Schroders

Schroder Asian Total Return Investment Company plc

Report and Accounts for the year ended 31 December 2018

Investment objective

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

Investment policy

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

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

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

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

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

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

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Financial Highlights and Long-Term Performance Record

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on page 63.

Total returns* for the year ended 31 December 2018

−8.1%
2017: +34.8%
NAV per share

−7.3%
2017: +43.9%
Share price

−8.6%
2017: +25.1%
Reference Index[1]

−6.6%
2017: +29.9%
Peer group NAV per share[2]

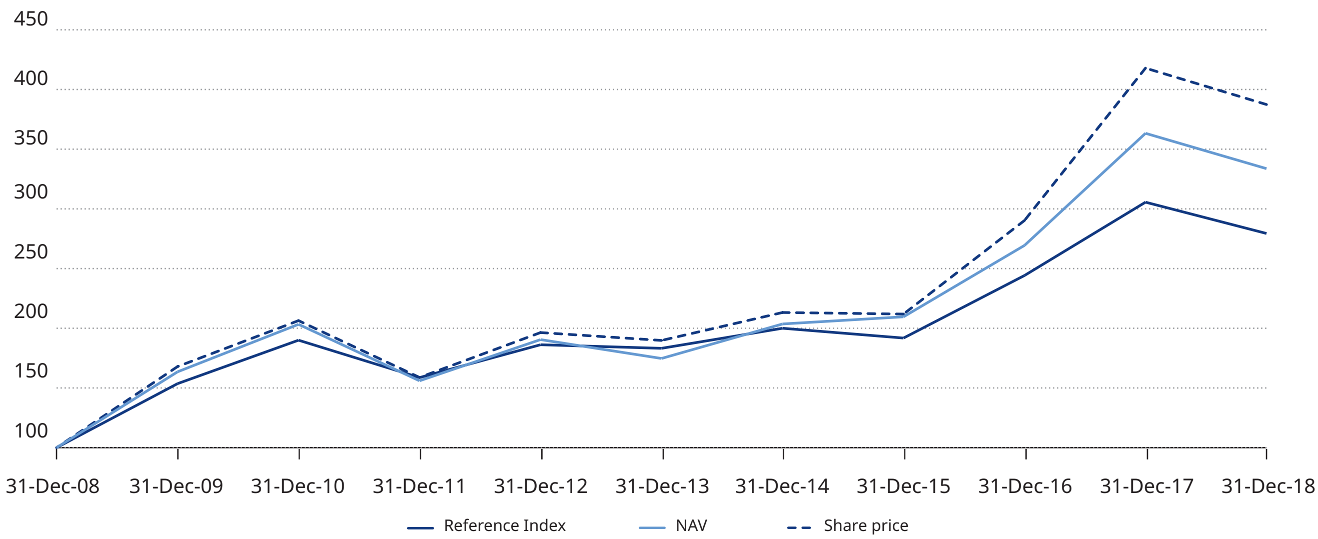
[1]Source: Thomson Reuters.
[2]Source: Morningstar. The arithmetic average of a group of nine investment company competitors.

Other financial information

	31 December 2018	31 December 2017	% Change
Shareholders' funds (£'000)	293,783	294,426	(0.2)
NAV per share (pence)	321.43	354.79	(9.4)
Share price (pence)	331.00	362.00	(8.6)
Share price premium (%)*	3.0	2.0	
(Net cash)/gearing (%)*	(0.9)	4.5	

	Year ended 31 December 2018	Year ended 31 December 2017	% Change
Net revenue return after taxation (£'000)	6,303	4,183	+50.7
Revenue return per share (pence)	7.18	5.48	+31.0
Dividend per ordinary share (pence)	6.20	4.80	+29.2
Ongoing Charges (%)*	0.9	1.0	

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

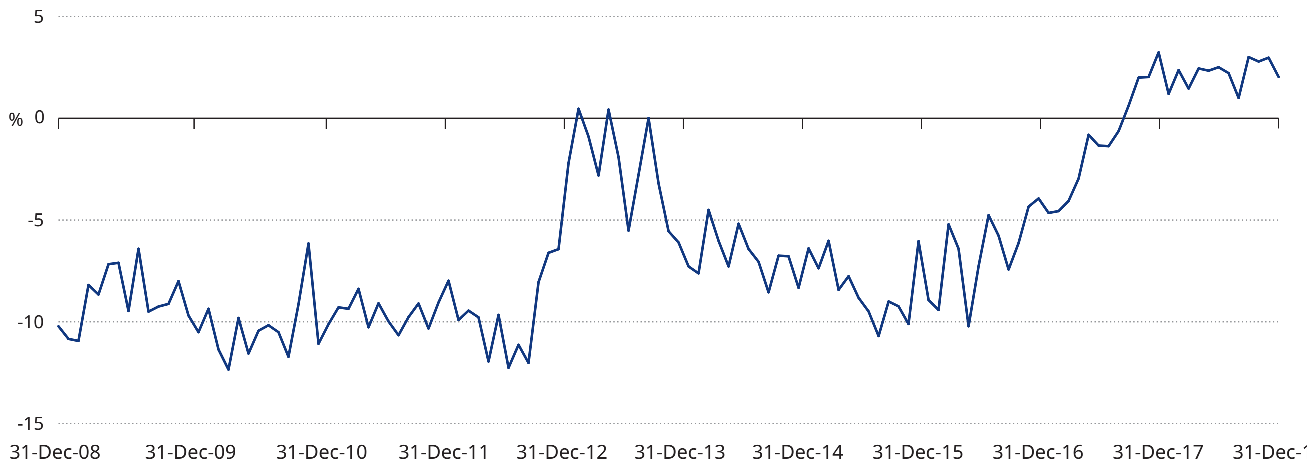


[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2008.

