Schroders

Schroder Asian Total Return Investment Company plc

Half year report and accounts for the six months ended 30 June 2022

Investment objective

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

Investment policy

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

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

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

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

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

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

Contents

Financial Highlights and Long-Term Performance Record

Total returns[1] for the six months ended 30 June 2022

-16.4%
Net asset value ("NAV") per share total return[2]

-18.7%
Share price total return[3]

-5.9%
Reference Index[4]

-8.5%
Peer Group NAV per share total return[2,5]

Long-term performance

Total returns to 30 June 2022[1]	6 months %	1 year %	3 years %	5 years %	10 years %
NAV per share[2]	(16.4)	(15.1)	20.9	44.4	175.4
Share price[3]	(18.7)	(18.0)	15.7	41.2	197.5
Reference Index[4]	(5.9)	(12.8)	11.6	25.8	109.8
Peer Group NAV per share[2,5]	(8.5)	(10.3)	29.3	48.7	180.7

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

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

[3] Source: Morningstar.

[4] Source: Thomson Reuters. 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 ex-Japan Index (with gross income reinvested), sterling adjusted.

[5] Source: Morningstar.The arithmetic average of a group of nine comparable Asia (excluding Japan) investment trusts (the "Peer Group").

Other financial information

	30 June 2022	31 December 2021	% Change
NAV per share (pence)	**416.45**	507.24	(17.9)
Share price (pence)	**403.50**	506.00	(20.3)
Share price discount to NAV per share (%)	**(3.1)**	(0.2)	
Gearing (%)[1]	**9.9**	8.3	

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

Chairman's Statement

Performance

The first six months of the year produced poor performance from both Asian markets and the Company. Following the unexpected Russian invasion of Ukraine the deteriorating outlook for the global economy significantly impacted Asian stock markets and the Company's relatively large holdings in global leaders of the technology and semiconductor sectors were particularly hard hit. The Company produced a NAV total return of -16.4%, well behind the -5.9% return from the Reference index.

The share price total return of -18.7% was impacted by the adverse investor sentiment affecting Asian stock markets and the discount to NAV widened from 0.2% at the beginning of the period to 3.1% at the end. The peer group average discount to NAV also widened and ended the period at 10.7%. The peer group average NAV total return for the period under review was -8.5%.

This short term performance, while disappointing, should be viewed in the wider context of long term performance, which remains well ahead of the Reference index and performance has improved since the end of the period. Over the period 1 July to 14 September, the NAV increased by 6.1%, outperforming the Reference index which returned 1.1%.

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

Promotion and discount control

The share price traded slightly below net asset value for much of the period, with an average discount of approximately 2.5%. In response, the board utilised its authority to buy back shares to assist discount management and a total of 443,000 shares were purchased during the period and held in treasury for possible re-issue at a future date. Since the end of the period, the Company has continued to utilise its buy back authorities and has purchased a further 1,334,725 shares, which are also being held in treasury.

Gearing

The Portfolio Managers continued to utilise gearing with average gearing at 9.9% over the period under review. This gearing should continue to be viewed in the context of the use of derivatives, in this case the sale of Taiwanese futures as part of the overall strategy of our Portfolio Managers. The board maintains oversight of the use of gearing and renewed its £50m revolving credit facility at the start of July 2022.

Outlook

Concern over slowing global economic growth, rising inflation, tight labour markets and high commodity prices continues to overhang the outlook for corporate earnings. In addition, China's zero tolerance covid policy has detrimentally impacted economic activity in the region. However, Asian equity valuations are increasingly attractive and we have confidence that the considerable investment experience of our portfolio managers, supported by an extensive team of Asian based research analysts, makes them well positioned to find the most attractive stock selection opportunities across the region.

Sarah MacAulay

Chairman

15 September 2022

Portfolio Managers' Review

Performance

The first half of 2022 was a very difficult period for both the Company and Asian stock markets. The Company's NAV fell sharply as many of the company's holdings dropped given fears over the deteriorating outlook for the global economy following Russia's invasion of the Ukraine, and the subsequent impact this has had on energy and food prices, inflation and consumer confidence. The Company has significant positions in best-in-class global leaders listed in Asia such as TSMC (semiconductors), Samsung Electronics (memory chips), Techtronics (power tools), Mediatek (smartphone chipsets) and these stocks in particular pulled back sharply as concerns over global growth rose. This meant the Company materially underperformed the reference benchmark (MSCI AC Asia Pacific ex Japan) over the first half of the year with the Net Asset Value (NAV) falling 16.4% in total return terms. It has been one of the most difficult periods for performance your fund managers have endured in their combined 55 years of investment experience.

Looking into Asian stockmarkets in more detail it was the technology and export heavy Taiwanese and Korean markets that performed worst, dropping 16% and 20% respectively over the first half (in sterling terms). The falls were led by technology stocks where worries over falling consumer demand and rising inventories caused a large pull back. We trimmed the Company's technology positions slightly at the beginning of the year but decided not to sell further given attractive long-term valuations and a secular growth story that remains in our view unchanged as outlined in the outlook section below. Short-term this has proved painful.

Of the other major markets Australia and China fell around 10% in local currency terms in the first half, which meant in GBP terms they were only down slightly given how weak sterling was over the period. Within China we saw quite volatile performances. Technology and internet stocks in particular were initially very weak but then rebounded strongly in May and June on hopes that regulatory pressures were easing and the Chinese economy was set to improve on back of economic stimulus and falling Covid-19 case numbers. As we outline in the Outlook section below we are cautious on the Chinese outlook both for the economy and stockmarket. The Company continues to have around 12-15% of it's assets in stocks classified as China stocks but this is substantially below the Company's reference benchmark (MSCI AC Asia Pacific ex Japan) weighting in Chinese stocks.

The best performing stockmarket over the first half was Indonesia where market sentiment was helped by rising commodity prices given the Indonesian economy remains quite commodity dependant. The Thai and Hong Kong stockmarket indices also performed relatively well as both indices have large weightings in banks and defensive utility stocks which helped their performance.

Looking in more detail at the Company's performance over the period it was primarily the technology exposures that led to the falls in NAV. The falls across the sector were broad based and affected all our technology exposures whether they were Korean, Taiwanese or Indian software companies. The company was also hurt by falls in some of export related names like Nien Made (window blinds), Merida (bicycles), Shenzhou (textiles). We should highlight when we are referring to technology stocks we specifically mean semiconductor and software names not internet stocks. The Company does have some exposure to internet names like Tencent, JD.com and SEA but this is not that large and was not a key contributor to the underperformance.

On the positive side our resource exposure in Australia via BHP, Rio Tinto and Incitec Pivot did relatively well, as did our exposure to ASEAN banks via DBS Bank in Singapore and Bank Mandiri in Indonesia. Unfortunately the positives were nowhere near large enough to offset the weakness of our technology and export related stocks. The Company also maintain a relatively low weighting in some of the "hot" sectors like electric vehicles (EV) and solar plays in China where valuations are like expectations very high. In the EV and battery sector in particular we are worried about oversupply and irrational competition.

It was quite an active period for the Company. Given the deteriorating geopolitical and economic backdrop we have spent significant time working with the Schroders research team in Asia to stress test our holdings, going over investment thesis again and doing worse case (or bear case) fair values. This has involved a closer look at balance sheets, cash flows, qualitative assessments of management and an assessment of the risk of geopolitics undermining the investment case. The result of our work was to exit around 12 of the company's holdings – these were mostly in China, Hong Kong and the technology and internet sectors. We added three new names in Australia which we felt were oversold on economic growth concerns – all are industrial companies with a global footprint. Elsewhere the company increased its exposure selectively to financials, and as we switched and consolidated our technology exposure we added to some of our existing technology positions in Taiwan.

The Company was slightly geared on a net basis over the period (the overall geared (debt) position is mostly offset by the sale of Taiwanese index futures). The models we use to determine whether to deploy capital preservation strategies within the company did not work over the period. The long-term strategic models which are based around long-term valuations had moved to a positive position at the end of 2021 (Asian stockmarkets were mostly weak in 2021 and earnings strong), and our tactical (short term) models were neutral. Given the high cost of deploying capital preservation strategies (use of options) we did not have any cover in place by end of February. Qualitatively your fund managers both started the year reasonably positive, neither the models nor us foresaw the dreadful situation in Ukraine and the further escalation in US-China tensions.

Finishing on a more positive note we believe the Company's stocks are well positioned to weather what we expect could be a tough period for both the global economy and stockmarkets, and we see substantial bottom-up value in Asia stockmarkets for long term investors as we outline in the Outlook section below.

Outlook

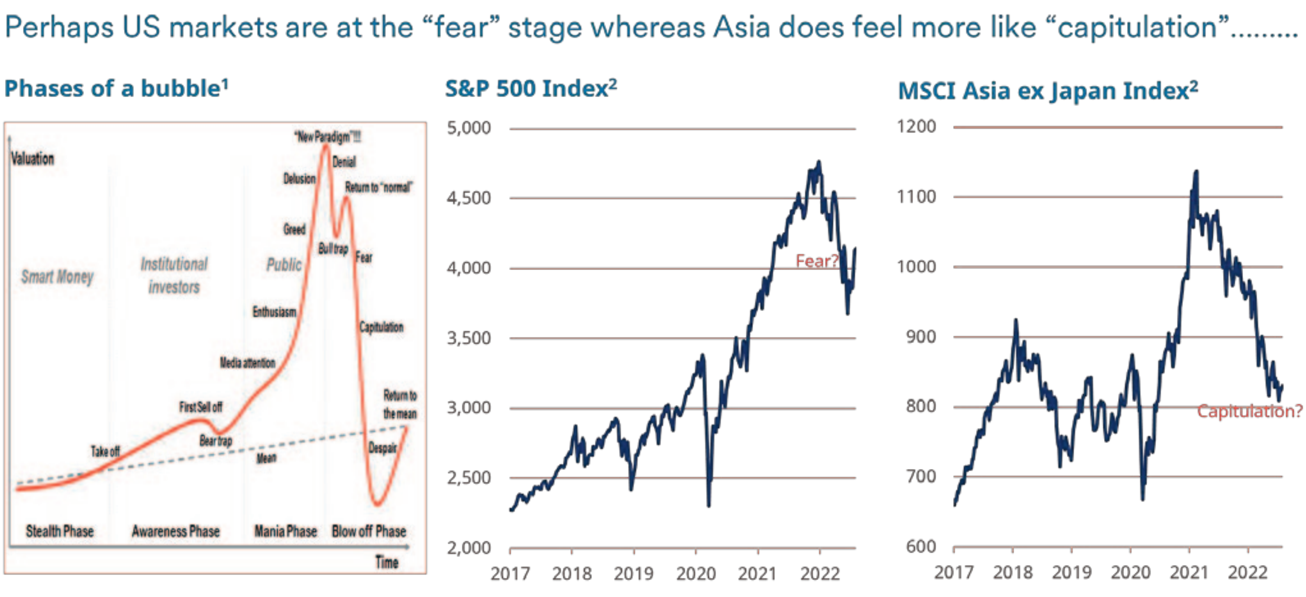
As we write at mid-year 2022 it is clear macro events are likely to have a big bearing on Asian stockmarkets and most of these events are ones we have no real insight on. Will the "zero-Covid" policy in China lead to new and extensive lockdowns and will the Ukraine-Russia war escalate or remain prolonged? Will the consumer in Europe and USA remain resilient (given tight labour markets), despite high oil prices and rising food costs and will China- US tensions over Taiwan and more generally escalate leading to a full-blown trade/cold war?

