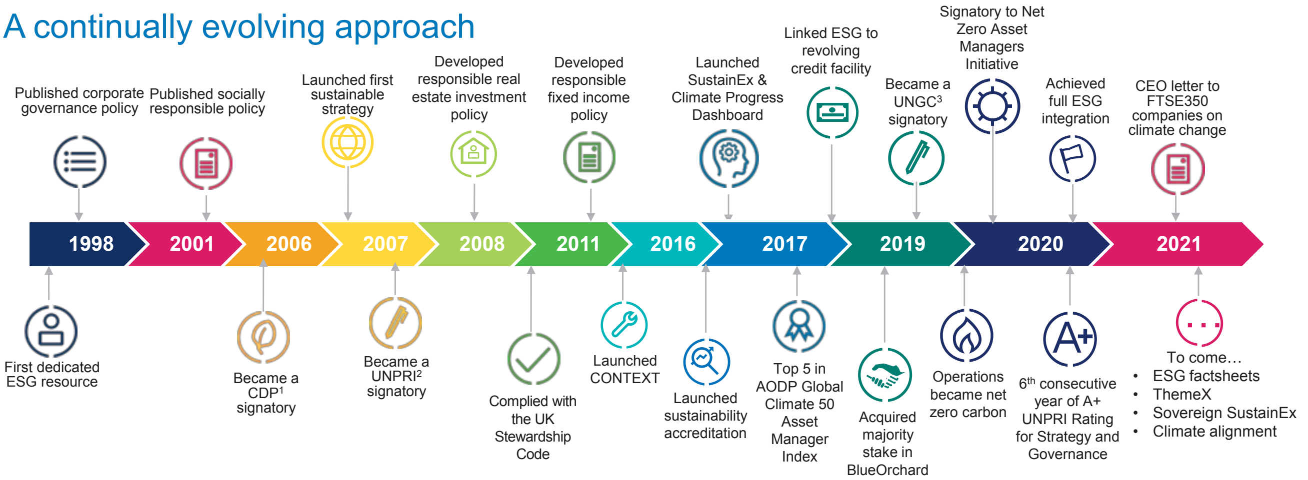
Integration of ESG into the investment process

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

Schroders has a team of 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

A continually evolving approach



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

Peter Harrison, Group Chief Executive, Schroders plc

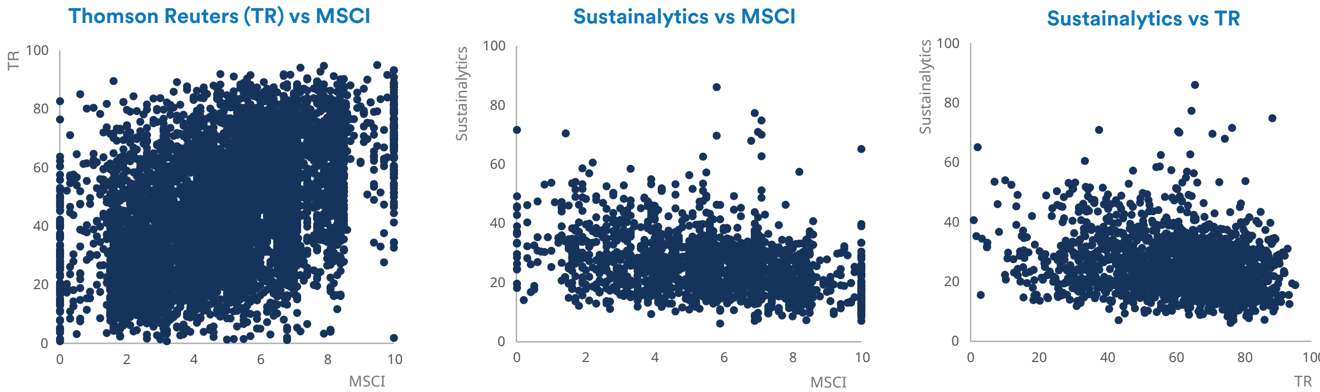
Source: Schroders, January 2021

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

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

The need for a proprietary approach

Low correlation of company ESG scores across providers



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

Source: Schroders analysis, 2020.

ESG and Sustainability in Asia

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

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

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

In order to capture broader ESG considerations Schroders' Asian Equity analysts are expected to provide additional written ESG analysis for all companies under coverage. In order for this to be more robust and integrated, our research team has also drawn upon the Schroders CONTEXT framework as outlined in the chart below and adapted it to an Asian version using a broader stakeholder-based approach to ESG analysis.

ESG integration

Stakeholder analysis provides insights into managing change

Source: Schroders.

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

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

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

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

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

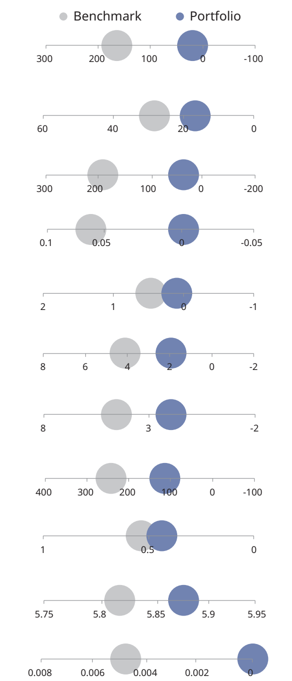
Sector	Reasons for Caution	Our Approach	Approx. Fund Exposure
Agribusinesses	Environmental, Social, Governance, (low barriers of entry, widespread questionable practices)	Avoid	0%
Tobacco	Social, Governance	Avoid	0%
Gaming	Social, Governance	Limited exposure to best-in-class players in well-regulated markets (Macau, Australia)	4.5% (3 stocks)
Utilities	Environmental, Governance, (national service obligations, uncertain regulations/risks of backlash against coal plants, mostly state-owned enterprises)	Avoid carbon heavy energy providers, focus on hydro and sustainable energy providers in well-regulated markets (if such a thing exists?)	0%
Auto	Environmental (regulations against the sector – too much hot money in EVs and multiple players will mean poor returns for all)	Avoid OEMs, minimise exposure to supply chains	0.7% (1 stock)
Resources	Environmental, Social, Governance (questionable practices such as bribery and poor environmental and safety controls widespread in Asia ex Australia)	Avoid except for Australia blue chips, with minimal coal exposure	6.3% (4 stocks)
Oil	Environmental, Governance (regulations, unfavourable taxes, mostly state-owned)	Limited exposure to best-in-class companies ideally with an LNG/gas focus	0%
Property	Environmental, Social, Governance (bribery issues, flooding, land clearance compensation)	Exposure principally to Hong Kong and Singapore where there are better practices and cities that “work”. Outside HK/SG, only invest in management teams we 100% trust (this is a small number of companies)	5.0% (4 stocks)

Source: Schroders, as at 22nd Feburary, 2021. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

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

Climate Portfolio Measures

Metric	Description	Portfolio	Benchmark	Units
Total scope 1 carbon emissions	The scope 1 GHG emissions attributable to $1mn invested in the portfolio (in tonnes), based on each company's emissions and the economic share of that company implied by a $1mn investment in the fund (MtCO2)	21.73	163.18	MtCO2
Total scope 2 carbon emissions	The scope 2 GHG emissions attributable to $1mn invested in the portfolio (in tonnes), based on each company's emissions and the economic share of that company implied by a $1mn investment in the fund (MtCO2)	17.12	28.65	MtCO2
Total scope 1&2 carbon emissions	The scope 1&2 GHG emissions attributable to $1mn invested in the portfolio (in tonnes), based on each company's emissions and the economic share of that company implied by a $1mn investment in the fund (MtCO2)	38.84	191.83	MtCO2
Carbon contained in unconventional oil and gas reserves	The total amount of carbon contained in unconventional oil & gas reserves attributable to $1mn invested in the portfolio (in tonnes), based on each company's reserves and the economic share of that company implied by a $1mn investment in the fund (tCO2)	0.00	0.07	tCO2
Carbon contained in oil and gas reserves	The total amount of carbon contained in oil & gas reserves attributable to $1mn invested in the portfolio (in tonnes), based on each company's reserves and the economic share of that company implied by a $1mn investment in the fund (tCO2)	0.10	0.49	tCO2
Carbon contained in coal reserves	The total amount of carbon contained in coal reserves attributable to $1mn invested in the portfolio (in tonnes), based on each company's reserves and the economic share of that company implied by a $1mn investment in the fund (tCO2)	1.95	4.16	tCO2
Carbon contained in all fossil fuel reserves	The total amount of carbon contained in all fossil fuel reserves attributable to $1mn invested in the portfolio (in tonnes), based on each company's reserves and the economic share of that company implied by a $1mn investment in the fund (tCO2)	2.05	4.66	tCO2
Scope 1&2 carbon intensity	The average carbon intensity (tonnes CO2e/ $mn of revenues) of portfolio companies, weighted by their position size	115.47	244.54	tCO2/$mn sales
Carbon intensity of fossil fuel reserves	The average carbon intensity of the fossil fuel reserved owned by the company, based on fossil fuel producers only	0.54	0.44	MtCO2/mmboe
MSCI Environmental score	Average MSCI Environmental assessment based on company ratings and position sizes	5.88	5.82	Higher better (0-10 scale)
Exposure to Oil Sands	The share of portfolio revenues from Oil Sands (upper limit revenue estimate) based on company exposures and position size	0.00	0.00	Pct
% AUM with data		79.50	85.06	Pct



