

Schroders

Schroder Japan Growth  
Fund plc

Half Year Report and Accounts  
for the six months ended  
31 January 2019



## Investment objective

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

## Investment policy

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

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





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# Financial Highlights

## Total returns for the six months ended 31 January 2019<sup>1</sup>



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



**Share price<sup>2</sup>**



**Benchmark<sup>3</sup>**

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

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

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

## Other financial information

	31 January 2019	31 July 2018	% Change
Shareholders' funds (£'000)	<b>259,040</b>	292,268	(11.4)
Shares in issue	<b>125,008,200</b>	125,008,200	-
NAV per share (pence)	<b>207.22</b>	233.80	(11.4)
Share price (pence)	<b>185.00</b>	212.00	(12.7)
Share price discount to NAV per share (%)	<b>10.7</b>	9.3	
Gearing (%) <sup>1</sup>	<b>13.9</b>	11.7	

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

# Interim Management Report – Chairman’s Statement



“Masaki Taketsume will be assuming formal responsibility for management of the Company’s portfolio from 1 July 2019.”

## Performance

This is my first report to shareholders as Chairman, following

Jonathan Taylor’s retirement at the Annual General Meeting. Markets remained challenging and during the six-month period to 31 January 2019 the Company’s NAV produced a total return of -9.8% underperforming the benchmark, which produced a total return of -7.3%. The share price produced a total return of -11.1% as the discount widened from 9.3% at the start of the period to 10.7% at its close.

Further performance details, are set out in the Manager’s Review on page 5.

## Change of portfolio manager

The Company announced on 7 February that Andrew Rose would be retiring in June and Masaki Taketsume will be assuming formal responsibility for management of the Company’s portfolio from 1 July 2019.

Masaki has been a member of Schroders’ Japanese equity team since 2007, initially as a technology analyst, and since 2017, as a fund manager working alongside Andrew. His career in investment began with fund management roles at both Nikko Asset Management from 1994 and Deutsche Trust Bank from 1998.

In managing the portfolio, Masaki will continue to draw upon Nathan Gibbs’s experience and perspectives from his 35 years in Japanese equities. Nathan has worked as a Japanese equity fund manager and product manager at Schroders in Tokyo since 2000. He will contribute to the Company’s portfolio strategy and debate, as well as interacting with Schroders’ investment resources in London. Nathan’s existing responsibilities as Investment Director are unchanged.

The succession plan ensures investment continuity and there will be no change in terms of the team-based approach that Schroders has always employed for the portfolio. Schroders’ research team, of eight sector analysts and three small cap specialists, in Tokyo will continue to play an integral role and will ensure that the portfolio manager in London maintains access to the

well-established information flows within the Japanese equity team. In addition to the London team, Schroders has three fund managers in Tokyo running separate strategies. They all draw ideas from the Tokyo research team. At the end of December 2018, the combined team managed a total of £11.4 billion in Japanese equities.

Initial discussions with shareholders have been encouraging and the board will continue to support the Manager in its promotional activities during the transition period.

## Renewal of term loan and revolving credit facility

During the period, the Company renewed its 6 billion yen term loan for a further 3-year period with a new lender, Sumitomo Mitsui Banking Corporation Europe Limited (“SMBC”). The Company continues to have access to a 2 billion yen one year revolving credit facility, and the previous facility with Scotiabank Europe plc was replaced by a similar facility from SMBC in March 2019.

## Change in independent auditor

Following a competitive tender process which excluded the incumbent, PwC LLP, on the grounds of length of service, the board approved the appointment of Deloitte LLP as the Company’s auditor for the financial year ending 31 July 2019. The appointment of Deloitte LLP as auditor for the financial year ending 31 July 2020 will be subject to approval by shareholders at the Company’s next Annual General Meeting, to be held in November 2019.

The board would like to thank PwC LLP, which formally ceased to hold office as the Company’s auditor on 10 April 2019, for its professional service to the Company during its tenure in office. In accordance with legislative requirements, a copy of PwC’s resignation letter, including a statement of its reasons for ceasing to hold office, is being circulated to all shareholders.