We really don't know answers to any of these questions. Predicting "black swan" events and endlessly discussing tail risks is, we believe, pretty futile. So instead, your fund managers will try in this report to look through the current maelstrom of economic and geopolitical noise to discuss where we see the best long-term investment opportunities in Asian stockmarkets, particularly given the big correction in valuations over the last 12 months. This topic could cover a lot of ground and we wrote extensively in the 2021 annual report about the secular trends in the region (available on the company website) so we will aim to keep this relatively short and mostly in chart format.

As mentioned above it has been a difficult period for Asian stockmarkets – as Chart 1 shows the MSCI AC Asia ex Japan index is now back to pre-Covid-19 levels and to similar index levels to five years ago. With broad based foreign investor selling pressure hitting nearly all Asian stockmarkets, a general sense of investor gloom and continuous broker downgrades of many stocks it does feel like we are at a capitulation level in the region. Whether we face a final leg down to the despair level in Chart 1 probably depends on the maelstrom of unpredictable events mentioned above. What we can say however is there is a lot of fear in markets so whilst we might not want to be greedy, our appetites are rising – and in particular using another Buffet maxim, we are now seeing opportunities to "*buy a wonderful company at a fair price*". This was opposed to 18 months ago when we were often looking at buying "*a fair company at a wonderful price*".

Chart 2 has two of the valuation indicators we use in the Schroder Asian Total Return Investment Company's hedging process and also as part of our decision making on deploying gearing. As can be seen, the top-down

Chart 1: Where are we in the market cycle?



[1]Source: Dr. Jean-Paul Rodrigue, Dept of Global Studies & Geography, Hofstra University, 2008
[2]Source: Factset, August 2022

Portfolio Managers’ Review

indicator has now moved into the cheap zone (but not oversold). Meanwhile, our bottom-up indicator (percentage of Asian stocks with upside to our analyst’s fair value) is almost touching the BUY level of c.70%. Both indicators have historically been good predictors of 18 month forward returns.

Chart 3 has a more detailed breakdown by sector in Asia. The black spot shows current Price/Earnings (P/E) levels of the various Asian sectors vs peak to trough trends.

Chart 2: Valuation Indicators were expensive at end of 2020 but now returned to more attractive levels

Schroders Top-Down Valuation Indicator (I)

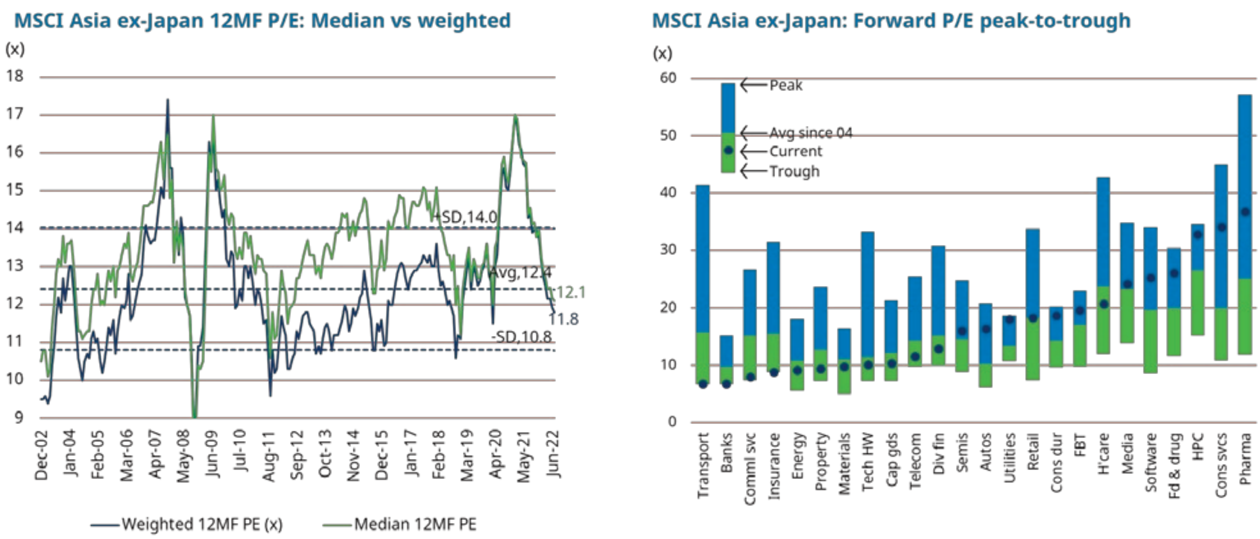
Schroders Bottom-up Valuation Indicator

Source: Factset, Schroders, August 2022

What is interesting is most sectors are now cheap/fair vs history. This contrasts with 18 months ago when nearly all sectors other than the out of favour “value” areas (banks, insurance, property etc…) were expensive. This ties in with Chart 4 where we can see stocks classified as “growth” and “value” by MSCI have now fully mean reverted back to their pre-Covid levels. We have never been too concerned by the classification of stocks we invest in as growth vs value as we want to buy stocks offering us the best long-term sustainable total returns, but typically we do have a quality and mild growth bias in the company (we don’t own value traps like state owned banks and insurers, or utilities with uncertain regulatory frameworks etc…). At the current time, given the size of the correction, we see the best opportunities in stocks typically classified as more “growth” businesses.

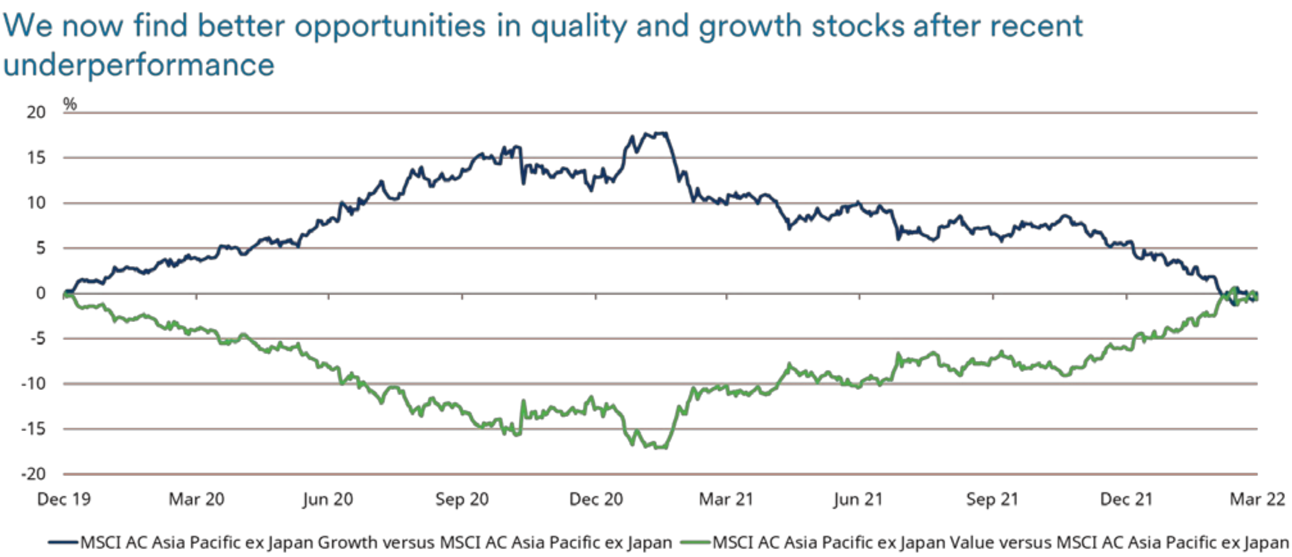
Given the weakness in Chinese stockmarkets over the last 12 months many shareholders have asked why we have not added to our exposure to China. Whilst we would

Chart 3: Multiples have corrected, but still a very wide spread across sectors



Notes: PE data are bottom-up aggregated using rolling MSCI AxJ universe. Data as of 31 July, 2022. Historical sector valuations are adjusted for GICS sector classification changes.
Source: Datastream, Factset, CLSA, August 2022.
The sectors shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell

Chart 4: Value and Growth Mean Reverts



Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.
Source: Refinitiv Eikon Datastream, as at 31 March 2022, in GBP. The regions and countries shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

fully accept there is scope for a short-term rebound in Chinese markets given the extent of the sell-off and negative sentiment, we remain structurally cautious on Chinese equities. This is due to multiple factors. These include more short-term cyclical ones like the weak housing market, continued adherence to "zero Covid" policies, slowdown in exports as global demand for manufactured goods slows or more serious structural factors. The latter include the increasing role of the state in the economy, challenging demographics, elevated debt levels and macroeconomic risks, or geopolitical tensions and commercial cold wars. Chart 5, which we have borrowed from our colleague Toby Hudson, has a good summary of the Chinese headwinds over the last 18 months. The key point here is whilst some are cyclical, others appear more structural and thus have made Chinese stockmarkets materially less attractive to investors.