Source: Schroders, MSCI, December 2020

Investment restrictions and spread of risk

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

The key restrictions imposed on the Manager are that:

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

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

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

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

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

The Investment Portfolio on pages 22 and 23 demonstrates that, as at 31 December 2020, the Company held 67 investments spread over a range of industry sectors. The largest investment, Samsung Electronics, represented 8.2% of total investments. The Board therefore believes that the objective of spreading investment risk has been achieved.

Promotion

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

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

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

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

Details of the Board's approach to discount/premium management and share issuance may be found in the Chairman's Statement on page 4 and in the Annual General Meeting – Recommendations on page 74.

Key performance indicator – 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. Comment on performance against the investment objective can be found in the Chairman's Statement. The Board also monitors the performance of the Company against the peer group average.

The performance objective is also reflected in the Manager's fee which rewards performance above an absolute hurdle. Further details of the fees paid to the Manager may be found in the Directors' Report on page 37.

The Board continues to review 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 fees, Directors' fees and general expenses, is submitted to each Board meeting. Management and performance fees are reviewed at least annually.

Purpose, Values and Culture

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

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

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

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

Corporate and Social Responsibility

Diversity

As at 31 December 2020, the Board comprised two men and two women. The Board has adopted a diversity and inclusion policy. With respect to recruitment of non-executive Directors, the Company will not discriminate on the grounds of gender, social and ethnic backgrounds or cognitive and personal strengths. It will encourage any recruitment agencies it engages to find a diverse range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit alone. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the criteria for the role being offered.

Bribery and corruption

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery and corruption policy, as well as seeking 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 consumed less than 40,000 kWh during the year and so has no greenhouse gas emissions, energy consumption or energy efficiency action to report. The Manager has sought to estimate the carbon usage of the Company's investee companies and this is estimate included on page 28, for illustrative purposes only.

Relations with shareholders

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

In addition to the engagement and meetings held during the year described on page 29, the chairs of the Board and committees, as well as the Senior Independent Director and the other Directors, attend the AGM and are available to respond to queries and concerns from shareholders.

Responsible investment

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

The Company voted all of its proxy votes in line with the Manager's corporate governance policy. This covered 547 resolutions, of which the Company voted against management recommendations or abstained on 12.4%. Voting instructions are considered on a case by case basis and are a result of continued engagement with the Company's holdings. Where the Manager believes the interests of minority shareholders are not adequately protected, they may look to vote against a variety of issues. These can range from a lack of independence or diversity on boards, pay packages which are not aligned with performance and capital issuance requests which are not in minority shareholder interests.

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

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

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

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

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

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

As detailed in "Promotion" on page 29 and Relations with Shareholders on page 30, the Company engages with its shareholders. The Board considered feedback by shareholders when making decisions relating to [share issuance, dividend decisions and review of Board composition].

As detailed in "Purpose, Values and Culture" on page 29, the Board engages with service providers, and receives regular reporting, either directly, or through the Manager or Company Secretary, on performance and other matters. The effect of such engagement, if relevant, is detailed in the Chairman's Statement, Managers' Review and Management Engagement Committee Report.

Principal 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 regular, robust review. The last review took place in March 2021.

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

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

Emerging risks and uncertainties

During the year, the Board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk, climate change risk and COVID-19-related risks. The Board has determined they are not currently material for the Company. The Board receives updates from the Manager, Company Secretary and other service providers on potential other risks that could affect the Company.

Political risk includes regional tensions, trade wars, sanctions and Brexit. The Board believes that the Company's portfolio of equities in the Asia Pacific region shields the Company from Brexit-related risks. However, currency rates and borrowings drawn down by the Company may be affected by geopolitical developments. The Board is also mindful that changes to public policy in the US, UK, or in the Asia Pacific region, could impact the Company in the future.

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

COVID-19 risk includes the impact on investment management and service providers, due to the uncertainty caused by the pandemic affecting 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 Board notes the Manager's investment process is unaffected by the pandemic and it continues to focus on long-term company fundamentals and detailed analysis of current and future investments. COVID-19 also affected the Company's service providers, who implemented business continuity plans in line with government guidelines. All service providers continue to operate on a business as usual basis, despite the need to comply with government restrictions such as working from home.

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

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

Risk	Mitigation and management
Service provider The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, depositary and registrar. Failure of controls, and poor performance of any service provider, could lead to disruption, reputational damage or loss.	Service providers are appointed subject to due diligence processes and with clearly documented contractual arrangements detailing service expectations. Regular reports are provided by key service providers and the quality of their services is monitored. The Directors also receive presentations from the Manager, depositary and custodian, and the registrar on an annual basis. This included reporting on the arrangements for working during the COVID-19 pandemic lockdowns. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls, and follow up of remedial actions as required.
Cyber The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information or disrupt operations.	Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyber attack. In addition, the Board received presentations from the Manager, depositary and custodian, and the registrar on cyber risk, 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 21 to the accounts on pages 68 to 73.

Viability statement

The Directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 31 December 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 Managers' Review and Emerging Risks sections of this report. The Directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively, 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 31 and 33 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. Based on the Company's processes for monitoring operating costs, the Board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

The Directors have assessed the principal risks, the impact of the emerging risks and uncertainties and the matters referred to in the viability statement. Based on the work the Directors have performed, they have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the Directors, being the period to 31 March 2022 which is at least 12 months from the date the financial statements were authorised for issue.

By order of the Board

Schroder Investment Management Limited
Company Secretary

24 March 2021

Board of Directors

Sarah MacAulay

Status: Independent non-executive Chairman

Length of service: 3 years – appointed a Director in March 2018 and as Chairman from 19 May 2020
Experience: Ms MacAulay has twenty years of Asian fund management experience based in both London and Hong Kong, managing institutional assets and unit trusts. She was formerly a director of Baring Asset Management (Asia) Ltd, head of Asian equities at Kleinwort Benson Investment Management and Eagle Star Investment Management. She is currently Chairman of JPMorgan Multi-Asset Trust plc, non-executive director of Fidelity Japan Trust plc and Aberdeen New Thai Investment Trust plc. She is also a Trustee of Glendower School Trust, an educational charitable Trust.
Committee membership: audit and risk, management engagement (Chair) and nominations committees (Chair)
Current remuneration: £45,000 per annum (from 19 May 2020)
Number of shares held: 53,975*

Andrew Cainey

Status: Independent non-executive Director

Length of service: 2 years – appointed a Director on 7 March 2019
Experience: Mr Cainey is an experienced business consultant, policy adviser, speaker and writer. He is Co-founder of Asiability, a Senior Associate Fellow of RUSI (The Royal United Services Institute) and a Senior Advisor of Lumen Capital Investors. He previously held roles with the Boston Consulting Group, Booz & Company and Tony Blair Associates. During the course of his career he spent over 15 years in Asia, including China, Korea and Singapore.
Committee membership: audit and risk, management engagement and nominations committees
Current remuneration: £35,000 per annum
Number of shares held: 24,726*

Board of Directors

Caroline Hitch

Status: Senior Independent non-executive Director

Length of service: 6 years – appointed a Director in February 2015 and Senior Independent Director in May 2018
Experience: Ms Hitch has worked in the financial services industry since the early 1980s, mostly with the HSBC group. Her experience includes Head of Wealth Portfolio Management at HSBC Global Asset Management (UK) Ltd. with investment management responsibility for their flagship multi asset retail funds. Prior roles took her to various locations including Hong Kong. Ms Hitch is a non-executive director of Aberdeen Standard Equity Income Trust plc and Chair of CQS New City High Yield Ltd.
Committee membership: audit and risk, management engagement and nominations committees
Current remuneration: £35,000 per annum
Number of shares held: 10,000*.