Financial Highlights and Long-Term Performance Record

Strategic Report

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



[1]Source: Morningstar.

Chairman's Statement

Since switching to Schroders the NAV has produced a total return of 63.6% compared to the 40.1% produced by the reference index.

Following the substantial gains produced by the portfolio in 2017, 2018 was a more difficult year for investors. During the year ended 31 December 2018, the Company produced a net asset value ("NAV") total return of -8.1%, performing better than the total return of -8.6% from the Reference Index, but trailing the total return of -6.6% from the average peer group NAV. The share price produced a total return of -7.3%. Some of our major contributors to performance in 2017 encountered significant profit taking, and the derivative strategy did not provide enough protection to offset these falls.

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

I am pleased to report that we have received industry awards in two separate categories during the year under review. The Company won "Best Asian Equity ex. Japan" trust at the FT Advisor Awards and the board picked up "Best board" at the Citywire Investment Trust Awards. This reflects the hard work and efforts of both our portfolio managers, as well as the promotional support from Schroders and the efforts that the board has made.

At the Annual General Meeting ("AGM"), we will be proposing a resolution that the Company should continue as an investment trust for a further three year period and the board unanimously recommends that shareholders vote in favour of this resolution. Since switching the mandate to Schroders in March 2013, the Company has produced a NAV total return of 63.6% and a share price total return of 70.3%, outperforming the reference index which produced a total return of 40.1%, and we have materially improved the liquidity of the shares through the reissue of treasury shares and the issue of new equity.

Earnings and dividends

The revenue return from the portfolio for the year increased substantially when compared to the previous year, from 5.48p per share in 2017 to 7.18p per share for the year under review. This was mainly due to an increase in higher yielding stocks in the portfolio, although this could change in the future. As a consequence, the board has recommended a final dividend of 6.20p per share for the year ended 31 December 2018, an increase of 29.2% over the final dividend of 4.80p per share paid in respect of the previous financial year.

In order to provide shareholders with the opportunity to vote on the quantum of the dividend, it will be payable as a final dividend, subject to shareholder approval at the AGM. The dividend will be paid on 15 May 2019 to shareholders on the register on 12 April 2019.

Promotion and share issuance

The board's focus on promotion of the Company's shares has continued to yield positive results. Last year I reported that the share price had progressed from trading at a discount to trading at a premium and I am pleased to report that, except for a few days, the share price has remained at a premium throughout the year.

The board continues to believe that a mixture of sustained out performance of the market together with a successful strategy for promotion, is key to maintaining the premium rating of the share price.

At the AGM held on 9 May 2018, shareholders granted the board authority to issue shares, including out of treasury. During the year, the Company issued all of its 2.2 million remaining treasury shares, at an average premium to NAV of 2.6%. In addition, the Company issued 6.2 million shares at an average premium to NAV of 1.94% and since the year end, a further 835,000 shares, at an average premium to NAV of 2.0%, as demand for the Company's shares has continued. A resolution to renew the authorities will be proposed at the AGM, details of which can be found on page 60.

Should the need arise, the Company will continue to implement a discount management policy, which targets a discount to NAV of no more than 5% in normal market conditions. The board believes that overall liquidity and the relative discount to the Company's peers should also be considered in any decision to buy back shares.

Gearing and the use of derivatives

Gearing continues to be utilised by the portfolio managers. The Company may use gearing to enhance performance but net gearing will not exceed 30% of NAV. The board has agreed a disciplined framework for gearing to increase market exposure, based on a number of valuation indicators. Net cash stood at 0.9% at the end of the year, compared to 4.5% gearing at the beginning of the year. Shareholders should be aware that the use of borrowings must be seen in the context of the use of derivative hedging instruments to reduce the volatility of the portfolio.

Board succession and refreshment

The board continues to consider its ongoing refreshment in line with the policy set out in my statement in the 2016 annual report. I am pleased to welcome Andrew Cainey to the board following his appointment on 7 March 2019. Mr Cainey's biographical details can be found on page 22 of this report. In accordance with the Company's articles of association, a resolution to elect him as a director of the Company will be proposed at the forthcoming AGM.

Chairman's Statement

The revenue has increased from 5.48p to 7.18p per share.