Interestingly the country models we use in the Company's process for hedging have also turned more cautious on China despite the market falls. This is

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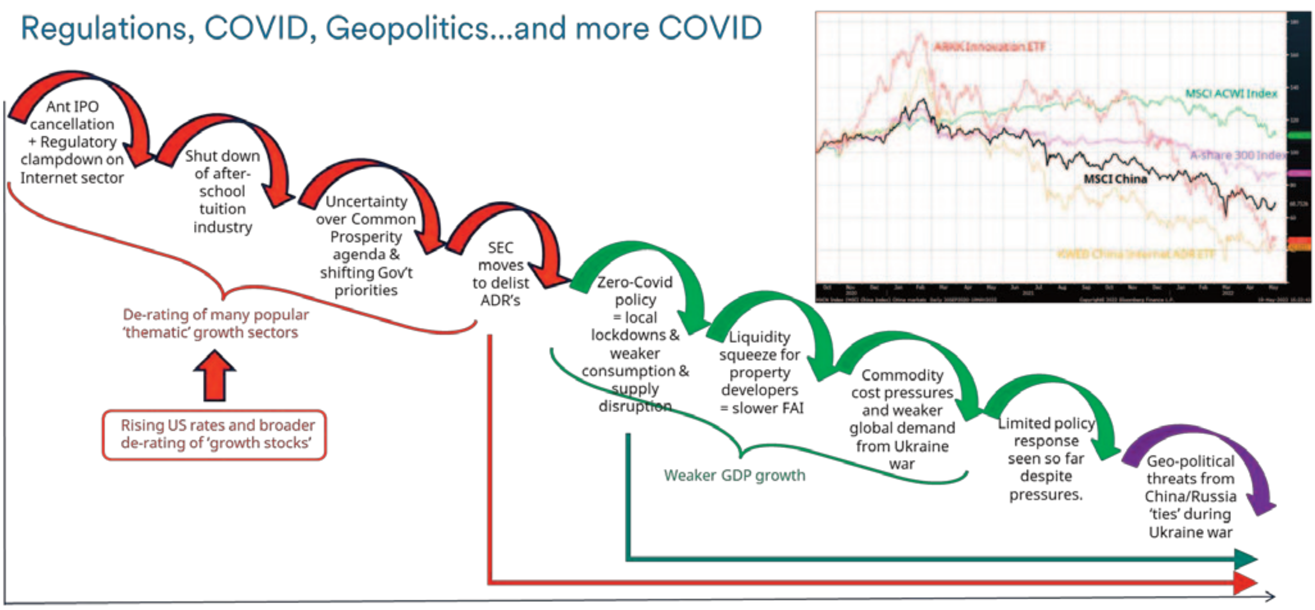
Chart 5: Why have China markets been so disappointing?



Source: Bloomberg, Schroders, May 2022

because of the deterioration in both the earnings outlook and the cyclical business factors the model picks up. Perhaps a few more charts help highlight the extent of the near-term economic headwinds. Chart 6 has the official growth and Chinese activity index which are now at a 30-year low. Charts 7,8 and 9, show retail sales and travel, and demonstrate just how weak the economy really is. Clearly this is backward looking but a continued adherence to a "zero-Covid" policy will be likely to make any consumer recovery muted and, if we have further lockdowns, very stop-start. We expect significant earnings downgrades to come – Chinese equities are almost certainly not as cheap as they optically appear.

But surely China can just pump things up and get the economy moving again? We would caution on this thesis. As Chart 10 shows Chinese property may be slowing but it is from a very elevated level (property sales and starts

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Chart 6: Economy is deteriorating rapidly

Chart 7: Retail spending growth

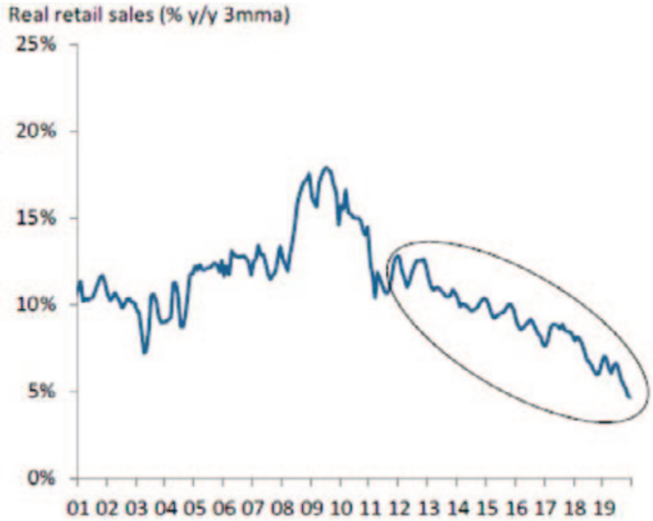


Chart 8: Domestic passenger travel

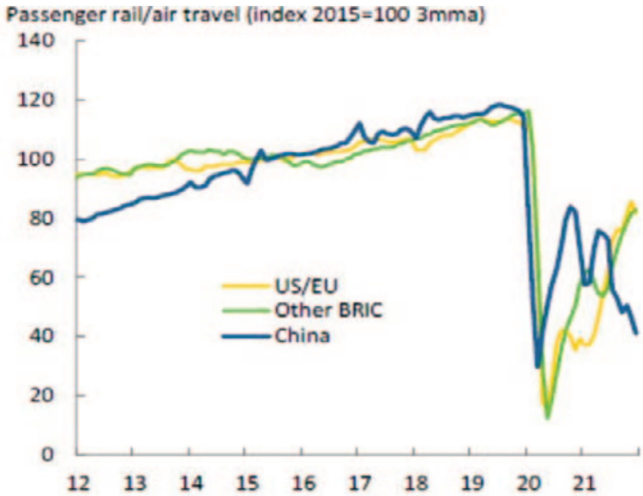
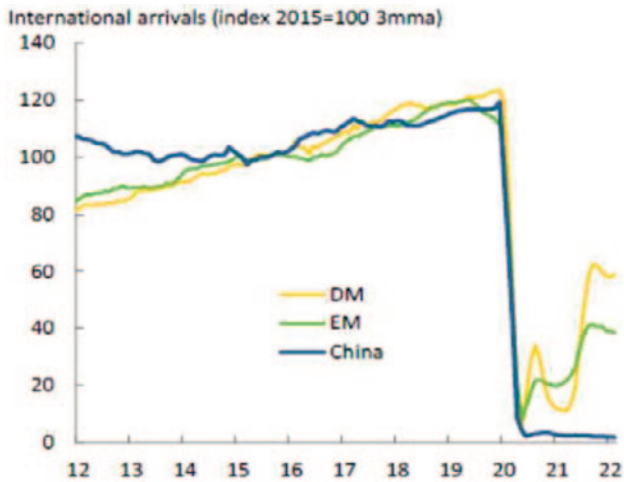


Chart 9: International arrivals



Source: CEIC, Emerging Advisors Group, May 2022

are double pre-GFC levels). This is happening at a time when Chinese demographics have turned much less favourable with the workforce now shrinking. Indeed, Goldman Sachs' Jon Ennis is now forecasting a 15% decline in births in China in 2021, which follows an 18% decline in 2020 overall, he expects new births in China in 2023 will be 40% below the level of 2016. A recent study published by the Lancet predicts that China's population could half by 2100. None of this looks structurally good for a sector that comprises c.20-25% of Chinese GDP.

[1] The Activity Index is defined as an equal-weighted average of the following composite sub-indices (each of which contains anywhere from two to over 100 constituent data series):

- Retail Sales
- Househould income and expenditure
- Government revenue and expenditure
- Fixed investment
- Trade volume
- Property sales
- Industrial production
- Agriculture
- Property construction
- Transport
- Energy consumption

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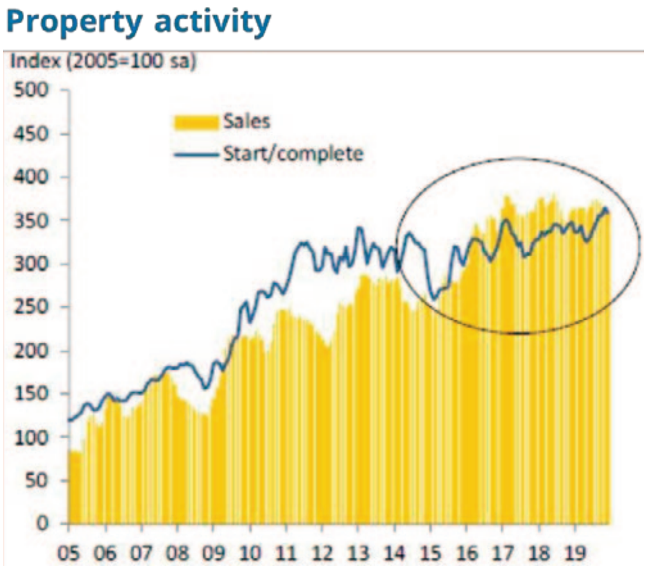
Chart 10: The Chinese property sector has potentially a long way to fall



Source: CEIC, Emerging Advisors Group, May 2022

Given the weak domestic picture we want to buy stocks when they are genuinely cheap and once the more difficult earnings outlook is fully discounted. In light of the current backdrop we are still not convinced we are there. The better managed consumer, industrial and domestic stocks in China have actually held up reasonably well as fund managers hide in the increasingly small pockets of the market that aren't officially state-owned enterprises (SOEs). The same applies to those companies being regulated such that they become quasi SOEs, which is what we worry is happening in the technology and internet space in China as founders get replaced and Chinese Communist Party Committees play a more prominent role in decision making at companies.

Chart 11: Who is in charge?

Since early 2020 five of the eight founders of China's largest internet platforms have "retired to pursue charitable projects"

Company Name	Founder	Current position
Alibaba	Jack Ma	Stepped down as CEO, Chairman and has left board
JD.COM	Richard Liu	Stepped down as CEO, now Chairman
Tencent	Pony Ma	Still CEO and Chairman
Baidu	Robin Li	Still CEO and Chairman
Bytedance (Tik Tok)	Zhang Yiming	Stepped down as CEO and Chairman
Kuashiou	Su Hua	Stepped down as CEO, now Chairman
Meituan	Wang Xing	Still CEO and Chairman
Pinduoduo	Colin Huang	Stepped down as CEO and Chairman

Source: Company, Schroders, April 2022

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The Company does not invest in official SOEs or quasi SOEs (stocks heavily state "influenced") given our views on state owned capitalism. We also don't invest in stocks in sectors facing structural challenges (disruption, regulation, demographics) or ESG headwinds – this removes a significant part of the MSCI China index (by market cap) from our investment universe. Instead, we have a relatively short list of Chinese stocks which we believe still have good long term growth options – some of which we currently own, and others which we have on a watchlist to add to if they fall to levels which offer enough upside to our fair values.