## Outlook

We look forward to Masaki taking over responsibility for the portfolio in July. The Company has a long tradition of its portfolio manager coming up through Schroders’ research team in Tokyo before moving on to portfolio management. The board had the opportunity in earlier years to see Masaki in his analyst role, and more recently he has attended our board meetings and reported to us alongside Andrew. We are confident that the portfolio remains in good hands.

# Interim Management Report – Chairman’s Statement

“We are confident that the portfolio remains in good hands.”

What would also be helpful is a more favourable market. It was disappointing to see Japanese shares fall as much as Western markets in the October shake-out. Many of the possible triggers behind the latter – concern about rising interest rates, historically high share ratings, US and UK political uncertainty, etc. – do not apply to anything like the same extent in Japan. The result is a local market that seems unduly concerned with overseas events, and we support our portfolio manager’s decision to keep the portfolio geared.

**Anja Balfour**  
Chairman

11 April 2019

# Interim Management Report – Manager’s Review

“It is not envisaged that the change in fund manager effective from 1 July will entail changes in policy or underlying investment approach.”

## Market background

Having traded in a narrow range for much of 2018 the market fell sharply in the final quarter to record its worst quarterly return for a decade, culminating in a 5% fall on Christmas Day. Since that low the market has gradually recovered during early 2019 but remains 10% or so below the recent high recorded at the end of October 2018. The decline over the 6 months to end January was 9.7% in yen and a slightly lower 7.3% in sterling, as the yen appreciated (Source: Morningstar).

The root cause of the market’s weakness at the end of 2018 (the Japanese market was not the only stock market to suffer declines) was rising US interest rates and consequent concern over the global growth and profits outlook in 2019. Sentiment was exacerbated by trade friction between the US and China and by the Washington “shut down”.

Japan’s economic performance was affected by supply disruptions caused by an unusually large number of natural disasters in 2018, but the underlying picture was still one of steady, if unexciting growth. Inflation has remained below the 2% target but at least deflation has been avoided and a lapse back into falling prices looks unlikely, barring sharp yen appreciation. The Bank of Japan amended its policy slightly to make explicit mention of a time frame over which long-term interest would be maintained at round about zero which allowed a slightly wider fluctuation in long-term interest rates and of Exchange Traded Funds purchases. The aim was to prolong the sustainability of quantitative easing and, as a result, monetary policy remains accommodating.

Reflecting concerns about the global growth outlook, the best performing sectors were domestic, somewhat defensive and those with low overall sensitivity to the market such as utilities and transportation. At the other end of the spectrum sectors sensitive to the oil price, which declined sharply during the final quarter of 2018, and to the global cycle, such as steel and shipping, were among the worst performing. Financials (with the exception of the portfolio’s non life insurance holdings) were also weak as expectations of when Japan would see a steepening of the yield curve were pushed out.

## Investment performance

The Company’s NAV total return produced a return of -9.8% over the 6 months to end January 2019, underperforming the benchmark’s total return of -7.3% (Source: Morningstar). The greatest single cause of this was the portfolio’s gearing in the falling market, more than offsetting a market move back towards “value” stocks that helped the portfolio. Holdings amongst transportation (East Japan Railway) and retail sectors (Pan Pacific International) contributed positively whilst

technology (TDK) and oil price sensitive companies (JXTG Holdings) detracted.

## Stock selection impact – 6 months to 31 January 2019

### Largest positive contributions to performance

Security	Portfolio weight (%)	Load difference (%)	Absolute return (%)	Impact (%)
Isuzu Motors	1.6	1.4	10.8	0.2
Bridgestone	2.8	2.3	-3.6	0.2
Pan Pacific International	0.8	0.6	24.6	0.1
East Japan Railway	2.6	1.8	-0.4	0.1
Tokio Marine Holdings	2.0	1.2	5.3	0.1
<b>Total</b>				<b>0.8</b>

### Largest negative contributions to performance

Security	Portfolio weight (%)	Load difference (%)	Absolute return (%)	Impact (%)
TDK	2.4	2.2	-28.1	-0.5
JXTG Holdings	2.2	1.7	-25.0	-0.3
Hi-Lex	1.9	1.9	-22.5	-0.3
T&D Holdings	1.8	1.6	-18.8	-0.2
Santen Pharma	1.8	1.6	-17.1	-0.2
<b>Total</b>				<b>-1.5</b>

Source: FactSet.