Mike Holt

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

Length of service: 6 years – appointed a Director in July 2014 and Chair of the audit and risk committee in October 2014
Experience: Mr Holt was CFO of Low & Bonar PLC, an international performance materials group, from 2010 until 2017 and was Group Finance Director of Vp plc from 2004 to 2010. Prior to 2004, he held a number of senior financial positions with Rolls-Royce Group plc in the UK, the USA and Hong Kong. He is a Fellow of The Institute of Chartered Accountants in England & Wales and an associate member of The Association of Corporate Treasurers. Mr Holt is Executive Chairman of Real Good Food plc, an AIM listed food manufacturer, and a Non-Executive Director of nmcn plc, a main market listed construction company.
Committee membership: audit and risk (Chair), management engagement and nominations committees
Current remuneration: £40,000 per annum
Number of shares held: 10,000*

*Shareholdings are as at 23 March 2021, full details of Directors' shareholdings are set out in the Remuneration Report on page 47.

Directors' Report

The Directors submit their report and the audited financial statements of the Company for the year ended 31 December 2020.

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 35. She has no conflicting relationships.

Senior Independent Director ("SID")

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

Company Secretary

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

Role and operation of the Board

The Board (of four Directors, listed on pages 35 and 36) is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing. The Strategic Report on pages 24 to 34 sets out further detail of how the Board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

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

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

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

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

Key service providers

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

Manager

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

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

The Schroders Group manages £574.4 billion (as at 31 December 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.

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

A performance fee is payable amounting to 10% of any outperformance of the NAV over an annual hurdle of 7%, provided that the closing NAV per share exceeds the "high water mark" NAV at the date the last performance fee was paid. The sum of the base fee and any performance fee payable is capped at 1.5% of the closing net assets.

Effective from 1 January 2021, when calculating the performance fee, in addition to the existing performance fee requirements of the high water mark and the hurdle rate, an additional metric will be required to be satisfied in order for the Manager to be paid a performance fee. For 2021 and future years, the Manager may only be paid a performance fee when the Company's NAV total return is equal or greater to the total return of the Reference Index. Also effective from 1 January 2021, the overall cap on management fees (base fee and any performance fee) will be reduced from 1.5% to 1.25%.

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

The management fee payable in respect of the year ended 31 December 2020 amounted to £2,701,000 (2019: £2,236,000). A performance fee of £4,552,000 is payable for the year (2019: £2,838,000). The Manager is also entitled to a fee for providing administrative, accounting and company secretarial services to the Company. For these services in the year ended 31 December 2020, the Manager received a fee of £75,000 (2019: £76,000).

Details of all amounts payable to the Manager are set out in note 18 to the accounts on page 67.

The Board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth of resource to deliver above average returns over the longer term.

That the continuing appointment of the Manager on the terms agreed remains in the best interests of shareholders.

Depositary

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

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

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

Compliance with the UK Corporate Governance Code

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

The Financial Conduct Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 48 and 34, respectively, indicates how the Company has complied with the principles of good governance of the Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's internal controls (including risk management), governance and diversity policy.

The Board is satisfied that the Company's current governance framework is compliant with the provisions, except with respect to the principles and provisions relating to executive directors and employees, as the Company has neither.

Revenue, final dividend and dividend policy

The net revenue return for the year, after finance costs and taxation, was £8,308,000 (2019: £7,653,000), equivalent to a revenue return per ordinary share of 8.46 pence (2019: 8.10 pence).

The Board has recommended the payment of a final dividend for the year ended 31 December 2020 of 7.10 pence per share (2019: 6.50 pence) payable on 14 May 2021 to shareholders on the register on 16 April 2021, subject to approval by shareholders at the AGM on 7 May 2021.

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

Committees

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

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

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

Status

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. It has been approved by HM Revenue & Customs as an investment trust in accordance with section 1158 of the

Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

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

It is not intended that the Company should have a limited life but the Directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the articles of association contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting ("AGM") in 2024 and thereafter at five yearly intervals.

Share capital and substantial share interests

As at 22 March 2021, the Company had 103,134,651 ordinary shares of 5p in issue. No Shares were held in treasury. Accordingly, the total number of voting rights in the Company at 22 March 2021 is 103,134,651. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 66.

The Board noted that the Company's shareholders appreciated the Board's discount and premium management control. The Board agreed to request renewal of the authorities to issue and buyback shares as described on page 74.

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

	Ordinary shares held as at 31 December 2020	% of total voting rights
Quilter PLC	9,994,906	9.99
Charles Stanley Group plc	5,857,502	5.85
Investec Wealth & Investment Limited	4,896,387	5.00
Rathbones Investment Management Ltd and Rathbone Investment Management International Ltd	5,017,433	4.99
F&C Asset Management plc	3,547,705	4.28

Following the year end and at the date of this report, Tilney Smith & Williamson Limited notified the Company its holding of 10,264,905 shares represented 10.06% of the Company's total voting rights.

Provision of information to the auditor

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

Directors' attendance at meetings

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

Director	Board	Audit and Risk Committee	Management Engagement Committee	Nomination Committee
Sarah MacAulay	6/6	2/2	2/2	1/1
David Brief[1]	4/4	N/A	–	–
Andrew Cainey	6/6	2/2	2/2	1/1
Caroline Hitch	6/6	2/2	2/2	1/1
Mike Holt	6/6	2/2	2/2	1/1

[1]David Brief retired as Chairman and Director on 19 May 2020.

Directors' and officers' liability insurance and indemnities

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

By order of the Board

Schroder Investment Management Limited
Company Secretary

24 March 2021

Governance

Audit and Risk Committee Report

The responsibilities and work carried out by the audit and risk committee during the year under review are set out in the following report. The duties and responsibilities of the committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/satric. Membership of the committee is as set out on pages 35 and 36. The Board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and that the committee as a whole has competence.

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

– considering its terms of reference;
– reviewing the operational controls maintained by the Manager, depositary and registrar;
– 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 auditor's performance;
– reviewing the principal risks faced by the Company and the system of internal control; and
– reviewing the impact of and risks related to the COVID-19 pandemic and its impact on going concern and longer-term viability.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 December 2020, the audit and risk committee, having deliberated on the Company's principal risk and uncertainties, considered the following significant issues, and issues 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 depositary.
– Recognition of investment income	– Consideration of dividends received against forecast and the allocation of special dividends to income or capital.
– Calculation of the investment management fee and performance fee	– Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.
– 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.
– Internal controls and risk management	– Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance reports on these controls.
– Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	– Consideration of the Manager's report confirming compliance.
– 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.

Recommendations made to, and approved by, the Board:

As a result of the work performed, the committee has concluded that the annual report for the year ended 31 December 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 48.

Audit and Risk Committee Report

Effectiveness of the independent audit process

The committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the auditors' 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 auditors, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the committee also met the auditors without representatives of the Manager present.

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

Ernst & Young LLP has provided audit services to the Company since it was appointed following a tender process on 14 November 2019. This is the second year that Ernst & Young LLP will be undertaking the Company's audit.

The auditors are required to rotate the senior statutory auditor every five years. This is the second year that the senior statutory auditor, Caroline Mercer, has conducted the audit of the Company's financial statements.

There are no contractual obligations restricting the choice of external auditors.

Independent auditor

Ernst & Young LLP have indicated their willingness to continue to act as auditor. Accordingly, resolutions to re-appoint Ernst & Young LLP as auditor to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

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 appointed auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide other non-audit services which will be judged on a case-by-case basis.

The auditor has not provided any non-audit services to the Company during the year (2018: nil).

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 the Directors annually review whether an internal audit function is needed.

Mike Holt
Audit and risk committee chair

24 March 2021

Recommendations made to, and approved by, the Board:

- That Ernst & Young LLP be recommended for re-appointment as auditor 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. Sarah MacAulay is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/satric.

Approach

Oversight of the Manager

The committee:

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

Oversight of other service providers

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

- Depositary and custodian
- Corporate broker
- Registrar
- Lender

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

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

Application during the year

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

The committee also reviewed the terms of the AIFM agreement, including the fee structure, and agreed they remained fit for purpose, subject to the agreed changes to the structure of the performance fee described in the Chairman's Statement.