The 2018 UK Corporate Governance Code, against which the Company will report for the 2019 annual report, states that the Chairman should not remain in post beyond nine years from the date of their first appointment to the board. The board acknowledges that my tenure is not in line with the provisions of the 2018 Code as I have been a director for 11 years. When considering my appointment as Chairman, the board took the view that a five year term was an appropriate period to allow for continuity and stability while the board delivered its succession plan. This term is due to expire at the AGM in 2020. I am delighted to report that we have successfully refreshed the board over the last four years to ensure that, on my retirement in 2020, the board will be comprised of effective directors providing diversity of skills, experience, gender and length of service.

Annual General Meeting

The AGM will be held at 12.00 noon on Friday, 10 May 2019 at the Manager's new offices at 1 London Wall Place, London EC2Y 5AU, and I encourage you to attend. One of the portfolio managers will present on the Company's investment strategy and prospects for Asia. The AGM will be followed by a buffet lunch.

Outlook

The sharp correction in markets in December and their subsequent recovery in the early months of 2019 demonstrate investors' sensitivity to tightening monetary conditions following a period of ultra low interest rates and abundant liquidity. Central banks have backed away from further tightening for now in the light of market weakness and signs of slower global growth. It remains to be seen if this halt is only temporary. Equity investors also must contend with slowing earnings growth and a continuing background of geo-political issues from US-China trade wars to Brexit. It is a very uncertain outlook and one in which our strategy should have a place in an investor's portfolio, focusing as it does on long-term valuation of equities and hedging to provide some protection against market declines.

David Brief
Chairman

28 March 2019

Portfolio Managers' Review

Robin Parbrook

King Fuei Lee

Market background

Total returns, year to 31 December 2018

MSCI Indices	Local currency %	Sterling %
Reference Index	**–10.6**	**–8.6**
Australia	–2.2	–6.5
China	–18.7	–13.8
Hong Kong	–7.7	–2.1
India	1.4	–1.5
Indonesia	–3.8	–3.6
Korea	–17.6	–16.0
Malaysia	–4.0	–0.2
New Zealand	1.9	2.0
Pakistan	–18.0	–30.7
Philippines	–12.1	–11.3
Singapore	–7.6	–3.8
Taiwan	–5.9	–3.3
Thailand	–5.6	0.3

Source: MSCI, net income reinvested.

Stockmarket falls in Asia were broad-based both by country and sector in 2018. On a sector basis technology, internet and export stocks suffered the largest falls as worries over the slowing global economy and high valuations (in the case of internet names) led to a sell off. Trade tensions with the USA and a slowing economy caused a big downturn in local and foreign investor sentiment towards the Chinese stockmarket. The situation was not helped by policies from the mainland authorities (more regulation, policies to favour state-owned enterprises over the private sector, increasing state control over many aspects of the economy) which were considered by investors as unfriendly to the long-term outlook for Chinese capital markets.

Those Asian markets that performed best over the year tended to be those with a more domestically-focused make up of earnings like India, the smaller ASEAN markets and New Zealand. India was also helped by the constant flow of local money into domestic mutual funds on belief in the "magic" of Mr Modi's policies. This was despite the constant disappointments in Indian profits, and the significant problems that have emerged in the state banks and non-bank financial sectors. Whilst not a bubble we do think the Indian equity market is vulnerable if the ruling party, the BJP, does poorly in the 2019 elections.

Principal contributors	£ Return (%)	Contribution to return (%)
Aeon Thana Sinsap	91.8	1.2
Wuxi Biologics	21.7	0.6
Resmed	40.0	0.5
Swire Properties	19.0	0.4
Shenzhou International Group	28.7	0.4

Principal detractors	£ Return (%)	Contribution to return (%)
Samsung Electronics	–20.1	–0.9
Tencent Holdings	–17.7	–0.8
Midea Group	–32.8	–0.8
Hon Hai Precision Industries	–35.4	–0.8
Johnson Electric Holdings	–47.1	–0.7

Source: Schroders

It has been a frustrating year for your portfolio managers. We did get some things right – we were cautious at the beginning of the year and correctly trimmed the portfolio's technology and internet positions. However, this has not resulted in material outperformance versus the portfolio's Reference Index (the NAV total return fell 8.1% versus an 8.6% fall in the Reference Index).

The key area of losses has been stock selection in China where we bought back stocks too early (catching the proverbial falling knife), and hedging where policies were less effective than we would have hoped (hedging Taiwan did not prove good protection at a time when the heaviest falls were in Hong Kong and China). Your portfolio managers have reviewed the process and remain confident that after 11 years of managing the Asian Total Return strategy (and five years of managing the Company's strategy), no major changes are required, though we may look to make some minor tweaks to the hedging process going forward.

As mentioned above, stock selection in China has been the key drag on performance over the year, as the slowing economy and rising tensions with the USA hit some stocks hard. Internet stocks in particular posted sharp falls on the back of earnings disappointments and worries over increasing government regulations and interference in the sector (including Tencent and Alibaba which, whilst we trimmed positions, remained large holdings). Other Hong Kong and China names that hurt performance were the auto part holdings (Johnson Electric and Nexteer) which dropped on worries over weak car sales in China. The white goods related holdings (Midea and Sanhua) also suffered sharp falls on concerns over the housing cycle in China.