So where do we see the best opportunities in Asia? Chart 12 has the current country, sector allocation for the Schroder Asian Total Return Investment Company. As can be seen technology remains a key position in the company. This is slightly deceptive – as what constitutes a technology company? Nearly all companies we meet claim they have technology or an edge based on technology – do Techtronics, which makes the world's best battery power tools, or Merida which makes, and part owns, cutting edge/high end e-bikes via Specialised count as technology? We would say they do, but MSCI classifies them as industrial and consumer discretionary respectively. Whereas plenty of 'basic box' assemblers of PCs and servers get classified as technology stocks.

Chart 12: Current fund strategy – sector and market allocation as at 31 July 2022

Sector/Country (%)	Australia	China	Hong Kong	India	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Thailand	United Kingdom	United States	France	Vietnam	Cash & Others	Grand Total
Communication Services	1.4	4.2		0.9					2.8								**9.2**
Consumer Discretionary	1.8	5.5	0.1					2.7		3.4	1.4			1.7			**16.5**
Consumer Staples															1.0		**1.0**
Energy	0.5																**0.5**
Financials	1.6		2.8	3.9	1.9				4.8								**14.9**
Banks				3.9	1.9				3.1								**8.8**
Diversified Financials									1.8								**1.8**
Insurance	1.6		2.8														**4.4**
Healthcare	5.7			1.5													**7.3**
Industrials	2.4		2.7					0.9		3.8							**9.8**
Information Technology		1.0	0.7	6.1		9.7			1.6	17.4							**36.5**
Materials	5.7											1.3					**7.1**
Real Estate			2.1														**2.1**
Utilities																	**–**
Cash																-7.6	**-7.6**
Derivatives										-5.6						5.6	**–**
Collective Investments				2.7													**2.7**
Grand Total	**19.1**	**10.7**	**8.4**	**15.1**	**1.9**	**9.7**	**–**	**3.5**	**9.2**	**19.0**	**1.4**	**1.3**	**–**	**1.7**	**1.0**	**-2.0**	**100.0**

Fund Positioning in %	Stocks (%)	Hedges (%)	Net Long (%)
Strategic hedges – Notional		–	
Tactical hedges – Notional		-5.6	
Total Exposure – Notional	**107.5**	**-5.6**	**101.9**
Strategic hedges – Delta-adjusted		–	
Tactical hedges – Delta-adjusted		-5.6	
Total Exposure – Delta-adjusted	**107.5**	**-5.6**	**101.9**
Cash	-7.5		

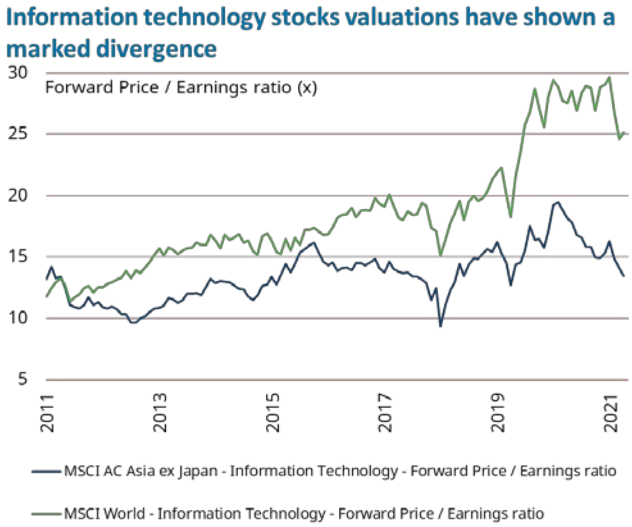
Source: Schroders. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

So instead, it is best to look at where we have large exposures in the portfolio. Our principal exposures within technology are Taiwan semiconductors (both foundries and chip designers) and Korean memory chip makers, and Indian IT software and services. This is the part of the technology sector in Asia where we view there is real intellectual property or "IP" and where we expect to see both the strongest growth and most importantly highest returns on capital through the cycle. Technology hardware equipment and assembly we view as manufacturing with often relatively low IP. When we look at parts of the battery and solar industries – the current "hot" tech sectors – we view many of the Asian stocks as hardware assemblers rather than long term high return businesses which is why we remain relatively cautious on these sectors.

Most of our technology holdings have seen significant corrections year to date and as discussed in the performance section it is these holdings that have proved most painful for short term fund performance. With hindsight we clearly should have taken some profits during the strong run at the end of 2021. Though as Chart 13 shows, Asian technology stocks never really rerated, in particular to the levels we saw in the US technology sector. Whilst we would accept downgrades to earnings forecasts are likely as clearly consumer technology demand (PCs, Smartphones, TV etc…) is set to weaken, we remain positive on long-term trends regarding semiconductor usage (electric vehicles, high performance computers, digitisation of business, IoT, smart grids, automation etc). Nearly all the secular trends we look at involve the increased use of semiconductors and software. The long-term secular story has not changed even if the short-term headwinds from the consumer side do look worse than we anticipated six months ago.

Portfolio Managers' Review

Chart 13: Asia valuation discount to the Rest of the World



Source: Refinitiv Eikon Datastream, as at 31 March 2022. The regions and countries shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

And what of valuations? As Chart 14 shows, we are now discounting a significant semiconductor downturn, and our key Asian semiconductor stocks are on single digit PERs and high dividend yields. Stocks we think are anticipating a significant short-term drop in demand and thus earnings.

Chart 14: Where are we in the current semiconductor cycle, and what are Asian stocks discounting?

Correlation between stocks and forward consensus EPS

Cycle #	SOX P-to-T	Duration	EPS FY1 P-to-T	Duration
2001-2002	-80%	35 months	-81%	15 months
2006-2007	-30%	6 months	-24%	11 months
2008-2009	-57%	6 months	-90%	12 months
2011-2012	-26%	6 months	-25%	10 months
2015-2016	-23%	3 months	-17%	10 months
2018	-23%	9 months	-14%	10 months

Source: FactSet, Arete Research, February 2022. Green = Severe Downcycle, Blue = Mild Downcycle

Cycle 2021/22 – SOX down 25.6% as at Aug 8th 2022 from End December 2021 High – stocks are starting to anticipate a downcycle

Do Asian tech valuations now reflect a downcycle but not the long-term secular growth drivers?

	Performance from recent high^(%)	PE (X)		EPS Gr (%)	Yield (%)	ROE
		22E	23E	22E	12M	T12M*
TSMC	-25.0	13.8	13.3	48.2	2.2	29.7
Realtek	-43.0	9.9	10.8	-2.5	7.8	49.3
Novatek	-59.2	5.6	9.1	-32.8	19.8	70.4
Mediatek	-40.4	8.7	9.4	4.3	10.5	27.7
Samsung Electronics	-33.2	9.5	9.8	0.6	2.4	13.9
LG Electronics	-49.2	6.9	6.2	117.1	0.9	13.3

Securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.
Source: Factset, Schroders, August 2022. ^as at 8 August 2022. *Trailing 12 months

Portfolio Managers' Review

And what of the supply side? Much has been written about the potential large increase in supply of foundry capacity in particular in China. Recent industry developments actually make us more relaxed. Tightening on rules on semiconductor equipment supply to China will make it more difficult for China to compete outside legacy nodes (i.e. less advanced semiconductors). It is also the case that China, even after c.25 years of state sponsorship to build a semiconductor industry, remains a distant player (Chart 15). This is a difficult industry. Korean and Taiwanese players with years of accumulated R&D, strong relationships with customers and equipment suppliers and education systems geared towards the sector have built strong barriers to entry (Chart 15). As Chart 16 from Goldman Sachs shows they do not expect any great movement in market share in the foundry industry over the coming years (and Goldman Sachs are normally bullish on China). It will also be increasingly difficult for China to buy foreign Intellectual Property (M&A in the sector now almost impossible) or foreign talent (due to Covid-19 policies and increasing rules and pressures in Korea and Taiwan to restrict high tech engineers working in China). We will watch closely as clearly this is a strategic priority for the CCP but the barriers to growing a homegrown cutting edge semiconductor industry have become higher due to geopolitics.