## Activity

The largest new holding was Takeda Pharmaceutical, where the share price had fallen more or less continuously over a 6 month period following the company’s bid for Shire plc in the spring of 2018. The acquisition has catapulted Takeda to a top 10 position among global pharma companies and, whilst not without risk, seemed to offer an attractive opportunity given the steep fall in the share price. We funded the position by selling out of Astellas Pharmaceutical. New holdings were also started in Daiwa House, JSR (manufacturer of synthetic rubber for tyres and semiconductor materials) and NGK Spark Plug. We have been looking to increase the portfolio’s exposure to beneficiaries of domestic IT spending and, to this end, added a position in Otsuka where the share price had overreacted to the company’s

# Interim Management Report – Manager’s Review

“...we view the Japanese market as being relatively well placed for the remainder of 2019.”

earnings undershooting short-term consensus expectations.

We sold out of positions in two retailers, Yamada Denki and ABC Mart and built up holdings in other retail stocks held in the portfolio where conviction was higher, such as Pan Pacific International (formerly Don Quijote). We completed the sale of Nintendo and within the steel sector switched out of JFE into Hitachi Metals.

## Outlook

Share price falls at the end of 2018 seemed to discount a worst case scenario, in the absence of which, the market was oversold and would most likely rebound. This has been the case so far in 2019. The global economic back drop continues to represent a headwind but concerns have eased somewhat with reversion to more dovish stances on the part of the Federal Reserve and Chinese authorities and signs of easing of trade tensions. Japan faces an Upper House election in the summer and will increase VAT in the autumn but, outside of this, the stock market should benefit from a relative absence of political and policy uncertainty, that seems to permeate several other markets. The short-term corporate profits back drop is less buoyant than recent years but, notwithstanding this, valuations are far from stretched. In addition, although there have been a small number of high profile examples of egregious corporate governance which have tainted impressions surrounding the speed of improvement in this area, the reality is that the broader trend is positive, as evidenced by dividend growth, share buy backs, unwinding of cross shareholdings and board composition. On balance therefore we view the Japanese market as being relatively well placed for the remainder of 2019.

With US policy expectations turning more dovish and Japan maintaining the status quo, the yen might have been expected to strengthen. In fact it has weakened slightly in 2019 versus the dollar. It is currently trading in the mid point of the ¥105-115 range that it has occupied for most of the last two years. We are assuming that this range continues to hold in 2019.

## Investment Policy

We continue to view opportunities as more attractive in cyclical areas of the market as compared with steady growth areas which have garnered more popularity over the last several years. This includes sectors such as machinery and electronic components. We remain slightly overweight financials where valuations are at historically low levels but have reduced the overweight position in insurance in favour of non bank financials. The

largest underweight positions versus the benchmark are in defensive sectors such as utilities and food.

Net gearing was 13.9% at the end of January 2019.

It is not envisaged that the change in fund manager effective from 1 July will entail changes in policy or underlying investment approach. The new fund manager will continue the long-term, bottom-up, valuation sensitive approach and the input from the company visit programme of the 11 analysts based in Tokyo will remain an important driver of policy.

## Top 4 Sector over and underweight positions vs benchmark as at 31 January 2019

Portfolio weight %	
8.4	Land Transportation 3.7
4.5	Insurance 2.3
2.9	Rubber Products 2.1
6.7	Retail Trade 1.8
0.3	Other Products -1.8
0.0	Electric Power & Gas -2.0
1.6	Services -3.2
1.0	Foods -3.3

Source: Schroders, FactSet. Fund position less benchmark weight.