Portfolio Managers' Review

Performance analysis

2018 performance attribution

	Contribution to return (%)	Comments
Australia	0.0	Resmed, CSL (positive); Medibank Private, Lendlease Group (negative)
China	–4.3	Tencent, Midea, Nexteer, China Pacific Insurance
Hong Kong	–2.1	Johnson Electric, ASM Pacific, Galaxy Entertainment
India	0.4	HDFC Bank, Phoenix Mills
Indonesia	0.0	PT Sumber Alfaria Trijaya (positive)
Korea	–1.1	Samsung Electronics, Mando
Singapore	–0.1	Venture
Taiwan	–1.1	Hon Hai Precision, Chroma ATE
Thailand	1.0	Kasikornbank
United States	–0.1	Cognizant Technology
Derivatives	0.0	Put options and short futures on regional indices*
Currency forwards	–0.2	Hedging the risk of the Chinese currency falling
Cost of gearing	–0.1	
Performance fee	–	
Costs	–0.9	
Residual	0.5	
Total return	–8.1	

Source: Schroders, FactSet, Morningstar, 31 December 2018, net of fees.
*Financial instruments designed to hedge part of the capital value if prices fall.

Technology stocks also tumbled across the region. Fortunately the portfolio had no material exposure to Apple related and smartphone related component names having sold out at the end of 2017 on increasing worries that the sector was mature and lacks the "next big thing". However we continued to hold large weightings in Samsung Electronics, TSMC, ASM Pacific and Chroma ATE, all of which fell in 2018 on worries over the slowdown in the technology sector and US-China trade tensions. We used weakness to add to positions as we continue to see these names as a good way to play those areas of technology where we believe secular growth trends remain intact.

Capital protection strategies in the portfolio had a mixed time, which was disappointing in a weak year. Good money was made on put options on the Korean index and the sale of Taiwanese index futures in the second half of the year (both financial instruments designed to hedge part of the capital value if prices fall). However this was partly offset by losses on Taiwanese and Australian put options in the first nine months of the year. Overall the positives and negatives balanced each other out, which was frustrating to say the least given that there was around 14% protection on the portfolio in a falling year. At the end of 2018 the portfolio continued to have a small amount of capital protection via put options and also has a partial currency hedge on the Chinese currency exposure against tail risks in the Chinese financial sector.

Portfolio activity

As mentioned earlier we did trim back internet and technology exposure in the portfolio at the beginning of the year. We also sold some of the Chinese holdings where we believe the new regulatory outlook has fundamentally altered the prospects for the business like New Oriental Education (tutoring), Hangzhou Hikvision (surveillance), and Netease (gaming). We used the proceeds from sales to add mostly to the portfolio's existing positions like Samsung Electronics, Jardine Strategic and ASM Pacific which we felt during the weakness in the second half of 2018 had become quite oversold. We also added to two Singapore retail related REITS (CapitaLand Mall Trust and Mapletree Commercial) where we felt the market was too gloomy on their prospects and was failing to differentiate between good and bad mall assets.

Ten largest positions

Holding	As at 31 December 2018 (% of portfolio)
HDFC Bank	5.0
Samsung Electronics	4.6
Tencent Holdings	4.5
Jardine Strategic	4.0
TSMC	3.6
Swire Properties	3.4
AIA	3.2
BHP Billiton	3.0
Alibaba Group	2.7
Techtronic Industries	2.6

Holding	As at 31 December 2017 (% of portfolio)
Tencent Holdings	5.0
Samsung Electronics	4.7
Alibaba Group	4.2
TSMC	3.9
HDFC Bank	3.8
Jardine Strategic	3.0
AIA	2.9
Midea	2.7
Techtronic Industries	2.5
Swire Properties	2.3

Source: Schroders

Portfolio Managers' Review

Investment trends and outlook

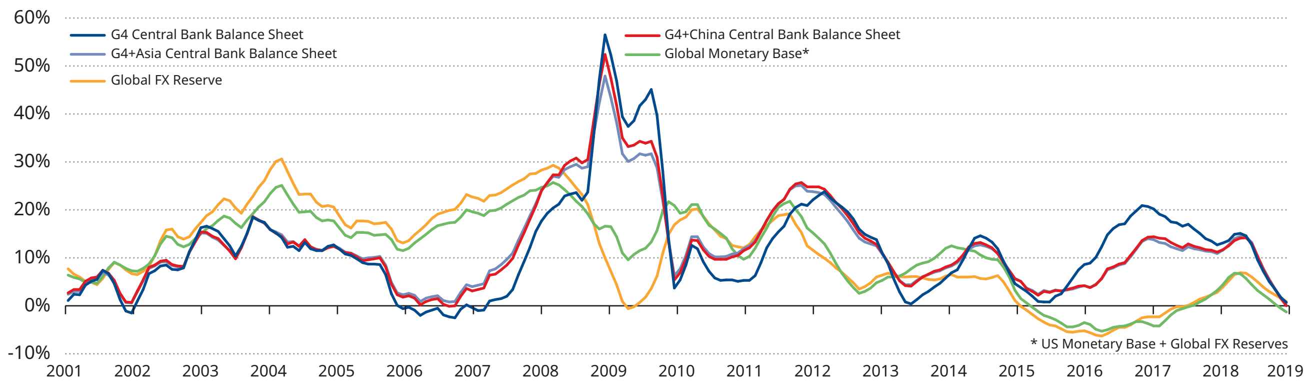
Our views as we start 2019 remain pretty much unchanged from those at the beginning of 2018.