Chart 15: North Asia can continue to thrive

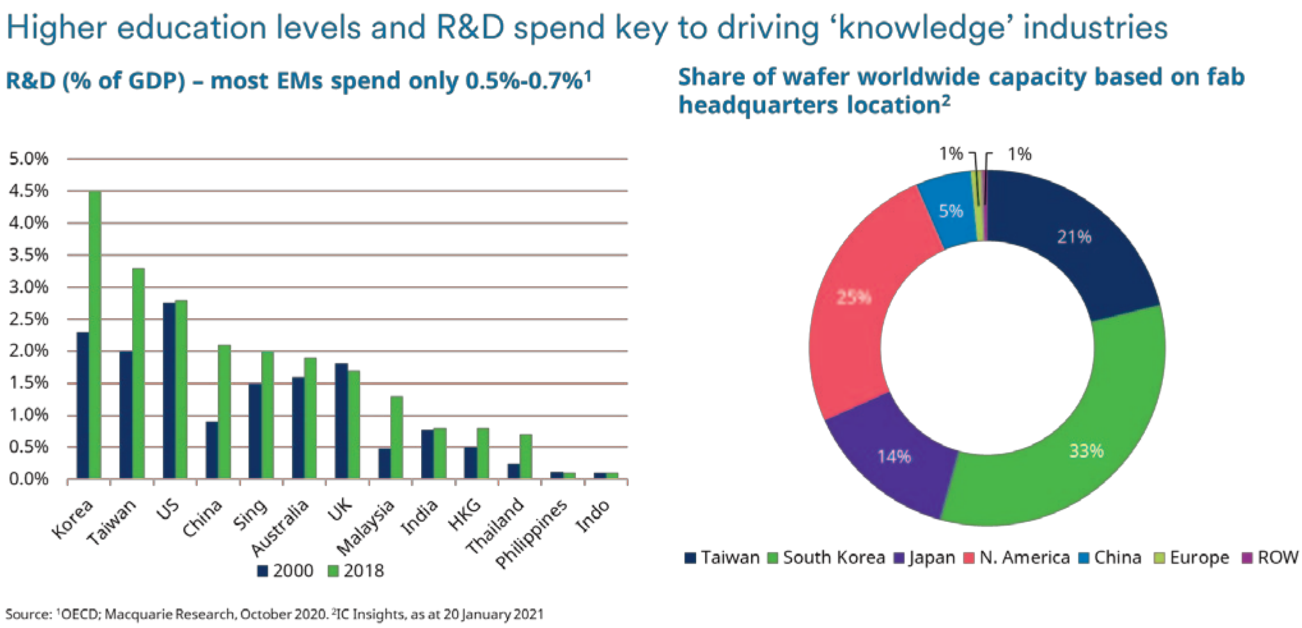
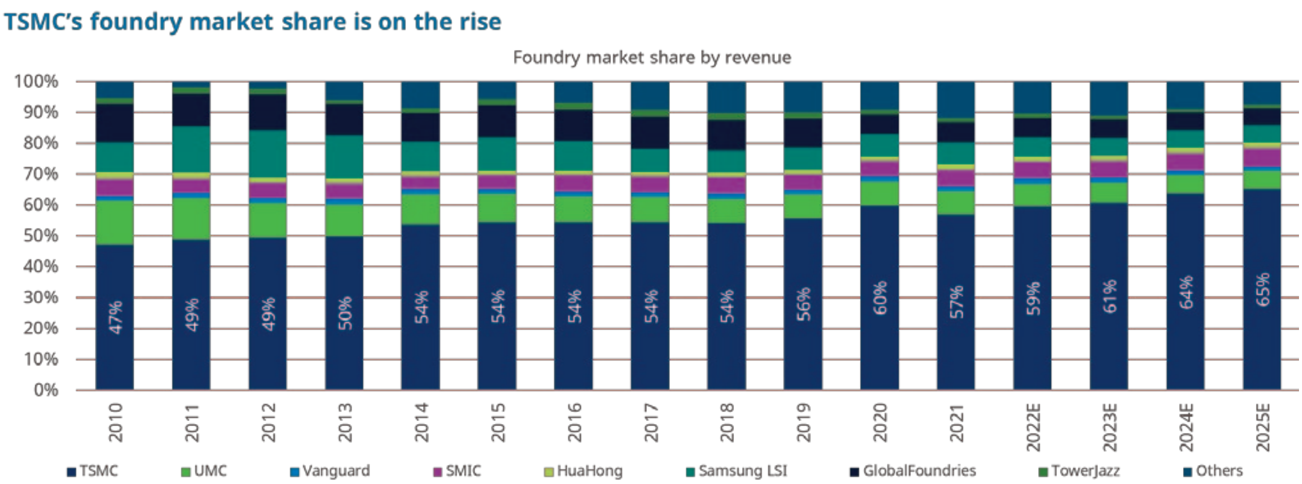


Chart 16: TSMC's foundry market share is on the rise

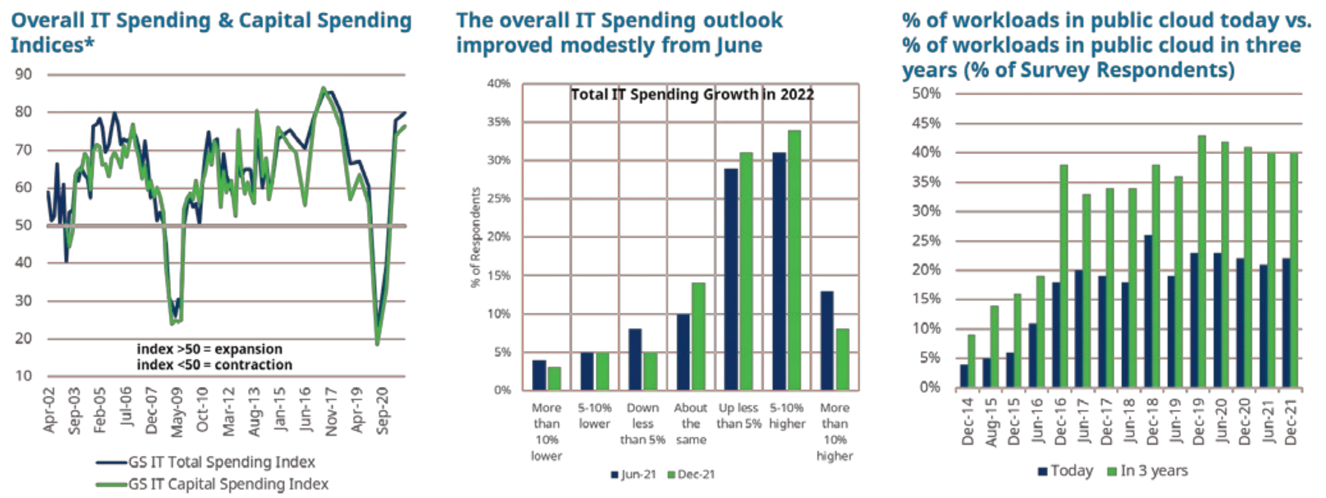


Source: Bloomberg, Goldman Sachs, May 2022

Portfolio Managers' Review

One area of technology we have been looking to add to into the current sector weakness is Indian IT companies. Share prices have been weak due to margin worries as staff shortages and rising salaries have led to disappointing margins despite strong revenues and rising order backlogs. As Chart 17 shows demand has remained resilient as globally companies continue to invest in digitalisation and the move to the public cloud. If global growth concerns lead to a further sell off we may add further to our position here given the long-term trends and competitive positioning of the best Indian IT service companies are favourable.

Chart 17: Indian Stocks we look to buy on dips are the best private sector banks and Indian IT where structural drivers are strong



*Index based on the following question: Based on your current thinking, how do you expect your overall 2022 IT spending growth to be relative to 2021? What do you expect your IT capital spending growth (spending on new equipment and software only; not including staffing, services, depreciation, occupancy, or other) to be in 2022? Survey based on 100 respondents.

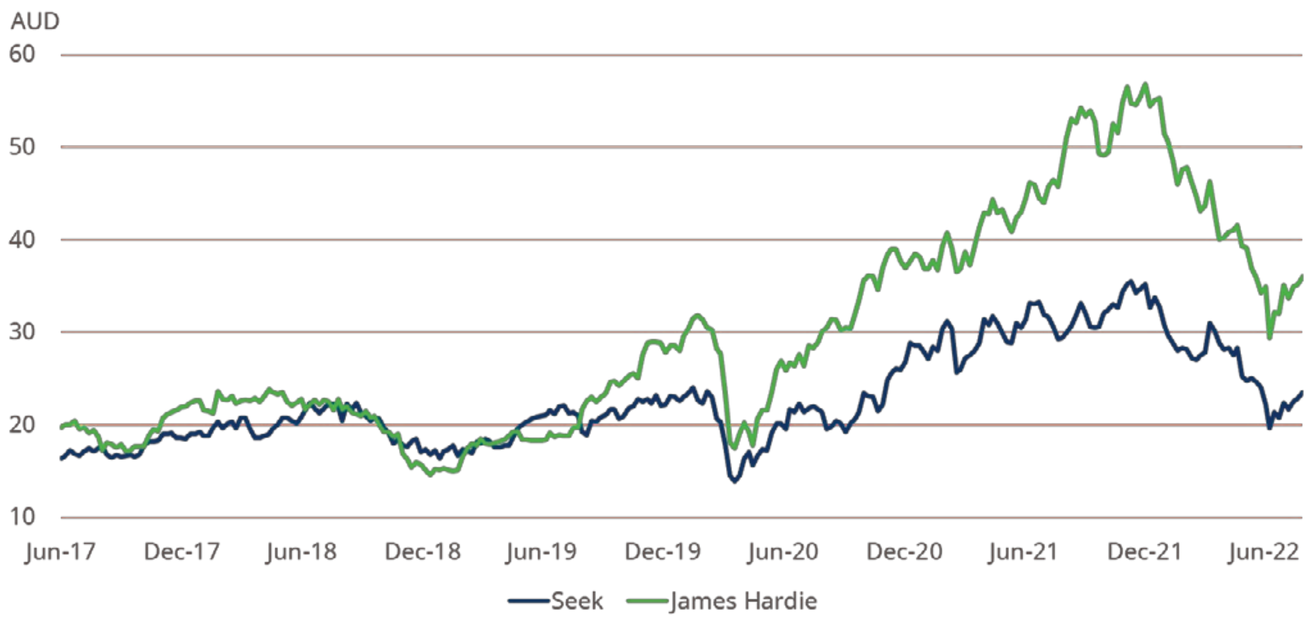
Source: Goldman Sachs Global Investment Research, February, 2022

In general, we would like to add more to India whether that be consumer stocks, Indian private sector banks or potentially some of the internet names. As we discussed in the 'Year of the Tiger' report whilst we have qualms about Mr Modi, some of his policies and reforms should raise the potential growth rate of the country. India is also likely to benefit both at a foreign direct investment level (FDI) as capacity moves out of China and potentially at a portfolio level as Asian and emerging market funds look to reduce China exposure. Our caution to add to date to Indian exposure has primarily been based on high valuations combined with unrealistic earnings expectations – if we do however see corrections we would expect to add to our Indian weightings.

The other market where we have added to in the current weakness is Australia. Whilst the overall market has held up reasonably well this has masked some very divergent performances. Resources and financials which comprise around 60% of the MSCI Australian index have done relatively well – whilst some of the internet, healthcare and overseas (mostly US) exposed names have come off sharply. Names we are looking to accumulate on weakness are on-line recruitment business Seek and James Hardie (building materials). Both are now back to pre-Covid levels (Chart 18) despite the fact the outlook for their business both from a competitive position and long-term market demand angle look better than pre-Covid-19 in our view. We also are monitoring names like REA Group and some of the healthcare names in Australia which, whilst not cheap, if markets remain weak may give us that opportunity to buy that "wonderful business at a fair price".