## Schroder Investment Management Limited

11 April 2019

*Securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.*



# Interim Management Report

## Investment Portfolio at 31 January 2019

Stocks in bold are the 20 largest investments, which by value account for 48.0% (31 July 2018: 48.0% and 31 January 2018: 47.1%) of total investments.

	£'000	%
<b>Transportation Equipment</b>		
<b>Toyota Motor</b>	<b>13,665</b>	<b>4.6</b>
<b>Hi-Lex</b>	<b>5,314</b>	<b>1.8</b>
Isuzu Motors	5,053	1.7
Yamaha Motor	1,715	0.6
Toyota Industries	1,678	0.6
Musashi Seimitsu Industry	827	0.3
Unipres	784	0.3
<b>Total Transportation Equipment</b>	<b>29,036</b>	<b>9.9</b>
<b>Electrical Appliances</b>		
<b>TDK</b>	<b>6,828</b>	<b>2.3</b>
<b>Koito Manufacturing</b>	<b>5,848</b>	<b>2.0</b>
Hitachi	4,600	1.6
Mitsubishi Electric	4,432	1.5
Fujitsu	3,881	1.3
Nidec	2,727	0.9
<b>Total Electrical Appliances</b>	<b>28,316</b>	<b>9.6</b>
<b>Land Transportation</b>		
<b>East Japan Railway</b>	<b>8,051</b>	<b>2.7</b>
<b>Sankyu</b>	<b>7,557</b>	<b>2.6</b>
<b>Central Japan Railway</b>	<b>5,470</b>	<b>1.9</b>
Hitachi Transport System	4,321	1.4
<b>Total Land Transportation</b>	<b>25,399</b>	<b>8.6</b>
<b>Chemicals</b>		
<b>SK Kaken</b>	<b>5,226</b>	<b>1.8</b>
Fujifilm	4,886	1.7
Sekisui Chemical	4,531	1.5
Sakata Inx	1,924	0.7
Nippon Soda	1,598	0.5
Daicel	1,357	0.5
T&K Toka	1,338	0.5
JSR	1,247	0.4
Kureha Chemical	1,234	0.4
<b>Total Chemicals</b>	<b>23,341</b>	<b>8.0</b>

	£'000	%
<b>Retail Trade</b>		
Seven and I	4,942	1.7
AT Group	3,940	1.4
H2O Retailing	3,065	1.0
Izumi	2,990	1.0
Pan Pacific International	2,587	0.9
Nafco	1,911	0.6
Paltac	901	0.3
Advan	631	0.2
SRA Holdings	585	0.2
<b>Total Retail Trade</b>	<b>21,552</b>	<b>7.3</b>
<b>Information and Communication</b>		
<b>KDDI</b>	<b>8,654</b>	<b>2.9</b>
<b>Nippon Telephone and Telegraph</b>	<b>8,472</b>	<b>2.9</b>
Otsuka Information Technology	1,787	0.6
Chubu Nippon Broadcasting	688	0.2
<b>Total Information and Communication</b>	<b>19,601</b>	<b>6.6</b>
<b>Banks</b>		
<b>Sumitomo Mitsui Financial</b>	<b>10,252</b>	<b>3.5</b>
<b>Mitsubishi UFJ Financial</b>	<b>5,479</b>	<b>1.8</b>
Fukuoka Financial	2,273	0.8
Seventy Seven Bank	1,294	0.4
Chiba Bank	200	0.1
<b>Total Banks</b>	<b>19,498</b>	<b>6.6</b>
<b>Machinery</b>		
<b>Disco</b>	<b>5,071</b>	<b>1.7</b>
IHI Corporation	2,257	0.7
Nabtesco	2,020	0.7
Nippon Thompson	1,428	0.5
Tsubakimoto Chain	1,378	0.5
Glory	1,366	0.4
NGK Spark Plug	1,131	0.4
Nichias	1,092	0.4
<b>Total Machinery</b>	<b>15,743</b>	<b>5.3</b>