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

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

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

The committee noted that the previous auditor had resigned following a tender process initiated by the audit and risk committee, where the previous auditor was barred from participating due to length of service.

Recommendations made to, and approved by, the Board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement, including the fee, was in the best interests of shareholders as a whole, subject to the agreed changes to the structure of the performance fee described in the Chairman's Statement.
- That the Company's service providers' performance remained satisfactory.

Nomination Committee Report

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

Oversight of Directors

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

Approach

Selection and induction

- Committee prepares a job specification for each role, and an independent recruitment firm is appointed. For the Chairman and the chairs of committees, the committee considers current Board members too.
- Job specification outlines the knowledge, professional skills, personal qualities and experience requirements.
- Potential candidates assessed against the Company's diversity policy.
- Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board.
- Committee reviews the induction and training of new Directors.

Board evaluation and Directors' fees

- Committee assesses each Director annually, and considers if an external evaluation is appropriate.
- Evaluation focuses on whether each Director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs.
- Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of Directors at the AGM.
- All Directors retire at the AGM and their re-election is subject to shareholder approval.
- Committee reviews Directors' fees, taking into account comparative data and reports to shareholders.
- Any proposed changes to the remuneration policy for Directors discussed and reported to shareholders.

Succession

- The Board's succession policy is that Directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each Director will be subject to annual re-election at the AGM.
- Committee reviews the Board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process.
- Committee oversees the handover process for retiring Directors.

For application see page 44.

Nomination Committee Report

Application during the year		
Selection and induction	**Board evaluation and Directors' fees**	**Succession**
• The committee noted that Sarah MacAulay had been appointed as Chairman following David Brief's retirement at the AGM in line with the succession plan set out in prior year's annual report.	• The Board and committee evaluation process was undertaken in December 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. Notwithstanding that the Chairman is a director or chairman of four companies listed on the London Stock Exchange (as listed on page 35), the committee has noted the Chairman is a full-time non-executive Director and that the less-complex nature of the companies for which the Chairman acts as a Director means that the level of time commitment required to fulfil her duties is lower than larger trading companies. All Directors were considered to be independent in character and judgement. • The committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and non-executive Directors, each Director had valuable skills and experience, as detailed in their biographies on pages 35 and 36. • Based on its assessment, the committee provided individual recommendations for each Director's re-election. • The committee reviewed Directors' fees, using external benchmarking, and recommended that Directors' fees, remain unchanged as detailed in the remuneration report.	• The committee reviewed the succession policy and agreed it was still fit for purpose.

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 and remain free from conflicts with the Company and its Directors, so should all be recommended for re-election by shareholders at the AGM.

Directors' Remuneration Report

Introduction

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

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

At the AGM held on 19 May 2020, 99.92% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the annual report on remuneration for the year ended 31 December 2019 were in favour, while 0.08% were against. 37,490 votes were withheld.

Directors' remuneration policy

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

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

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

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

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

Implementation of policy

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

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

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

Directors' annual report on remuneration

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

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the nomination committee and the Board in December 2019. The members of the Board at the time that remuneration levels were considered were as set out on pages 35 and 36. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment companies managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration as was independent third party research.

Directors' Remuneration Report

Fees paid to Directors

The following amounts were paid by the Company to Directors for their services in respect of the year ended 31 December 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 "Other financial information".

	Fees		Taxable benefits[1]		Total		Annual change
	2020 £	2019 £	2020 £	2019 £	2020 £	2019 £	%
Sarah MacAulay[2]	**41,190**	30,000	**–**	–	**41,190**	30,000	37.3
David Brief[3]	**17,342**	40,000	**1,024**	2,494	**18,366**	42,494	–56.8
Andrew Cainey[4]	**35,000**	24,555	**281**	–	**35,281**	24,555	43.7
Caroline Hitch	**35,000**	30,000	**175**	558	**35,175**	30,558	15.1
Mike Holt	**40,000**	35,000	**746**	1,562	**40,746**	36,562	11.4
Total	**168,532**	159,555	**2,226**	4,614	**170,758**	164,169	

[1] Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up, to include PAYE and NI contributions.
[2] Appointed Chairman on 19 May 2020.
[3] Retired as Chairman and from the Board on 19 May 2020.
[4] Appointed as a Director on 7 March 2019.

The information in the above table has been audited.

Expenditure by the Company on remuneration and distributions to shareholders

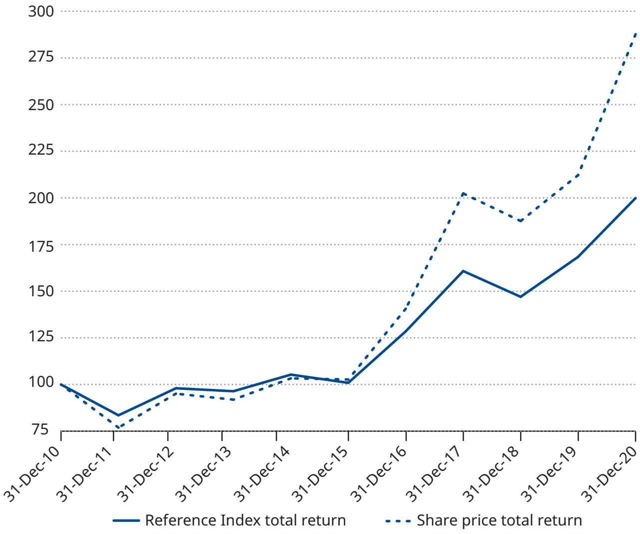
The table below compares the remuneration payable to Directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Change (%)
Remuneration payable to Directors	**171**	164	4.3
Distributions paid to shareholders – Dividends	**6,362**	5,758	10.5
Total distributions paid to shareholders	**6,362**	5,758	10.5

Performance graph

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

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



[1] Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2010. Definitions of terms and performance measures are given on page 78.

Directors' Remuneration Report

Directors' share interests

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

	At 31 December 2020[1]	At 31 December 2019[1]
Sarah MacAulay	**53,975**	33,975
David Brief[2]	**N/A**	47,171
Andrew Cainey	**24,726**	15,050
Caroline Hitch	**10,000**	10,000
Mike Holt	**10,000**	10,000

[1]Ordinary shares of 5p each
[2]David Brief retired as Chairman and Director on 19 May 2020.

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

The information in the above table has been audited.

The Portfolio Managers and connected persons' interests in the Company were approximately 470,000 ordinary shares as at the date of this report.

On behalf of the Board

Sarah MacAulay
Chairman

24 March 2021

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the return or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions in FRS 102, used in the preparation of the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Manager is responsible for the maintenance and integrity of the webpage dedicated to the Company. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 35 and 36, confirm that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Strategic Report contained in the report and accounts includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Sarah MacAulay
Chairman

24 March 2021

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

Opinion

We have audited the financial statements of Schroder Asian Total Return Investment Company plc (the 'Company') for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

– give a true and fair view of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
– have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

– We confirmed our understanding of the Company's going concern assessment process and engaged with the directors and the Company Secretary to determine if all key factors were considered in their assessment.
– We inspected the directors' assessment of going concern, including the revenue forecast, for the going concern period being the period to 31 March 2022 which is at least 12 months from the date the financial statements were authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
– We have reviewed the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast. We considered the appropriateness of the methods used to calculate the forecast and determined, through testing of the methodology and calculations, that the methods utilised were appropriate to be able to make an assessment for the Company.
– In relation to the Company's borrowing arrangements, we inspected the directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants in the scenarios assessed by the directors and performed reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants during the going concern period.
– We considered the mitigating factors included in the revenue forecasts and covenant calculations that are within control of the Company. This included a review of the Company's assessment of the liquidity of the investments held and evaluating the Company's ability to sell investments in order to repay borrowings or to cover the ongoing costs of the Company should revenue decline significantly.
– We reviewed the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the directors, being the period to 31 March 2022 which is at least 12 months from the date the financial statements were authorised for issue.