Portfolio Managers' Review

Chart 18: Share price of Seek and James Hardie

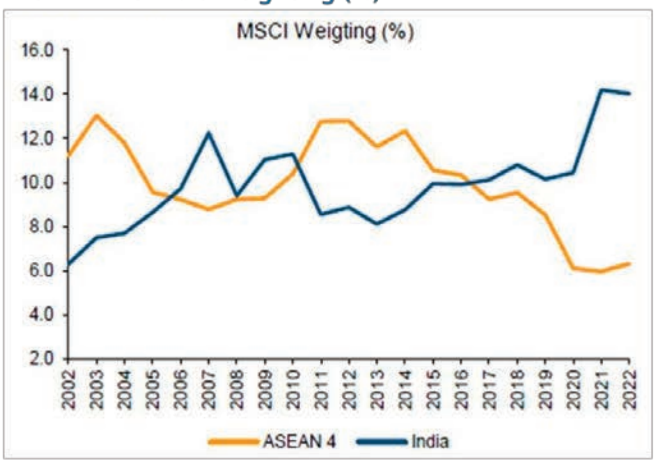


Source: Factset, August 2022

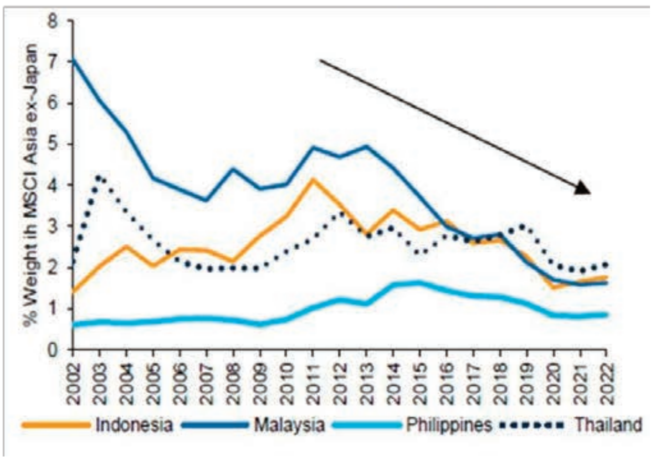
And what of the ASEAN 4? Thailand, Malaysia, Indonesia and the Philippines have been markets that have serially disappointed for 25 years. As Chart 19 shows, they are now almost a rounding error in the benchmark. This is a shame as they are the countries often most enjoyable for any fund manager to visit – great food, nice people, wonderful service and usually a more relaxed approach to life.

Chart 19: ASEAN 4 now almost a rounding error in the benchmark

ASEAN 4 vs India weighting (%)



ASEAN 4 MSCI Asia ex market weighting (%)



Source: Factset, Macquarie, February 2022

Portfolio Managers' Review

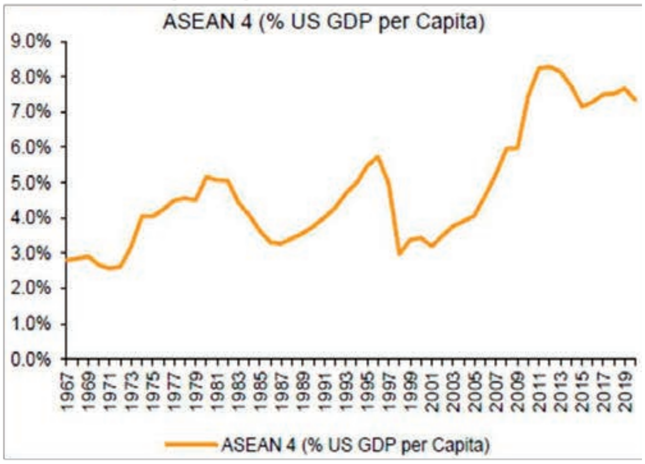
Why have the 'ASEAN 4' disappointed? This is mostly due to institutional failure – or the fact they are perhaps suffering from the middle-income trap. As Chart 20 shows, all are now struggling to grow faster per capita than the USA. Building roads and basic infrastructure only gets you so far. The ASEAN countries suffer from poor educational attainment (Chart 21), low levels of corporate investment due perhaps to corruption and crony capitalism (Chart 22) – meaning we tend to have neither a vibrant economy or stockmarket (Chart 23).

Chart 20: ASEAN 4 are struggling to keep up with USA in terms of growth rates

GDP per Capita (US$)

	1967	1980	1990	2000	2010	2020
China	97	195	318	959	4,550	10,435
Korea	161	1,715	6,610	12,257	23,087	31,631
ASEAN 4	**122**	**649**	**900**	**1,248**	**3,617**	**4,654**
- Indonesia	54	492	585	780	3,122	3870
- Thailand	167	683	1,509	2,008	5,076	7,187
- Malaysia	317	1,775	2,442	4,044	9,041	10,412
- Philippines	235	778	816	1,073	2,217	3,299
% US GDP per Capita						
- Indonesia	1.2%	3.9%	2.4%	2.1%	6.4%	6.1%
- Thailand	3.8%	5.4%	6.3%	5.5%	10.5%	11.3%
- Malaysia	7.3%	14.1%	10.2%	11.1%	18.7%	16.4%
- Philippines	5.4%	6.2%	3.4%	3.0%	4.6%	5.2%

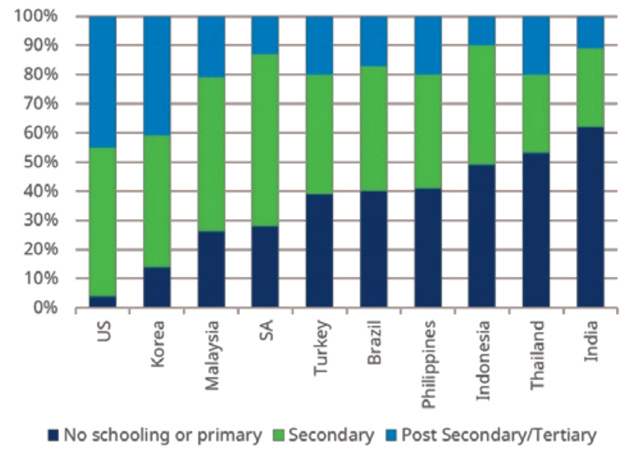
ASEAN 4 GDP per capita (% US)



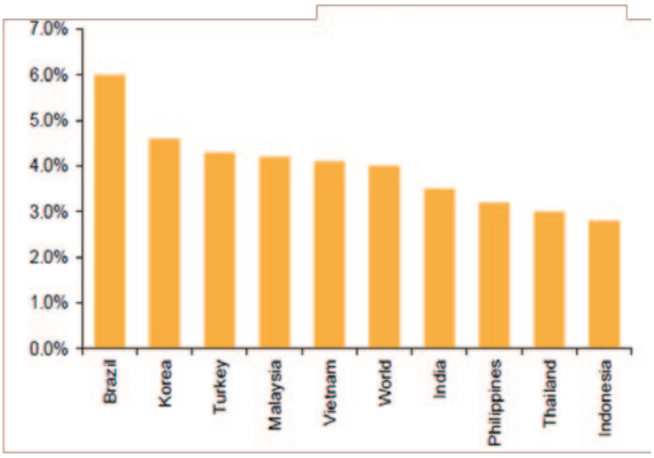
Source: World Bank, Macquarie, February 2022

Chart 21: ASEAN 4 – unlike Singapore they haven't invested in their people leaving them trapped in low value-added industries

Adult education attainment (%, 25Y & above)[1]



Government education spending (GDP) - 2018[2]

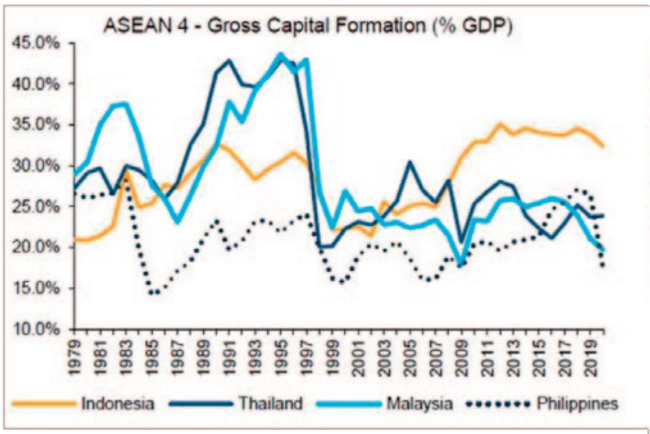


[1]Source: UNESCO, Macquarie, February 2022; [2]Source: World Bank, Macquarie, February 2022

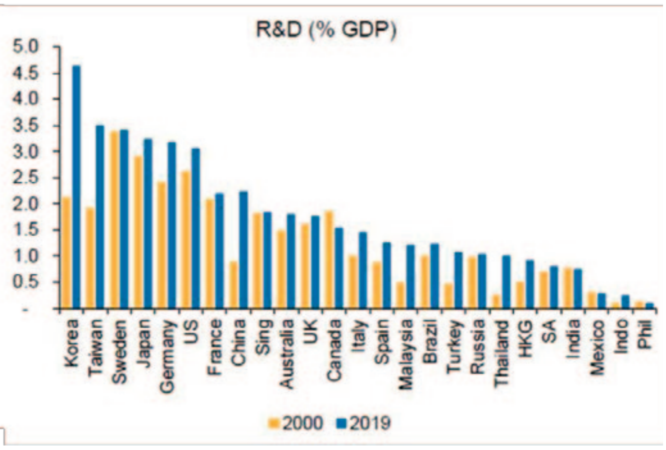
Portfolio Managers' Review

Chart 22: ASEAN 4 – has poor governance and protection of property rights discouraged long-term investment?