# Interim Management Report

## Investment Portfolio at 31 January 2019

	£'000	%
<b>Pharmaceutical</b>		
Santen Pharmaceutical	4,845	1.6
Otsuka	4,589	1.6
Takeda Pharmaceutical	3,958	1.3
Ship Healthcare	1,329	0.5
<b>Total Pharmaceutical</b>	<b>14,721</b>	<b>5.0</b>
<b>Insurance</b>		
Tokio Marine Holdings	6,442	2.2
T&D Holdings	5,109	1.7
Sompo Japan Nipponkoa	2,143	0.7
<b>Total Insurance</b>	<b>13,694</b>	<b>4.6</b>
<b>Wholesale Trade</b>		
Mitsui & Co.	7,578	2.6
Itochu	3,961	1.3
Inabata	1,829	0.6
<b>Total Wholesale Trade</b>	<b>13,368</b>	<b>4.5</b>
<b>Precision Instruments</b>		
SMC	5,534	1.9
Murata Manufacturing	3,068	1.0
Shimadzu	1,853	0.6
Enplas	1,387	0.5
Renesas Electronics	880	0.3
<b>Total Precision Instruments</b>	<b>12,722</b>	<b>4.3</b>
<b>Construction</b>		
Haseko	3,303	1.1
JGC	2,612	0.9
Daiwa House	2,278	0.8
Sanki Engineering	1,226	0.4
<b>Total Construction</b>	<b>9,419</b>	<b>3.2</b>
<b>Rubber Products</b>		
Bridgestone	8,723	3.0
<b>Total Rubber Products</b>	<b>8,723</b>	<b>3.0</b>
<b>Real Estate</b>		
Mitsui Fudosan	3,495	1.2
Nomura Real Estate	1,766	0.6
Leopalace 21	1,016	0.3
<b>Total Real Estate</b>	<b>6,277</b>	<b>2.1</b>

	£'000	%
<b>Air Transportation</b>		
Japan Airlines	6,053	2.1
<b>Total Air Transportation</b>	<b>6,053</b>	<b>2.1</b>
<b>Oil and Coal products</b>		
JXTG Holdings	5,754	2.0
<b>Total Oil and Coal products</b>	<b>5,754</b>	<b>2.0</b>
<b>Services</b>		
Recruit	3,232	1.1
Japan Post	1,603	0.5
<b>Total Services</b>	<b>4,835</b>	<b>1.6</b>
<b>Securities and Commodity</b>		
Nomura	3,106	1.1
Tokai Tokyo Securities	1,308	0.4
<b>Total Securities and Commodity</b>	<b>4,414</b>	<b>1.5</b>
<b>Other Financing Business</b>		
Hitachi Capital	3,618	1.2
<b>Total Other Financing Business</b>	<b>3,618</b>	<b>1.2</b>
<b>Tobacco</b>		
Japan Tobacco	3,030	1.0
<b>Total Tobacco</b>	<b>3,030</b>	<b>1.0</b>
<b>Non-Ferrous Metals</b>		
Sumitomo Electric Industries	2,918	1.0
<b>Total Non-Ferrous Metals</b>	<b>2,918</b>	<b>1.0</b>
<b>Iron and Steel</b>		
Hitachi Metals	1,193	0.4
<b>Total Iron and Steel</b>	<b>1,193</b>	<b>0.4</b>
<b>Other Products</b>		
Bandai Namco	987	0.3
<b>Total Other Products</b>	<b>987</b>	<b>0.3</b>
<b>Warehousing and Harbour Transportation Services</b>		
Kintetsu World Express	824	0.3
<b>Total Warehousing and Harbour Transportation Services</b>	<b>824</b>	<b>0.3</b>
<b>Total investments</b>	<b>295,036</b>	<b>100.0</b>

# Interim Management Report

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; and service provider. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 11 and 12 of the Company's published annual report and accounts for the year ended 31 July 2018. These risks and uncertainties have not materially changed during the six months ended 31 January 2019.

## 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 13 of the published annual report and accounts for the year ended 31 July 2018, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

## Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 January 2019.