We expect global liquidity to continue to tighten as it has for the last 18 months. Even if we see a quick reversal from the Federal Reserve (unlikely, though clearly a pause is possible), the lag from past tightening is likely to mean further economic weakness and result in a headwind for stock markets. Chart 1, which we have borrowed from the ever-informative Simon Ogus of DSG Asia, demonstrates the growth in base money (currency in circulation plus short-term deposits) has slowed to almost zero. With the Federal Reserve still aiming to shrink its balance sheet and the European Central Bank keen to end quantitative easing we don't see any immediate let-up. This is likely to remain a significant headwind for Asian markets as the lagged effects (slower economic activity and weaker corporate profitability) feed through.

We remain sceptical of any real let-up in US and China tensions despite President Trump's desperate tweets that he has brokered a deal. It is clear that US-China tensions are not just about trade but something much bigger. It involves US perceptions around China's intellectual property theft, cyber-crime, the way China projects its political and financial power via One Belt One Road, and China's desire to dominate key industries via massive state subsidies (Made in China 2025). These issues are much harder to resolve to say the least!

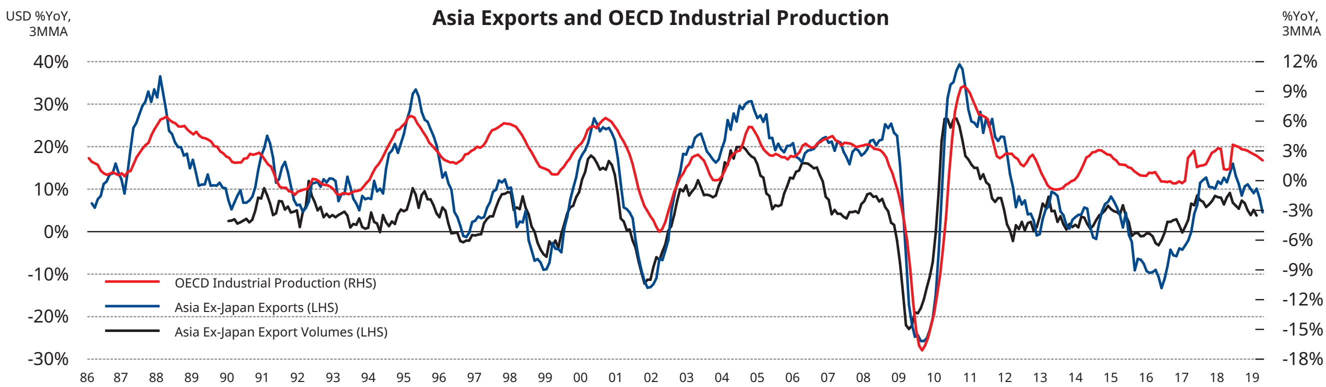
We suspect there has been material front-loading of exports prior to the threatened 25% tariffs and if we are correct this is likely to mean a weak start to the year for Asian exports (in addition to a general slowing picture). As Chart 2 shows, Asian exports actually held up pretty well in 2018. However, the outlook appears distinctly cloudy. As Chart 3 shows, this backdrop suggests a weak picture for Asian earnings given the high historic correlation between Asian earnings and exports. Samsung's recent earnings announcement – we suspect – is just an indication of what is to come.

Chart 1: Global base money growth now almost negative



Source: DSG Asia, 9 January 2019. Base money: currency in circulation plus short-term deposits.

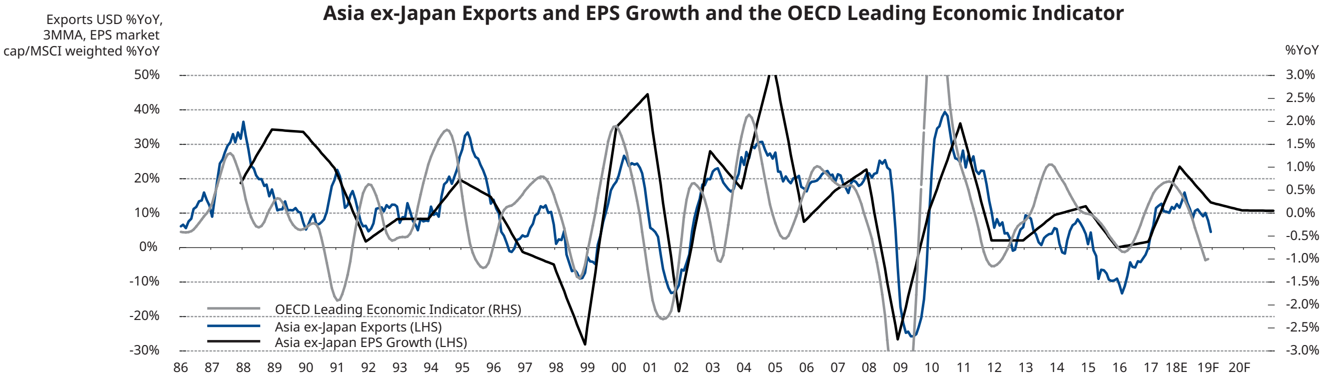
Chart 2: Asian export growth rates have come off the boil somewhat in recent months



Source: DSG Asia, 9 January 2019.