ASEAN 4 – Gross Capital Formation by markets[1]



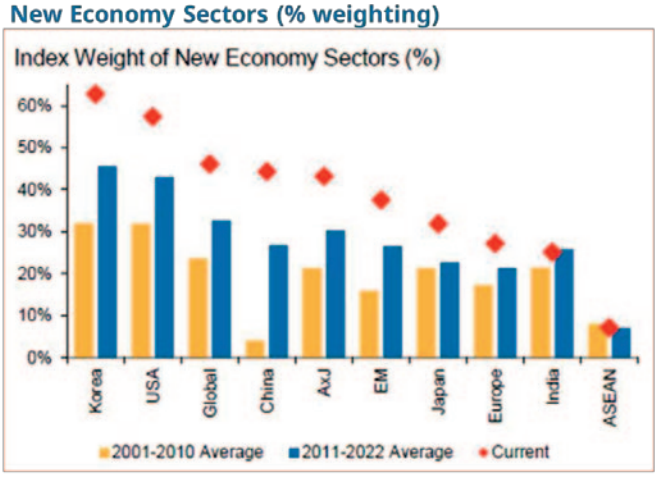
R&D Spending (% GDP)[2]



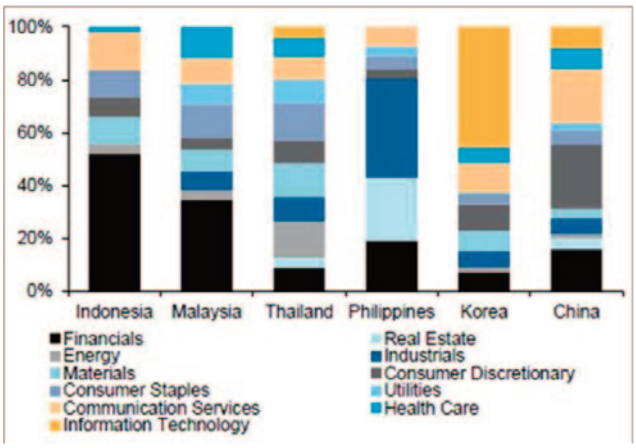
[1]Source: World Bank, Macquarie, February 2022; [2]Source: OECD, Macquarie, February 2022

Chart 23: Traditional industries dominate ASEAN stockmarkets – where is the creative destruction?

New Economy Sectors (% weighting)



ASEAN 4 MSCI Sector weighting (%) – 2022



Source: Factset, Macquarie, February 2022

Having provided all this negative commentary, we should highlight all is not bad in ASEAN stockmarkets. The ASEAN countries look much less vulnerable to macroeconomic headwinds than they have historically, with relatively low debt levels (especially short-term US$ debt) and they run current account surpluses. There are also some good, well-run business in ASEAN. Our problem has always been valuations as investors have tended to view the region as high growth when it clearly is not (also scarcity value in ASEAN has meant good business are often pricey). We have several ASEAN consumer names we would like to add to the portfolio, and we will monitor for opportunities to pick up the best names in ASEAN if falls continue.

Overall, we now see some good opportunities in Asian stockmarkets and we are optimistic the Company should make money over the next 12 months – assuming we avoid black swan events and global recession. Valuations are increasingly attractive and reflect in many cases a fairly pessimistic outlook for earnings. China, whilst we are structurally cautious, clearly has the possibility for a short term rebound if Covid policies are relaxed, reformed or successful. However, we believe the best opportunities in Asia in the current sell-off are to pick up best in class businesses/global leaders in Taiwan, Korea and Australia. We also hope further corrections will provide an opportunity to add to Indian and perhaps ASEAN consumer stocks where valuations have, we believe, historically been set too high on unrealistic earnings expectations.

Robin Parbrook and Lee King Fuei
15 September 2022

Risk factors

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

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: strategic risk; investment management risk; custody risk; financial and currency risk; gearing and leverage risk; accounting, legal and regulatory risk; service provider risk; and cyber risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 43 to 45 of the Company's published annual report and accounts for the year ended 31 December 2021.

These risks and uncertainties have not materially changed during the six months ended 30 June 2022.

However, the board undertook a review of principal and emerging risks for the Company while reviewing these accounts. The directors noted that geopolitical risk and climate change risk continued to develop. In particular, for geopolitical risk, the war in Ukraine was affecting political relationships, supply chains and inflation. In addition, sanctions against individuals and companies, for various reasons, are increasing. There is increasing awareness of the potential effects of climate change on company returns and also the increased risk of cyber attacks. These developments will continue to be monitored and reported on in the next annual report as appropriate.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 46 of the published annual report and accounts for the year ended 31 December 2021, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 30 June 2022.

Directors' responsibility statement

The directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in April 2021 and that this half year report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure Guidance and Transparency Rules.

Investment Portfolio as at 30 June 2022

Investments are classified by the investment manager in the country of their main business operations. Stocks in bold are the 20 largest exposures to companies, which by value account for 54.4% (30 June 2021: 56.5% and 31 December 2021: 55.5%) of total investments and derivative financial instruments.

	£'000	%
TAIWAN		
Taiwan Semiconductor Manufacturing	**40,535**	**8.2**
Voltronic Power Technology	**12,133**	**2.5**
Mediatek	**11,394**	**2.3**
Merida Industry	7,485	1.5
Nien Made Enterprise	6,954	1.4
Advantech	6,820	1.4
Chroma ATE	6,007	1.2
Novatak Microelectronics	5,051	1.0
Sporton International	4,785	1.0
ASE Technology	3,421	0.7
Getac Technology	3,165	0.6
United Micro Electronics	2,831	0.6
Realtek Semiconductor	1,850	0.4
Vanguard International Semiconductor	174	–
TOTAL TAIWAN	**112,605**	**22.8**
AUSTRALIA		
BHP Billiton[1]	**12,959**	**2.6**
CSL	**9,831**	**2.0**
ResMed	**8,709**	**1.8**
Aristocrat Leisure	**8,044**	**1.6**
Medibank Private	7,074	1.4
Reliance Worldwide	5,870	1.2
Cochlear	5,808	1.2
Seek	5,744	1.2
Orica	5,437	1.1
Incitet Pivot	4,877	1.0
Brambles	4,522	0.9
Woodside Energy	1,991	0.4
TOTAL AUSTRALIA	**80,866**	**16.4**

	£'000	%
INDIA		
Schroder International Selection Fund Indian Equity[2]	**11,676**	**2.4**
Infosys (ADR)[3]	**11,310**	**2.3**
HDFC Bank	**10,622**	**2.2**
Tech Mahindra	7,933	1.6
Housing Development Finance	6,423	1.3
Apollo Hospitals Enterprise	6,377	1.3
Info Edge	3,562	0.7
Tata Consultancy	2,946	0.6
Mphasis	2,378	0.5
TOTAL INDIA	**63,227**	**12.9**
MAINLAND CHINA		
Tencent Holdings[4]	**16,523**	**3.4**
Midea A	**10,177**	**2.1**
JD.com[4]	**8,087**	**1.6**
Yum China[4]	7,901	1.6
Shenzhou International Group[4]	6,589	1.3
NetEase[4]	6,260	1.3
TOTAL MAINLAND CHINA	**55,537**	**11.3**
HONG KONG (SAR)		
AIA	**14,062**	**2.9**
Techtronic Industries	**12,146**	**2.5**
Swire Pacific	5,665	1.2
Hang Lung	4,918	1.0
Lenovo	4,833	1.0
ASM Pacific Technology	3,331	0.7
Johnson Electric Holdings	1,227	0.2
TOTAL HONG KONG (SAR)	**46,182**	**9.5**
SOUTH KOREA		
Samsung Electronics	**28,396**	**5.7**
SK Hynix	7,718	1.6
Samsung SDI	6,426	1.3
TOTAL SOUTH KOREA	**42,540**	**8.6**

Investment Portfolio as at 30 June 2022

	£'000	%
SINGAPORE		
DBS	**13,518**	**2.7**
Singapore Telecommunication	**8,401**	**1.7**
Singapore Exchange	7,846	1.6
Venture	7,046	1.4
Sea (ADR)[3]	3,054	0.6
TOTAL SINGAPORE	**39,865**	**8.0**
PHILIPPINES		
Wilcon	**10,858**	**2.2**
International Container Terminal Services	2,970	0.6
TOTAL PHILIPPINES	**13,828**	**2.8**
INDONESIA		
Bank Mandiri	**8,462**	**1.7**
TOTAL INDONESIA	**8,462**	**1.7**
FRANCE		
LVMH	6,975	1.4
TOTAL FRANCE	**6,975**	**1.4**
THAILAND		
Siam Global House	6,551	1.3
TOTAL THAILAND	**6,551**	**1.3**
UNITED KINGDOM		
Rio Tinto	6,280	1.3
TOTAL UNITED KINGDOM	**6,280**	**1.3**
VIETNAM		
Vietnam Dairy Products	4,793	1.0
TOTAL VIETNAM	**4,793**	**1.0**
IRELAND		
James Hardie Industries[5]	2,715	0.6
TOTAL IRELAND	**2,715**	**0.6**
TOTAL INVESTMENTS[6]	**490,426**	**99.6**

	£'000	%
DERIVATIVE FINANCIAL INSTRUMENTS		
Index Futures		
FTX TAIEX Future July 2022	1,723	0.4
TOTAL INDEX FUTURES	**1,723**	**0.4**
TOTAL INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS	**492,149**	**100.0**

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

	£'000
Equities	464,386
American Depositary Receipts (ADR)	14,364
Collective investment fund	11,676
Total investments	**490,426**

Income Statement

	Note	(Unaudited) For the six months ended 30 June 2022 Revenue £'000	Capital £'000	Total £'000	(Unaudited) For the six months ended 30 June 2021 Revenue £'000	Capital £'000	Total £'000	(Audited) For the year ended 31 December 2021 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss		**–**	**(97,381)**	**(97,381)**	–	34,350	34,350	–	35,882	35,882
Net gains/(losses) on derivative contracts		**–**	**5,578**	**5,578**	–	(8,913)	(8,913)	–	(7,881)	(7,881)
Net foreign currency (losses)/gains		–	**(4,838)**	**(4,838)**	–	20	20	–	(502)	(502)
Income from investments		**8,787**	**–**	**8,787**	5,199	–	5,199	12,195	3,338	15,533
Other interest receivable and similar income		**–**	**–**	**–**	84	–	84	84	–	84
Gross return/(loss)		**8,787**	**(96,641)**	**(87,854)**	5,283	25,457	30,740	12,279	30,837	43,116
Investment management fee		**(417)**	**(1,250)**	**(1,667)**	(444)	(1,333)	(1,777)	(913)	(2,740)	(3,653)
Performance fee		**–**	**–**	**–**	–	–	–	–	(133)	(133)
Administrative expenses		**(432)**	**–**	**(432)**	(389)	–	(389)	(793)	–	(793)
Net return/(loss) before finance costs and taxation		**7,938**	**(97,891)**	**(89,953)**	4,450	24,124	28,574	10,573	27,964	38,537
Finance costs		**(87)**	**(260)**	**(347)**	(64)	(191)	(255)	(122)	(352)	(474)
Net return/(loss) before taxation		**7,851**	**(98,151)**	**(90,300)**	4,386	23,933	28,319	10,451	27,612	38,063
Taxation	3	**(570)**	**1,130**	**560**	(296)	–	(296)	(642)	(1,110)	(1,752)
Net return/(loss) after taxation		**7,281**	**(97,021)**	**(89,740)**	4,090	23,933	28,023	9,809	26,502	36,311
Return/(loss) per share	4	**6.68p**	**(89.04)p**	**(82.36)p**	3.94p	23.04p	26.98p	9.25p	24.99p	34.24p

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 period.