## Directors' responsibility statement

The directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in November 2014 and updated in February 2018 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

# Income Statement

## For the six months ended 31 January 2019 (unaudited)

	(Unaudited) For the six months ended 31 January 2019			(Unaudited) For the six months ended 31 January 2018			(Audited) For the year ended 31 July 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	-	(29,062)	(29,062)	-	22,388	22,388	-	23,873	23,873
Net foreign currency (losses)/gains	-	(958)	(958)	-	2,275	2,275	-	184	184
Income from investments	3,726	-	3,726	3,112	-	3,112	7,204	-	7,204
Other interest receivable and similar income	4	-	4	1	-	1	2	-	2
<b>Gross return/(loss)</b>	<b>3,730</b>	<b>(30,020)</b>	<b>(26,290)</b>	3,113	24,663	27,776	7,206	24,057	31,263
Investment management fee	(326)	(760)	(1,086)	(343)	(800)	(1,143)	(683)	(1,593)	(2,276)
Administrative expenses	(307)	-	(307)	(308)	-	(308)	(598)	-	(598)
<b>Net return/(loss) before finance costs and taxation</b>	<b>3,097</b>	<b>(30,780)</b>	<b>(27,683)</b>	2,462	23,863	26,325	5,925	22,464	28,389
Finance costs	(52)	(120)	(172)	(50)	(115)	(165)	(99)	(231)	(330)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>3,045</b>	<b>(30,900)</b>	<b>(27,855)</b>	2,412	23,748	26,160	5,826	22,233	28,059
Taxation on ordinary activities (note 3)	(373)	-	(373)	(311)	-	(311)	(720)	-	(720)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>2,672</b>	<b>(30,900)</b>	<b>(28,228)</b>	2,101	23,748	25,849	5,106	22,233	27,339
<b>Return/(loss) per share (note 4)</b>	<b>2.14p</b>	<b>(24.72)p</b>	<b>(22.58)p</b>	1.68p	19.00p	20.68p	4.08p	17.79p	21.87p

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 on ordinary activities 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 31 January 2019 (unaudited)

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2018	12,501	7	3	97,205	176,708	5,844	292,268
Net (loss)/return on ordinary activities	-	-	-	-	(30,900)	2,672	(28,228)
Dividend paid in the period (note 5)	-	-	-	-	-	(5,000)	(5,000)
<b>At 31 January 2019</b>	<b>12,501</b>	<b>7</b>	<b>3</b>	<b>97,205</b>	<b>145,808</b>	<b>3,516</b>	<b>259,040</b>

## For the six months ended 31 January 2018 (unaudited)

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2017	12,501	7	3	97,205	154,475	5,113	269,304
Net return on ordinary activities	-	-	-	-	23,748	2,101	25,849
Dividend paid in the period (note 5)	-	-	-	-	-	(4,375)	(4,375)
<b>At 31 January 2018</b>	<b>12,501</b>	<b>7</b>	<b>3</b>	<b>97,205</b>	<b>178,223</b>	<b>2,839</b>	<b>290,778</b>

## For the year ended 31 July 2018 (audited)

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2017	12,501	7	3	97,205	154,475	5,113	269,304
Net return on ordinary activities	-	-	-	-	22,233	5,106	27,339
Dividend paid in the year (note 5)	-	-	-	-	-	(4,375)	(4,375)
<b>At 31 July 2018</b>	<b>12,501</b>	<b>7</b>	<b>3</b>	<b>97,205</b>	<b>176,708</b>	<b>5,844</b>	<b>292,268</b>