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

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

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

Overview of our audit approach

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

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the audit and risk committee
Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Income Statement (as described on page 40 in the Audit and Risk Committee's Report and as per the accounting policy set out on page 59). The total revenue for the year to 31 December 2020 was £9.22 million (2019: £9.45 million), consisting primarily of dividend income from listed investments. The Company received eight (2019: ten) special dividends amounting to £2.96m million (2019: £0.87 million), of which £0.98m (2019: £0.2m) were classified as revenue and £1.98m (2019: £0.67m) were classified as capital. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition to the above, the directors may be required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.	**We performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and classification of special dividends by performing walkthrough procedures. For 100% of the dividends received, we recalculated the income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend rate as agreed to an independent data vendor. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source. To test completeness of recorded income, we tested that all expected dividends for each investee company had been recorded as income with reference to investee company announcements obtained from an independent data vendor and for accrued dividends we recalculated the amount receivable and agreed the subsequent cash receipts to post year end bank statements. We identified the special dividends greater than our testing threshold and assessed the appropriateness of the Company's classification of these special dividends with reference to publicly available information.	The results of our procedures identified no material misstatements in relation to incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital in the Statement of Comprehensive Income.

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

Risk	Our response to the risk	Key observations communicated to the audit and risk committee
Incorrect valuation or ownership of the investment portfolio (as described on page 40 in the Audit and Risk Committee's Report and as per the accounting policy set out on page 59). The valuation of the portfolio at 31 December 2020 was £514.62 million (2019: £369.01 million) mainly consisting of listed equity investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined using quoted market bid prices at close of business on the reporting date.	**We performed the following procedures:** We obtained an understanding of the Administrator's processes surrounding the existence and pricing of listed securities by performing walkthrough procedures. For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year end. We inspected the stale price reports produced by the Administrator which are used to identify prices that have not changed and verified whether the listed price is a valid fair value. We did not identify any investments with stale prices. We compared the Company's investment holdings at 31 December 2020 to an independent confirmation received directly from the Company's Depositary and Custodian.	The results of our procedures identified no material misstatements in relation to incorrect valuation or ownership of the investment portfolio.

Our key audit matters are consistent with the prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £4.84 million (2019: £3.58 million), which is 1% (2019: 1%) of shareholder's funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2019: 50%) of our planning materiality, namely £3.63m (2019: £1.79m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected. A lower threshold was set for performance materiality in the prior year due it being our first audit of the Company.

Given the importance of the distinction between revenue and capital for the Company, we also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.39 million (2019: £0.41 million), being 5% of the revenue column profit before taxation.

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

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.24m (2019: £0.18m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, set out on pages 1-48 and 74-79, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 34;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 34;

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

– Directors' statement on fair, balanced and understandable set out on page 48;

– Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 31;

– The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 23; and;

– The section describing the work of the audit committee set out on page 40.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

– We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant FRS 102 , the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010, and The Companies (Miscellaneous Reporting) Regulations 2018.

– We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary, and review of the Company's documented policies and procedures.

– We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition, through incorrect classification of special dividends as revenue or capital in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.

– Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

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

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

The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ending 31 December 2019 to 31 December 2020.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit
- The audit opinion is consistent with the additional report to the audit committee

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

24 March 2021

Income Statement
for the year ended 31 December 2020

	Note	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Gains on investments held at fair value through profit or loss	2	–	**111,853**	**111,853**	–	47,073	47,073
Net gains/(losses) on derivative contracts		–	**1,555**	**1,555**	–	(4,390)	(4,390)
Net foreign currency gains		–	**1,168**	**1,168**	–	319	319
Income from investments	3	**9,211**	**1,979**	**11,190**	9,417	666	10,083
Other interest receivable and similar income	3	**7**	–	**7**	32	–	32
Gross return		**9,218**	**116,555**	**125,773**	9,449	43,668	53,117
Investment management fee	4	**(675)**	**(2,026)**	**(2,701)**	(559)	(1,677)	(2,236)
Performance fee	4	–	**(4,552)**	**(4,552)**	–	(2,838)	(2,838)
Administrative expenses	5	**(689)**	–	**(689)**	(646)	–	(646)
Net return before finance costs and taxation		**7,854**	**109,977**	**117,831**	8,244	39,153	47,397
Finance costs	6	**(113)**	**(338)**	**(451)**	(113)	(339)	(452)
Net return before taxation		**7,741**	**109,639**	**117,380**	8,131	38,814	46,945
Taxation	7	**567**	–	**567**	(478)	–	(478)
Net return after taxation		**8,308**	**109,639**	**117,947**	7,653	38,814	46,467
Return per share	9	**8.46p**	**111.59p**	**120.05p**	8.10p	41.10p	49.20p

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

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

The notes on pages 59 to 73 form an integral part of these accounts.

Financial

Statement of Changes in Equity for the year ended 31 December 2020

	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 2018		4,570	37,081	11,646	29,182	196,014	15,290	293,783
Issue of shares		325	23,054	–	–	–	–	23,379
Net return after taxation		–	–	–	–	38,814	7,653	46,467
Dividend paid in the year	8	–	–	–	–	–	(5,758)	(5,758)
At 31 December 2019		4,895	60,135	11,646	29,182	234,828	17,185	357,871
Repurchase of the Company's own shares into treasury		–	–	–	–	(648)	–	(648)
Reissue of shares out of treasury		–	156	–	–	648	–	804
Issue of shares		152	13,784	–	–	–	–	13,936
Net return after taxation		–	–	–	–	109,639	8,308	117,947
Dividend paid in the year	8	–	–	–	–	–	(6,362)	(6,362)
At 31 December 2020		**5,047**	**74,075**	**11,646**	**29,182**	**344,467**	**19,131**	**483,548**

The notes on pages 59 to 73 form an integral part of these accounts.

Statement of Financial Position at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	513,671	368,537
Current assets	11		
Debtors		2,411	454
Cash at bank and in hand		2,010	4,202
Derivative financial instruments held at fair value through profit or loss		947	477
		5,368	5,133
Current liabilities	12		
Creditors: amounts falling due within one year		(28,276)	(15,799)
Bank overdraft		(7,215)	–
		(35,491)	(15,799)
Net current liabilities		(30,123)	(10,666)
Total assets less current liabilities		483,548	357,871
Net assets		483,548	357,871
Capital and reserves			
Called-up share capital	13	5,047	4,895
Share premium	14	74,075	60,135
Capital redemption reserve	14	11,646	11,646
Special reserve	14	29,182	29,182
Capital reserves	14	344,467	234,828
Revenue reserve	14	19,131	17,185
Total equity shareholders' funds		483,548	357,871
Net asset value per share	15	479.07p	365.57p

The accounts were approved and authorised for issue by the Board of Directors on 24 March 2021 and signed on its behalf by:

Sarah MacAulay
Chairman

The notes on pages 59 to 73 form an integral part of these accounts.

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

Company registration number: 02153093

Financial

Cash Flow Statement for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net cash inflow from operating activities	16	**3,841**	6,697
Investing activities			
Purchases of investments		**(169,974)**	(127,719)
Sales of investments		**136,762**	97,782
Net cash flows on derivative instruments		**1,085**	(4,886)
Net cash outflow from investing activities		**(32,127)**	(34,823)
Net cash outflow before financing		**(28,286)**	(28,126)
Financing activities			
Dividends paid		**(6,362)**	(5,758)
Interest paid		**(438)**	(461)
Net bank loans drawn down		**11,979**	695
Repurchase of the Company's own shares into treasury		**(648)**	–
Reissue of shares out of treasury		**804**	–
Issue of new shares		**13,936**	23,379
Net cash inflow from financing activities		**19,271**	17,855
Net cash outflow in the year	17	**(9,015)**	(10,271)
Cash at bank and in hand at the beginning of the year		**4,202**	14,709
Net cash outflow in the year		**(9,015)**	(10,271)
Exchange movements		**(392)**	(236)
Cash at bank and in hand at the end of the year		**(5,205)**	4,202

Dividends received during the year amounted to £10,171,000 (2019: £9,913,000) and deposit interest receipts amounted to £8,000 (2019: £30,000).

The notes on pages 59 to 73 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

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

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in October 2019. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments held at fair value through profit or loss. The Directors believe that the Company has adequate resources to continue as a going concern for the period assessed by the Directors, being the period to 31 March 2022 which is at least 12 months from the date the financial statements were authorised for issue. In forming this opinion, the Directors have taken into consideration: the controls and monitoring processes in place; the Company's low level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; that the Company's assets comprise cash and readily realisable securities quoted in active markets; and potential adverse consequences of COVID-19.

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

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 December 2019.

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

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets and derivative financial instruments is managed, and its performance evaluated, on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". Investments are included initially at fair value which is taken to be their cost. Subsequently, investments are valued at fair value, which are quoted bid prices at 2400 hours on the accounting date, for investments traded in active markets. Participatory notes are valued using the quoted bid prices of the underlying securities.