Portfolio Managers' Review

Chart 3: Asian earnings growth outlook remains weak given high correlation with exports



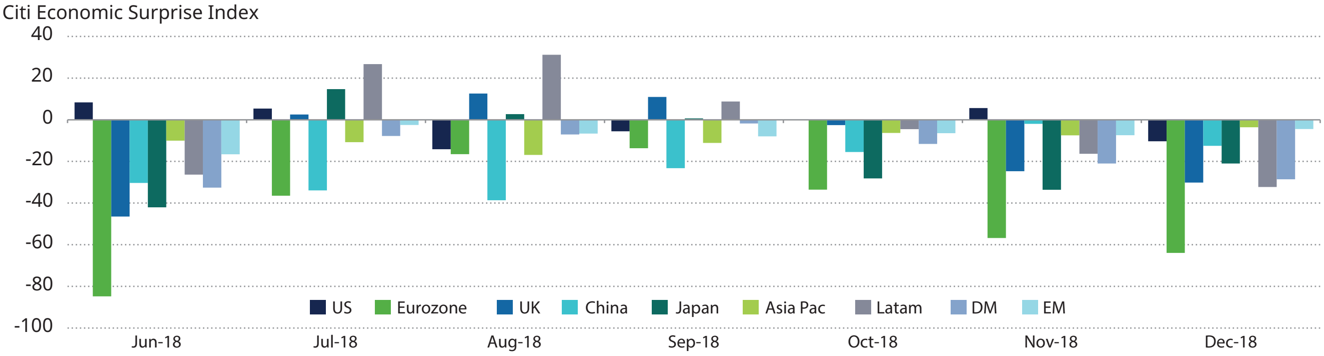
Source: DSG Asia, 9 January 2019. EPS: earnings per share.

The scope for China to undertake major stimulus measures is now much more limited, unless they wish to suspend the effective currency peg. We expect the Chinese economy to continue to slow given the authorities' (correct) desire to rein in excessive leverage and bring shadow banking (unregulated entities) back on balance sheets. Given the pegged currency, a current account no longer in surplus and a leaky capital account, we view monetary options as limited assuming devaluation is not considered an option (which would cause market chaos and global deflation). The monetary situation is much more finely balanced than in the past. We do expect some fiscal measures to boost consumption but given the size of the economy and high housing and auto ownership rates, such measures are likely to have limited efficacy compared to the past. Our base case is for the Chinese economy to slow but with debt effectively internalised, the immediate triggers for a financial crisis are unlikely to come to pass. But one of the major tail risks we see for the region is a messy unwinding of the Chinese currency peg.

Structurally we think the world remains deflation prone. As we have discussed many times over the last 10 years, the combination of the 4Ds (debt, demographics, disruption, disparity in income) means the world is likely to remain deflationary. We expect this to continue to mean that economic numbers surprise on the downside as per Chart 4 (and as they have in Japan for 25 years!). The key question your portfolio managers are mulling over is: given this backdrop, does this mean talk of a renewal of quantitative easing starts again by the end of the year and what does this mean for markets? Does it provide the usual sugar rush, or do we move into a Japan twilight world where the stock market becomes increasingly irrelevant, or do we instead in the West at least move towards financial repression as quantitative easing does not work so policymakers look at more extreme measures to create inflation/write off debt? We suspect the latter is the ultimate endgame.

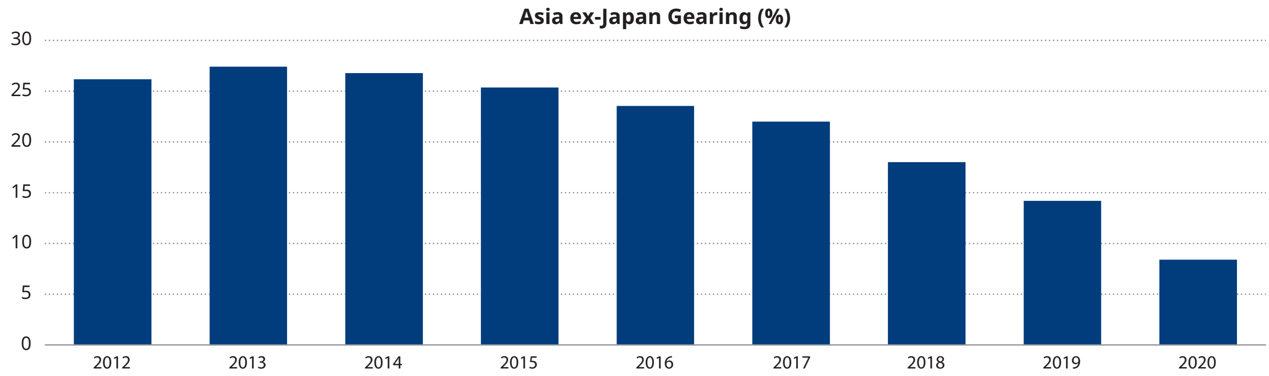
Chart 4: Negative economic numbers registered everywhere!