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

Statement of Changes in Equity

For the six months ended 30 June 2022 (Unaudited)

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

For the six months ended 30 June 2021 (Unaudited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2020		5,047	74,075	11,646	29,182	344,467	19,131	483,548
Issue of shares		297	29,636	–	–	–	–	29,933
Net return after taxation		–	–	–	–	23,933	4,090	28,023
Dividend paid in the period	5	–	–	–	–	–	(7,435)	(7,435)
At 30 June 2021		**5,344**	**103,711**	**11,646**	**29,182**	**368,400**	**15,786**	**534,069**

For the year ended 31 December 2021 (Audited)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2020		5,047	74,075	11,646	29,182	344,467	19,131	483,548
Issue of shares		392	38,929	–	–	–	–	39,321
Net return after taxation		–	–	–	–	26,502	9,809	36,311
Dividend paid in the year	5	–	–	–	–	–	(7,435)	(7,435)
At 31 December 2021		**5,439**	**113,004**	**11,646**	**29,182**	**370,969**	**21,505**	**551,745**

Statement of Financial Position

	Note	(Unaudited) 30 June 2022 £'000	(Unaudited) 30 June 2021 £'000	(Audited) 31 December 2021 £'000
Fixed assets				
Investments held at fair value through profit or loss		**490,426**	579,536	600,002
Current assets				
Debtors		**6,877**	808	667
Cash at bank and in hand		**4,975**	–	2,876
Derivative financial instruments held at fair value through profit or loss		**1,723**	325	182
		13,575	1,133	3,725
Current liabilities				
Creditors: amounts falling due within one year		**(51,440)**	(45,771)	(50,142)
Derivative financial instruments held at fair value through profit or loss		**–**	(829)	(730)
		(51,440)	(46,600)	(50,872)
Net current liabilities		**(37,865)**	(45,467)	(47,147)
Total assets less current liabilities		**452,561**	534,069	552,855
Non current liabilities				
Provision for overseas gains tax		**–**	–	(1,110)
Net assets		**452,561**	534,069	551,745
Capital and reserves				
Called-up share capital	6	**5,456**	5,344	5,439
Share premium		**114,656**	103,711	113,004
Capital redemption reserve		**11,646**	11,646	11,646
Special reserve		**29,182**	29,182	29,182
Capital reserves		**272,110**	368,400	370,969
Revenue reserve		**19,511**	15,786	21,505
Total equity shareholders' funds		**452,561**	534,069	551,745
Net asset value per share	7	**416.45p**	499.72p	507.24p

Registered in England and Wales
Company registration number: 02153093

Cash Flow Statement

	Note	(Unaudited) For the six months ended 30 June 2022 £'000	(Unaudited) For the six months ended 30 June 2021 £'000	(Audited) For the year ended 31 December 2021 £'000
Net cash inflow from operating activities	8	**4,104**	132	7,996
Net cash inflow/(outflow) from investment activities		**11,709**	(37,121)	(57,039)
Dividends paid		**(9,275)**	(7,435)	(7,435)
Interest paid		**(330)**	(233)	(451)
Net bank loans drawn down		**18,237**	–	–
Repurchase of the Company's own shares into treasury		**(1,838)**	–	–
Issue of new shares		**1,669**	29,805	39,321
Net cash inflow/(outflow) in the period		**24,276**	(14,852)	(17,608)
Reconciliation of net cash flow to movement in net funds				
Net cash inflow/(outflow) in the period		**24,276**	(14,852)	(17,608)
Net bank loan drawn down		**(18,237)**	–	–
Exchange movements		**(4,838)**	20	(502)
Changes in net funds arising from cash flows		**1,201**	(14,832)	(18,110)
Net debt at the beginning of the period		**(45,887)**	(27,777)	(27,777)
Net debt at the end of the period		**(44,686)**	(42,609)	(45,887)
Represented by:				
Cash at bank and in hand		**1,024**	(20,274)	(23,107)
Bank loans		**(45,710)**	(22,335)	(22,780)
Net debt		**(44,686)**	(42,609)	(45,887)

Notes to the Accounts

1. Financial Statements

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

The figures and financial information for the year ended 31 December 2021 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in April 2021.

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

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 December 2021.

3. Taxation

	(Unaudited) Six months ended 30 June 2022			(Unaudited) Six months ended 30 June 2021			(Audited) Year ended 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Irrecoverable overseas tax	**570**	**–**	**570**	296	–	296	634	–	634
Recoverable corporation tax relating to prior years	**–**	**–**	**–**	–	–	–	8	–	8
Provision for overseas capital gains tax	**–**	**(1,130)**	**(1,130)**	–	–	–	–	1,110	1,110
Taxation[1]	**570**	**(1,130)**	**(560)**	296	–	296	642	1,110	1,752

[1] In accordance with accepted accounting practice, a tax charge is presented as a negative in the Income Statement, which is the reverse of above.

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

4. (Loss)/return per share

	(Unaudited) Six months ended 30 June 2022 £'000	(Unaudited) Six months ended 30 June 2021 £'000	(Audited) Year ended 31 December 2021 £'000
Revenue return	**7,281**	4,090	9,809
Capital (loss)/return	**(97,021)**	23,933	26,502
Total (loss)/return	**(89,740)**	28,023	36,311
Weighted average number of shares in issue during the period	**108,960,402**	103,869,181	106,058,048
Revenue return per share	**6.68p**	3.94p	9.25p
Capital (loss)/return per share	**(89.04)p**	23.04p	24.99p
Total (loss)/return per share	**(82.36)p**	26.98p	34.24p

5. Dividend paid

	(Unaudited) Six months ended 30 June 2022 £'000	(Unaudited) Six months ended 30 June 2021 £'000	(Audited) Year ended 31 December 2021 £'000
2021 dividend paid of 8.5p (2020: 7.1p)	**9,275**	7,435	7,435

No interim dividend has been declared in respect of the year ending 31 December 2022 (2021: nil).

6. Called-up share capital

	(Unaudited) Six months ended 30 June 2022 £'000	(Unaudited) Six months ended 30 June 2021 £'000	(Audited) Year ended 31 December 2021 £'000
Changes in called-up share capital during the period were as follows:			
Opening balance of ordinary shares of 5p each	**5,439**	5,047	5,047
Repurchase of shares into treasury	**(22)**	–	–
Issue of shares	**17**	297	392
Subtotal, ordinary shares of 5p each, excluding shares held in treasury	**5,434**	5,344	5,439
Shares held in treasury	**22**	–	–
Closing balance, ordinary shares of 5p each, including shares held in treasury	**5,456**	5,344	5,439

	(Unaudited) Six months ended 30 June 2022	(Unaudited) Six months ended 30 June 2021	(Audited) Year ended 31 December 2021
Changes in the number of shares in issue during the period were as follows:			
Ordinary shares of 5p each, allotted, called-up and fully paid			
Opening balance of shares in issue	**108,774,651**	100,934,651	100,934,651
Repurchase of shares into treasury	**(443,000)**	–	–
Issue of shares	**340,000**	5,940,000	7,840,000
Closing balance of shares in issue, excluding shares held in treasury	**108,671,651**	106,874,651	108,774,651
Closing balance of shares held in treasury	**443,000**	–	–
Closing balance of shares in issue, including shares held in treasury	**109,114,651**	106,874,651	108,774,651

Notes to the Accounts

7. Net asset value per share

	(Unaudited) 30 June 2022	(Unaudited) 30 June 2021	(Audited) 31 December 2021
Total equity shareholders' funds (£'000)	**452,561**	534,069	551,745
Shares in issue at the period end, excluding shares held in treasury	**108,671,651**	106,874,651	108,774,651
Net asset value per share	**416.45p**	499.72p	507.24p

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

	(Unaudited) Six months ended 30 June 2022 £'000	(Unaudited) Six months ended 30 June 2021 £'000	(Audited) Year ended 31 December 2021 £'000
Total (loss)/return before finance costs and taxation	**(89,953)**	28,574	38,537
Less capital loss/(return) before finance costs and taxation	**97,891**	(24,124)	(27,964)
(Decrease)/increase in prepayments and accrued income	**(1,975)**	566	698
Increase in other debtors	**(6)**	(4)	(2)
Decrease in other creditors	**(250)**	(4,416)	(4,233)
Special dividend allocated to capital	**–**	–	3,338
Stock dividend	**–**	–	(10)
Management fee allocated to capital	**(1,250)**	(1,333)	(2,740)
Performance fee allocated to capital	**–**	–	(133)
Corporation tax recovered, relating to prior years	**–**	–	1,312
Overseas withholding tax deducted at source	**(353)**	869	(807)
Net cash inflow from operating activities	**4,104**	132	7,996

9. Financial instruments measured at fair value

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

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

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

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

Level 3 – valued using inputs that are unobservable.

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

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

	30 June 2021 (unaudited)			
	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	575,663	–	–	575,663
Participatory notes[1]	–	3,369	–	3,369
Total	575,663	3,369	–	579,032

	31 December 2021 (audited)			
	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	600,002	–	–	600,002
Derivative financial instruments – index put options and index futures	(548)	–	–	(548)
Total	599,454	–	–	599,454

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

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

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

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Directors

Sarah MacAulay (Chairman)
Andrew Cainey
Caroline Hitch
Mike Holt

Advisers

Alternative Investment Fund Manager ("Manager")

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

Investment Manager and Company Secretary

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

Registered Office

1 London Wall Place
London EC2Y 5AU

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

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 Auditor

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

UK Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk

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

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

Shareholder enquiries

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

Dealing Codes

ISIN Number: GB0008710799
SEDOL Number: 0871079
Ticker: ATR

Global Intermediary Identification Number (GIIN)

TRPJG6.99999.SL.826

Legal Entity Identifier (LEI)

549300TQNNGZ0JHO2L78

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

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