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

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

(c) Accounting for reserves

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

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

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

(d) Income

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

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

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

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

(e) Expenses

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

– The management fee is allocated 25% to revenue and 75% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.

– Any performance fee is allocated 100% to capital.

– Expenses incidental to the purchase or sale of an investment are charged to capital. These Expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 64.

(f) Finance costs

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

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

(g) Other financial instruments

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

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

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

Forward foreign currency 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.

(h) Taxation

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

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

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

Tax relief is allocated to expenses charged to capital on the "marginal basis". On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to capital.

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

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of any related irrecoverable VAT.

(j) Foreign currency

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

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

(k) Dividends payable

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

(l) Repurchases of shares into treasury and subsequent reissues

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

Notes to the Accounts

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

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

	2020 £'000	2019 £'000
Gains on sales of investments based on historic cost	19,823	6,406
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(17,737)	(2,847)
Gains on sales of investments based on the carrying value at the previous balance sheet date	2,086	3,559
Net movement in investment holding gains and losses	109,767	43,514
Gains on investments held at fair value through profit or loss	111,853	47,073

3. Income

	2020 £'000	2019 £'000
Income from investments:		
Overseas dividends	8,184	9,292
Overseas special dividends	975	122
Stock dividend	52	3
	9,211	9,417
Other interest receivable and similar income		
Deposit interest	7	32
	9,218	9,449
Capital:		
Overseas special dividends allocated to capital	1,979	666

4. Investment management fee and performance fee

		2020			2019	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	675	2,026	2,701	559	1,677	2,236
Performance fee	–	4,552	4,552	–	2,838	2,838
	675	6,578	7,253	559	4,515	5,074

The bases for calculating the investment management and performance fees are set out in the Directors' Report on page 37 and details of all amounts payable to the Manager are given in note 18 on page 67.

Financial

Notes to the Accounts

5. Administrative expenses

	2020 £'000	2019 £'000
Administration expenses	**288**	296
Directors' fees[1]	**169**	160
Custody fees	**131**	89
Secretarial fee	**75**	76
Auditor's remuneration for audit services	**26**	25
	689	646

[1]Details of all amounts payable to Directors are given in the Remuneration Report on page 46.

6. Finance costs

		2020			2019	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	**113**	**338**	**451**	113	339	452

7. Taxation

(a) Analysis of charge in the year:

		2020			2019	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Irrecoverable overseas tax	**753**	**–**	**753**	478	–	478
Recoverable corporation tax relating to prior years	**(1,320)**	**–**	**(1,320)**	–	–	–
Taxation on ordinary activities	**(567)**	**–**	**(567)**	478	–	478

The Company has reached an agreement with HMRC during the year to recover £1,320,000 of corporation tax paid in relation to financial years 2007 and 2008. This represents a favourable outcome for the Company, following a dispute with HMRC over the treatment of overseas income.

The Company has no corporation tax liability for the year (2019: nil).

(b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK is 19%, effective from 1 April 2017. Accordingly, the Company's profits for this accounting year would be taxed at a rate of 19% (2019: 19%). However the corporation tax charge for the year is nil (2019: nil), as dividends and capital gains are not subject to corporation tax. The tax charge comprises irrecoverable withholding tax deducted at source from dividends receivable, offset by recoverable corporation tax relating to prior years.

The table below shows how taxable income is reduced to zero by reconciling the expected corporation tax due on the net return before tax based on current tax rates, to the actual tax charge for the year.

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Net return on ordinary activities before taxation	**7,741**	**109,639**	**117,380**	8,131	38,814	46,945
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2019: 19.0%)	**1,471**	**20,831**	**22,302**	1,545	7,375	8,920
Effects of:						
Capital gains on investments	**–**	**(21,769)**	**(21,769)**	–	(8,170)	(8,170)
Income not subject to taxation	**(1,695)**	**(376)**	**(2,071)**	(1,689)	(127)	(1,816)
Irrecoverable overseas tax	**753**	**–**	**753**	478	–	478
Recoverable corporation tax relating to prior years	**(1,320)**	**–**	**(1,320)**	–	–	–
Relief for overseas tax expensed	**(5)**	**–**	**(5)**	(10)	–	(10)
Unrelieved expenses	**229**	**1,314**	**1,543**	154	922	1,076
Taxation on ordinary activities	**(567)**	**–**	**(567)**	478	–	478

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £10,442,000 (2019: £7,962,000) based on a prospective corporation tax rate of 19.0% (2019: 17%). At Budget 2020, the government announced that the main rate of corporation tax would remain at 19% for fiscal years beginning on 1 April 2020 and 2021.

The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

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

8. Dividends

Dividends paid and declared

	2020 £'000	2019 £'000
2019 final dividend of 6.5p (2018: 6.2p), paid out of revenue profits[1]	**6,362**	5,758

	2020 £'000	2019 £'000
2020 final dividend proposed of 7.1p (2019: 6.5p), to be paid out of revenue profits[2]	**7,166**	6,363

[1] The 2019 final dividend amount to £6,363,000. However the amount actually paid was £6,362,000 as shares were repurchased into treasury, after the accounting date but prior to the dividend Record Date.

[2] The proposed final dividend amounting to £7,166,000 (2019: £6,363,000) is the amount used for the basis of determining whether the Company has satisfied the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £8,308,000 (2019: £7,653,000).

Notes to the Accounts

9. Return per share

	2020 £'000	2019 £'000
Revenue return	8,308	7,653
Capital return	109,639	38,814
Total return	117,947	46,467
Weighted average number of shares in issue during the year	98,248,381	94,433,447
Revenue return per share	8.46p	8.10p
Capital return per share	111.59p	41.10p
Total return per share	120.05p	49.20p

10. Investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Opening book cost	278,119	241,676
Opening investment holding gains	90,418	49,751
Opening fair value	368,537	291,427
Analysis of transactions made during the year		
Purchases at cost	170,043	127,819
Sales proceeds	(136,762)	(97,782)
Gains on investments held at fair value	111,853	47,073
Closing fair value	513,671	368,537
Closing book cost	331,222	278,119
Closing investment holding gains	182,449	90,418
Closing fair value	513,671	368,537

Sales proceeds amounting to £136,762,000 (2019: £97,782,000) were receivable from disposals of investments in the year. The book cost of these invesments when they were purchased was £116,940,000 (2019: £91,376,000). These investments have been revalued over time and until they were sold any unrealised gains and losses were included in the fair value of the investments.

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

	2020 £'000	2019 £'000
On acquisitions	174	173
On disposals	162	156
	336	329

Notes to the Accounts

11. Current assets

Debtors

	2020 £'000	2019 £'000
Dividends and interest receivable	**1,061**	306
Overseas withholding tax recoverable	**7**	129
Corporation tax recoverable	**1,320**	–
Other debtors	**23**	19
	2,411	454

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

Cash at bank and in hand

The carrying amount of cash, amounting to £2,010,000 (2019: £4,202,000), represents its fair value.

	2020 £'000	2019 £'000
Derivative financial instruments held at fair value through profit or loss		
Index put options	**947**	477

Details of index put options and index futures held at the year end are given on page 23.

12. Current liabilities

Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loan	**22,572**	12,153
Purchases awaiting settlemnt	**114**	97
Other creditors and accruals	**5,590**	3,549
	28,276	15,799

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

The bank loan comprises US$30.9 million (2019: US$16.1 million) drawn down on the Company's £25 million, 364 day multi-currency credit facility with Scotiabank Europe plc. The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with during the year. Further details of this facility are given in note 21(a)(ii) on page 70.

Bank overdraft

The carrying amount of the bank overdraft, amounting to £7,215,000 (2019: £nil), represents its fair value.

Notes to the Accounts

13. Called-up share capital

	2020 £'000	2019 £'000
Allotted, called-up and fully paid:		
Ordinary shares of 5p each:		
Opening balance of 97,895,159 (2019: 91,400,159) shares	4,895	4,570
Repurchase of 180,508 (2019: nil) shares into treasury	(9)	–
Reissue of 180,508 (2019: nil) shares out of treasury	9	–
Issue of 3,039,492 (2019: 6,495,000) new shares	152	325
Total of 100,934,651 (2019: 97,895,159) shares	5,047	4,895

During the year, the Company repurchased a total of 180,508 of its own shares, nominal value £9,025, for a total consideration of £648,000 to hold in treasury, representing 0.2% 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. The entire 180,508 of these shares held in treasury were later reissued to the market to satisfy demand, at an average price of 445.4p, for a total consideration of £804,000.