Citi Economic Surprise Index



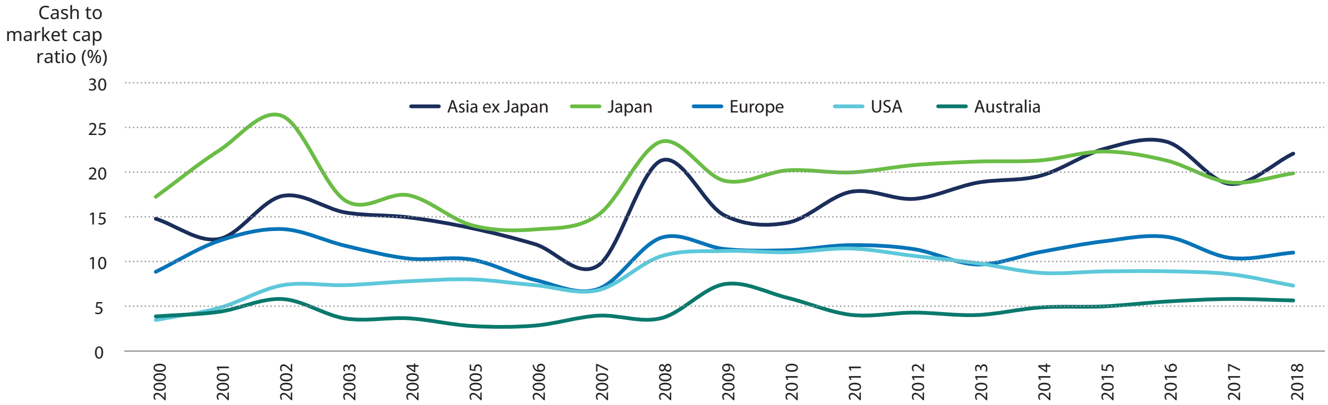
Source: Factset, Schroders. The Citigroup Economic Surprise Indices compare economic data releases to expectations. A positive reading suggests that economic releases have on balance beaten consensus.

Chart 5: Asia ex Japan gearing has fallen significantly



Source: CLSA, Net debt/ equity, 11 January 2019

Chart 6: Asian companies are the most cashed up in the world – headwinds are strong but corporate balance sheets look in good shape



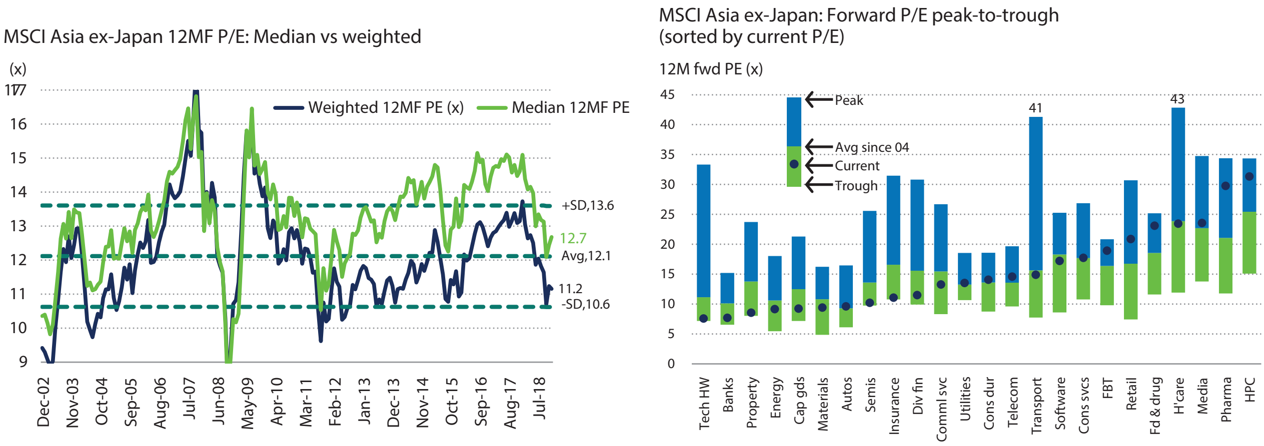
Source: CLSA, December 2018.

Some good news for investors, however, is that excluding China, debt increases in Asia have been negligible and government and corporate balance sheets look in pretty good shape. As Chart 5 shows, corporate gearing has been coming down in Asia, and as Chart 6 shows, many Asian companies are sitting on ample cash. Asian companies are in the main well positioned for a more difficult economic backdrop.