# Statement of Financial Position at 31 January 2019

	(Unaudited) At 31 January 2019 £'000	(Unaudited) At 31 January 2018 £'000	(Audited) At 31 July 2018 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	295,036	324,776	326,756
<b>Current assets</b>			
Debtors	1,895	1,046	1,042
Cash at bank and in hand	5,921	5,218	6,653
	7,816	6,264	7,695
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	(1,901)	(1,608)	(42,183)
<b>Net current assets/(liabilities)</b>	<b>5,915</b>	4,656	(34,488)
<b>Total assets less current liabilities</b>	<b>300,951</b>	329,432	292,268
Creditors: amounts falling due after more than one year (note 6)	(41,911)	(38,654)	-
<b>Net assets</b>	<b>259,040</b>	290,778	292,268
<b>Capital and reserves</b>			
Called-up share capital (note 7)	12,501	12,501	12,501
Share premium	7	7	7
Warrant exercise reserve	3	3	3
Share purchase reserve	97,205	97,205	97,205
Capital reserves	145,808	178,223	176,708
Revenue reserve	3,516	2,839	5,844
<b>Total equity shareholders' funds</b>	<b>259,040</b>	290,778	292,268
<b>Net asset value per share (note 8)</b>	<b>207.22p</b>	232.61p	233.80p

Registered in England and Wales

Company Registration Number: 2930057

# 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 auditors.

The figures and financial information for the year ended 31 July 2018 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 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 November 2014 and updated in February 2018.

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

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 July 2018.

## 3. Taxation on ordinary activities

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

## 4. Return/(loss) per share

	(Unaudited) Six months ended 31 January 2019 £'000	(Unaudited) Six months ended 31 January 2018 £'000	(Audited) Year ended 31 July 2018 £'000
Revenue return	2,672	2,101	5,106
Capital (loss)/return	(30,900)	23,748	22,233
<b>Total (loss)/return</b>	<b>(28,228)</b>	<b>25,849</b>	<b>27,339</b>
Weighted average number of shares in issue during the period	125,008,200	125,008,200	125,008,200
Revenue return per share	2.14p	1.68p	4.08p
Capital (loss)/return per share	(24.72)p	19.00p	17.79p
<b>Total (loss)/return per share</b>	<b>(22.58)p</b>	<b>20.68p</b>	<b>21.87p</b>

# Notes to the Accounts continued

## 5. Dividends paid

	(Unaudited) Six months ended 31 January 2019 £'000	(Unaudited) Six months ended 31 January 2018 £'000	(Audited) Year ended 31 July 2018 £'000
2018 final dividend paid of 4.00p (2017: 3.50p)	5,000	4,375	4,375

No interim dividend has been declared in respect of the year ending 31 July 2019 (2018: nil).

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

	(Unaudited) 31 January 2019 £'000	(Unaudited) 31 January 2018 £'000	(Audited) 31 July 2018 £'000
Bank loan	41,911	38,654	-

The bank loan is a yen 6.0 billion three-year term loan from Sumitomo Mitsui Banking Corporation, expiring in January 2022, and carrying a fixed interest rate of 0.64% per annum. This loan has replaced the yen 6.0 billion three-year term loan from Scotiabank, which expired in January 2019.

## 7. Called-up share capital

	(Unaudited) 31 January 2019 £'000	(Unaudited) 31 January 2018 £'000	(Audited) 31 July 2018 £'000
Ordinary shares allotted, called up and fully paid: 125,008,200 ordinary shares of 10p each	12,501	12,501	12,501

## 8. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue of 125,008,200 (31 January 2018 and 31 July 2018: same).

## 9. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 January 2019, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 January 2018 and 31 July 2018: same).

## 10. Events after the half year end that have not been reflected in the financial statements for the six months ended 31 January 2019

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



## Directors

Anja Balfour (Chairman)  
Alan Gibbs  
Richard Greer  
Belinda Richards

## 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

### Depository and Custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

### Lending bank

Sumitomo Mitsui Banking Corporation Europe Limited  
99 Queen Victoria Street  
London EC4V 4EH

### Corporate broker

Cenkos Securities plc  
6-8 Tokenhouse Yard  
London EC2R 7AS

## Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Shareholder helpline 0800 032 0641\*  
Website: [www.shareview.co.uk](http://www.shareview.co.uk)  
\*Calls to this number are free of charge from UK landlines.

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

## Independent auditors

Deloitte LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2DB

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found on its webpages.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on its webpages.

## Dealing codes

ISIN Number: GB0008022849  
SEDOL Number: 0802284  
Ticker: SJG

## Global Intermediary Identification Number (GIIN)

7T0909.99999.SL.826

## Legal Entity Identifier (LEI)

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