During the year, 3,039,492 new shares, nominal value £151,975, were issued to the market at a premium to NAV per share to satisfy demand. These shares were issued at an average price of 458,5p per share for a total consideration of £13,936,000.

14. Reserves

				Capital reserves		
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Special reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	60,135	11,646	29,182	145,655	89,173	17,185
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	2,086	–	–
Net movement in investment holding gains and losses	–	–	–	–	109,767	–
Transfer on disposal of investments	–	–	–	17,737	(17,737)	–
Realised gains on derivatives	–	–	–	2,218	–	–
Unrealised losses on open derivative contracts	–	–	–	–	(663)	–
Realised exchange losses on cash and short-term deposits	–	–	–	(392)	–	–
Exchange gains on foreign currency loans	–	–	–	–	1,560	–
Special dividend allocated to capital	–	–	–	1,979	–	–
Repurchase of the Company's own shares into treasury	–	–	–	(648)	–	–
Reissue of shares out of treasury	156	–	–	648	–	–
Issue of new shares	13,784	–	–	–	–	–
Performance fee allocated to capital	–	–	–	(4,552)	–	–
Management fee and finance costs allocated to capital	–	–	–	(2,364)	–	–
Dividend paid	–	–	–	–	–	(6,362)
Retained revenue for the year	–	–	–	–	–	8,308
Closing balance	74,075	11,646	29,182	162,367	182,100	19,131

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

Notes to the Accounts

15. Net asset value per share

	2020	2019
Total equity shareholders' funds (£'000)	**483,548**	357,871
Shares in issue at the year end	**100,934,651**	97,895,159
Net asset value per share	**479.07p**	365.57p

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

	2020 £'000	2019 £'000
Total return on ordinary activities before finance costs and taxation	**117,831**	47,397
Less capital return on ordinary activities before finance costs and taxation	**(109,977)**	(39,153)
Increase in prepayments and accrued income	**(967)**	(166)
Decrease/(increase) in other debtors	**7**	(9)
Increase in other creditors	**2,028**	2,914
Special dividend allocated to capital	**1,979**	666
Less stock dividend	**(52)**	(3)
Management fee allocated to capital	**(2,026)**	(1,677)
Performance fee allocated to capital	**(4,552)**	(2,838)
Overseas withholding tax deducted at source	**(430)**	(434)
Net cash inflow from operating activities	**3,841**	6,697

17. Analysis of changes in net debt

	2019 £'000	Cash flow £'000	Exchange movements £'000	2020 £'000
Cash at bank and in hand	**4,202**	**(9,015)**	**(392)**	**(5,205)**
Bank loan	**(12,153)**	**(11,979)**	**1,560**	**(22,572)**
Net debt	**(7,951)**	**(20,994)**	**1,168**	**(27,777)**

18. Transactions with the Manager

Under the terms of the Alternative Investment Fund Manager Agreement, the Manager is entitled to receive management, secretarial and performance fees. Details of the basis of these calculations are given in the Directors' Report on page 37. If the Company invests in funds managed or advised by the Manager, any fees earned by the Manager are rebated to the Company. The management fee payable in respect of the year ended 31 December 2020 amounted to £2,701,000 (2019: £2,236,000) of which £825,000 (2019: £586,000) was outstanding at the year end.

A performance fee amounting to £4,552,000 (2019: £2,838,000) is payable in respect of the year, and the whole of this amount (2019: same) was outstanding at the year end.

The secretarial fee payable for the year amounted to £75,000 (2019: £76,000) of which £19,000 (2019: £19,000) was outstanding at the year end.

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

19. Related party transactions

Details of the remuneration payable to Directors are given in the Directors' Remuneration Report on page 46 and details of Directors' shareholdings are given in the Directors' Remuneration Report on page 47. Details of transactions with the Manager are given in note 18 above. There have been no other transactions with related parties during the year (2019: nil).

20. Disclosures regarding financial instruments measured at fair value

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

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

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

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

Level 3 – valued using inputs that are unobservable.

Details of the Company's policy for valuing investments and derivative instruments are given in note 1(b) on page 59 and 1(g) on page 60.

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

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

	2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	362,078	–	–	362,078
Derivative financial instruments – index put options	477	–	–	477
Participatory notes[1]	–	6,459	–	6,459
Total	362,555	6,459	–	369,014

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

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

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

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

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

(a) Market risk

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

(i) Currency risk

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

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

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

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

2019	Hong Kong dollars £'000	US dollars £'000	Taiwanese dollars £'000	South Korean won £'000	Thai baht £'000	Singaporean dollars £'000	Australian dollars £'000	Other £'000	Total £'000
Current assets	27	55	252	2,272	–	1	–	124	2,731
Current liabilities	–	(12,165)	–	–	–	–	–	(97)	(12,262)
Foreign currency exposure on net monetary items	27	(12,110)	252	2,272	–	1	–	27	(9,531)
Investments held at fair value through profit or loss	136,894	66,111	35,441	20,249	5,106	23,455	62,753	11,487	361,496
Derivative instruments held at fair value through profit or loss – index put options	477	–	–	–	–	–	–	–	477
Total net foreign currency exposure	137,398	54,001	35,693	22,521	5,106	23,456	62,753	11,514	352,442

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

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (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
Income Statement – return after taxation		
Revenue return	**835**	883
Capital return	**(1,802)**	(920)
Total return after taxation	**(967)**	(37)
Net assets	**(967)**	(37)

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

	2020 £'000	2019 £'000
Income Statement – return after taxation		
Revenue return	**(835)**	(883)
Capital return	**1,802**	920
Total return after taxation	**967**	37
Net assets	**967**	37

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

(ii) Interest rate risk

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

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

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

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 at bank and in hand	**2,010**	4,202
Creditors: bank overdaft	**(7,215)**	–
Creditors: amounts falling due within one year – borrowings on the credit facility	**(22,572)**	(12,153)
Total exposure	**(27,777)**	(7,951)

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 extended its £25 million multi-currency credit facility with Scotiabank Europe plc to 6 April 2021. Following the year end the facility was extended to 6 July 2021 and it is the Directors intention to renew the facility for a further year from that date. The limit may be further extended to £50 million, subject to credit approval by the lender. Amounts are normally drawn down on the facility for one month periods. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and 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 December 2020, the Company had drawn down US$30.9 million (£22.6 million) at an interest rate of 1.50%, repayable on 14 January 2021. At 31 December 2019, the Company had drawn down US$16.1 million (£12.2 million) at an interest rate of 2.37%, repayable on 16 January 2020.

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

	2020 £'000	2019 £'000
Maximum debit interest rate exposure during the year – net debt	**(41,927)**	(11,719)
Minimum debit/ maximum credit interest rate exposure during the year – net (debt)/cash	**(11,651)**	3,191

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
Income statement – return after taxation				
Revenue return	**(27)**	**27**	6	(6)
Capital return	**(112)**	**112**	(46)	46
Total return after taxation	**(139)**	**139**	(40)	40
Net assets	**(139)**	**139**	(40)	40

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

(iii) Market price risk

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

Management of market price risk

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

Market price risk exposure

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

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	**513,671**	368,537
Derivative financial instruments held at fair value through profit or loss – index put options	**947**	477
	514,618	369,014

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

An analysis of the Company's investments is given on page 22. This shows that the portfolio mainly comprises investments quoted on Asian stock markets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of classification.

Market price risk sensitivity

The following table illustrates the sensitivity of net return after taxation for the year and net assets to an increase or decrease of 10% (2019: 10%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments, adjusting for the hedging effect of the index put options and including the resulting effect on the management fee, but with all other variables held constant.

	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**
Income statement – return after taxation				
Revenue return	**(62)**	**55**	(59)	52
Capital return	**37,826**	**(33,480)**	35,976	(31,612)
	37,764	**(33,425)**	35,917	(31,560)
Percentage change in net asset value	**7.8%**	**(6.9%)**	10.0%	(8.8%)

(b) Liquidity risk

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

Management of the risk

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

Liquidity risk exposure

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

	Six months or less 2020 £'000	**Six months or less 2019 £'000**
Creditors: amounts falling due within one year		
Borrowings on the credit facility – including interest	**22,601**	12,178
Bank overdraft – including interest	**7,223**	–
Securities purchased awaiting settlement	**114**	97
Other creditors and accruals	**5,566**	3,537
	35,504	15,812

(c) Credit risk

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

This risk is not significant and is managed as follows:

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

Counterparties are subject to daily credit analysis by the Manager. Cash balances are deposited with the custodian of the Company's assets, HSBC Bank plc, which has Long Term Credit Ratings of AA- with Fitch and A1 with Moody's.

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

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

There has been no stock lending during the year (2019: nil).

(d) Fair values of financial assets and financial liabilities

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

22. Capital management policies and procedures

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

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

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

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

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

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

– the amount of dividend to be paid, in excess of that which is required to be distributed.

Annual General Meeting – Recommendations

The Annual General Meeting ("AGM") of the Company will be held on Friday, 7 May 2021 at 12.00 p.m. The formal Notice of Meeting is set out on page 75.

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

Owing to the continuing restrictions relating to meetings due to 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 are asked to comply with Government requirements and guidelines relating to travelling and meetings. Shareholders are encouraged to vote by proxy, appointing the chair of the meeting as their proxy.

Ordinary business

Resolutions 1 to 9 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 invites shareholders to approve the final dividend. Resolution 3 concerns the Directors' Remuneration Report, on pages 45 to 47. Resolutions 4 to 7 invite shareholders to re-elect each of the Directors for another year, following the recommendations of the nomination committee, set out on pages 43 and 44 (their biographies are set out on pages 35 and 36). 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 40 and 41.

Special business

Resolution 10 – Directors' authority to allot shares (ordinary resolution) and resolution 11 – power to disapply pre-emption rights (special resolution)

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

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £515,673 (being 10% of the issued share capital (excluding any shares held in treasury) as at 22 March 2021).

A special resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £515,673 (being 10% of the issued share capital as at 22 March 2021) on a non pre-emptive basis. This authority includes shares that the Company sells or transfers that have been held in treasury. The Directors do not intend to allot ordinary shares or sell treasury shares, on a non pre-emptive basis, pursuant to this authority other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company as a whole. Shares issued or treasury shares reissued, under this authority, will be at a price that is equal to or greater than the Company's NAV per share, plus any applicable costs, as at the latest practicable date before the allotment of such shares.

If approved, both of these authorities will expire at the conclusion of the AGM in 2022 unless renewed, varied or revoked earlier.

Resolution 12: authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 19 May 2020, the Company was granted authority to make market purchases of up to 14,672,610 ordinary shares of 5p each for cancellation or holding in treasury. 180,508 shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 14,492,102 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to NAV. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at 22 March 2021 (excluding treasury shares). The Directors will exercise this authority to buy back shares only when the share price is at a discount to the Company's NAV and only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue.

If renewed, this authority will lapse at the conclusion of the AGM in 2022 unless renewed, varied or revoked earlier.

Notice of Annual General Meeting

Notice is hereby given that the thirty-fourth Annual General Meeting of Schroder Asian Total Return Investment Company plc will be held on Friday, 7 May 2021 at 12.00 p.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions, of which resolutions 1 to 10 will be proposed as ordinary resolutions, and resolutions 11 and 12 will be proposed as special resolutions:

1. To receive the Directors' Report and the audited accounts for the year ended 31 December 2020.
2. To approve a final dividend of 7.10 pence per share for the year ended 31 December 2020.
3. To approve the Directors' Remuneration Report for the year ended 31 December 2020.
4. To approve the re-election of Andrew Cainey as a Director of the Company.
5. To approve the re-election of Caroline Hitch as a Director of the Company.
6. To approve the re-election of Mike Holt as a Director of the Company.
7. To approve the re-election of Sarah MacAulay as a Director of the Company.
8. To re-appoint Ernst & Young LLP as auditor to the Company.
9. To authorise the Directors to determine the remuneration of Ernst & Young LLP as auditor to the Company.
10. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

    "THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £515,673 (being 10% of the issued ordinary share capital at 22 March 2021) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2022, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."
11. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "That, subject to the passing of Resolution 10 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 10 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £515,673 (representing 10% of the aggregate nominal amount of the share capital in issue at 22 March 2021); and where equity securities are issued pursuant to this power they will only be issued at a price which is equal or greater than the Company's NAV per share as at the latest practicable date before the allotment; and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
12. To consider and, if thought fit, to pass the following resolution as a special resolution:

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

    (a) the maximum number of Shares which may be purchased is 15,459,884, representing 14.99% of the Company's issued ordinary share capital as at 22 March 2021 (excluding treasury shares);

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

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

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

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

    (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2022 (unless previously renewed, varied or revoked by the Company prior to such date);

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

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

By order of the Board

Schroder Investment Management Limited
Company Secretary

24 March 2021

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

Registered Number: 02153093

Explanatory Notes to the Notice of Meeting

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

   A proxy form is attached. Due to COVID-19 shareholders are encouraged to appoint the Chairman as proxy. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 389 0306 or +44(0) 121 415 0179 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

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

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 10.00 a.m. on 5 May 2021. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 389 0306 (or +44(0) 121 415 0179 for overseas callers).

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

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

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

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 5 May 2021, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 5 May 2021 shall be disregarded in determining the right of any person to attend and vote at the meeting.

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

Explanatory Notes to the Notice of Meeting

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

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

6. The biographies of the Directors offering themselves for election and re-election are set out on pages 35 and 36 of the Company's annual report and accounts for the year ended 31 December 2020.

7. As at 22 March 2021, 103,134,651 ordinary shares of 5 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 22 March 2021 was 103,134,651.

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

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

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

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

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

11. The Company's privacy policy is available on its webpages.

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 479.07p (2019: 365.57p) represents the net assets attributable to equity shareholders of £483,548,000 (2019: £357,871,000) divided by the number of shares in issue, excluding any shares held in treasury, of 100,934,651 (2019: 97,895,159).

The change in the NAV amounted to +31.0% (2019: +13.7%) over the year. However this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are factored into the calculation, the resulting performance measure is termed the "total return". Total return calculations and definitions are given below.

Total return

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

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

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

The NAV total return for the year ended 31 December 2019 is calculated as follows:

Opening NAV at 31/12/18				321.43p
Closing NAV at 31/12/19				365.57p
Dividend received	XD date	NAV on XD date	Factor	
6.20p	11/4/2019	357.63p	1.0173	
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV:				+15.7%

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

Opening share price at 31/12/19				368.00p
Closing share price at 31/12/20				489.00p
Dividend received	XD date	Share price on XD date	Factor	
6.50p	9/4/20	319.00p	1.0204	
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price:				+35.6%

The share price total return for the year ended 31 December 2018 is calculated as follows

Opening share price at 31/12/18				331.00p
Closing share price at 31/12/19				368.00p
Dividend received	XD date	Share price on XD date	Factor	
6.20p	11/4/2019	363.00p	1.0171	
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price:				+13.1%

Reference Index

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

Definitions of Terms and Performance Measures

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The premium at the year end amounted to 2.1% (2019: 0.7%), as the closing share price at 489.0p (2019: 368.0p) was 2.1% (2019: 0.7%) higher than the closing NAV of 479.07p (2019: 365.57p).

Gearing

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

	2020 £'000	**2019 £'000**
Borrowings used for investment purposes, less cash	27,777	7,951
Net assets	483,548	357,871
Gearing	5.7%	2.2%

Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable and is calculated as follows:

	2020	**2019**
Management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable (£'000)	3,390	2,882
Average daily net asset values during the year (£m)	384.5	334.7
Ongoing charges (%)	0.9	0.9

Leverage

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

Shareholder Information

Webpages and share price information

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

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

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

Association of Investment Companies

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

ISA status

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

Non-Mainstream Pooled Investments Status

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

Financial calendar

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

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

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

Leverage

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

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.0	1.2
Commitment method	2.5	1.2

Illiquid assets

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

Remuneration disclosures

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

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

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

Complaints

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

www.schroders.co.uk/satric

Directors

Sarah MacAulay (Chairman)
Andrew Cainey
Caroline Hitch
Mike Holt

Advisers

Alternative Investment Fund Manager (the "Manager")

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

Investment Manager and Company Secretary

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

Registered Office

1 London Wall Place
London EC2Y 5AU

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

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

Corporate Broker

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

Independent Auditors

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

Registrars

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

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

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

Shareholder enquiries

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

Dealing Codes

ISIN:	GB0008710799
SEDOL:	0871079
Ticker:	ATR

Global Intermediary Identification Number (GIIN)

TRPJG6.99999.SL.826

Legal Entity Identifier (LEI)

549300TQNNGZ0JHO2L78

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

Schroders