Headline valuations also look reasonable after the falls in 2018 (Chart 7). The issue as ever is that when we strip out Chinese banks, Samsung, Hynix etc. where earnings are questionable (banks) or at short-term highs, then valuations for what we really want to own are much more expensive. There are pockets of value in Asia but it is not broad based and certainly not in the favoured defensive sectors (those where business should hold up well during weak times, like consumer staples) as highlighted by Chart 8. It is also the case that after the euphoria which heralded the start of 2018, we suspect earnings forecasts for 2019 remain too high. We would accept this is hopefully at least partially discounted by markets, but investors should be wary of any market commentators claiming Asia is "cheap" using what are optimistic consensus forecasts (Chart 9).

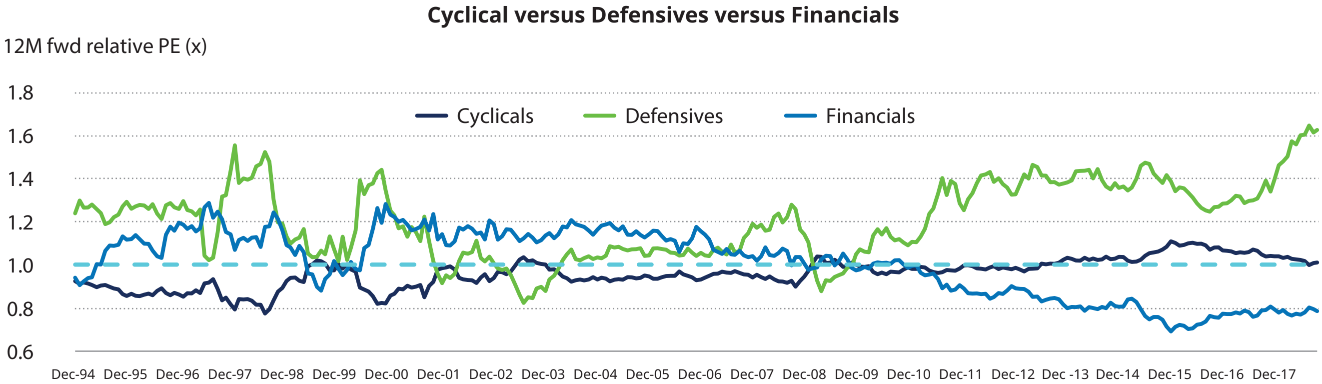
Portfolio Managers' Review

Chart 7: Headline valuations look reasonable but there are big disparities across sectors



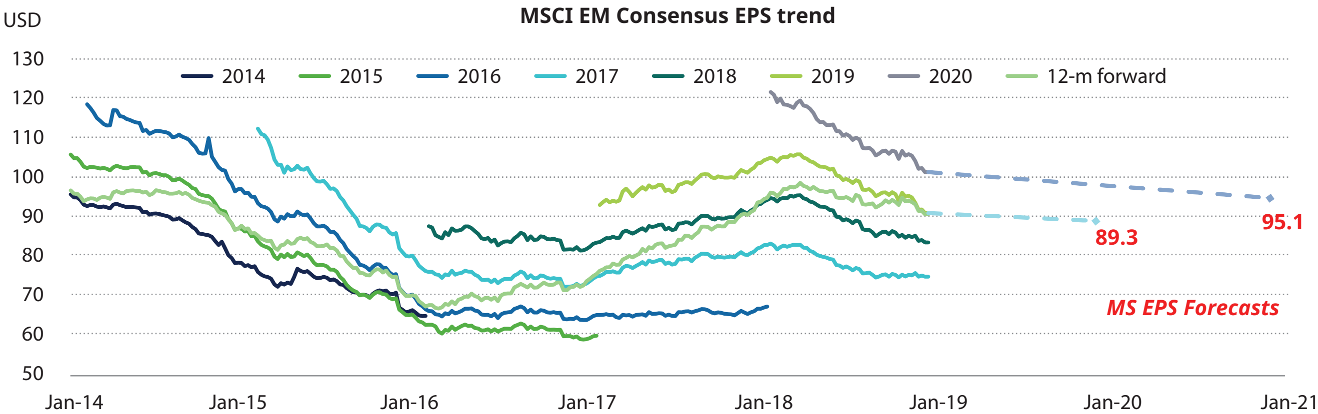
Source: Datastream, Factset, CLSA, December 2018. 'Tech HW': Technology Hardware & Equipment, 'Semis': Semiconductors, 'Div fin': diversified financials, 'comm svc': Commercial & Professional Services, 'Cons du': consumer durables', 'FBT': Food Beverage & Tobacco, 'H'care': healthcare: 'HPC': Household & Personal Products.

Chart 8: "Defensive" sectors have become very expensive – especially in ASEAN and India



Source: CLSA, December 2018. 'Cyclicals' are companies whose business are more affected by short term changes in the economic cycle; "defensives' are those whose business tend to hold up during weak times.

Chart 9: Be wary of commentators claiming Asia is cheap on forecast earnings – numbers are coming down fast



Source: IBES consensus for global emerging markets, showing earnings per share (EPS) made in each year. Datastream, Morgan Stanley Research, December 2018.

Portfolio Managers' Review

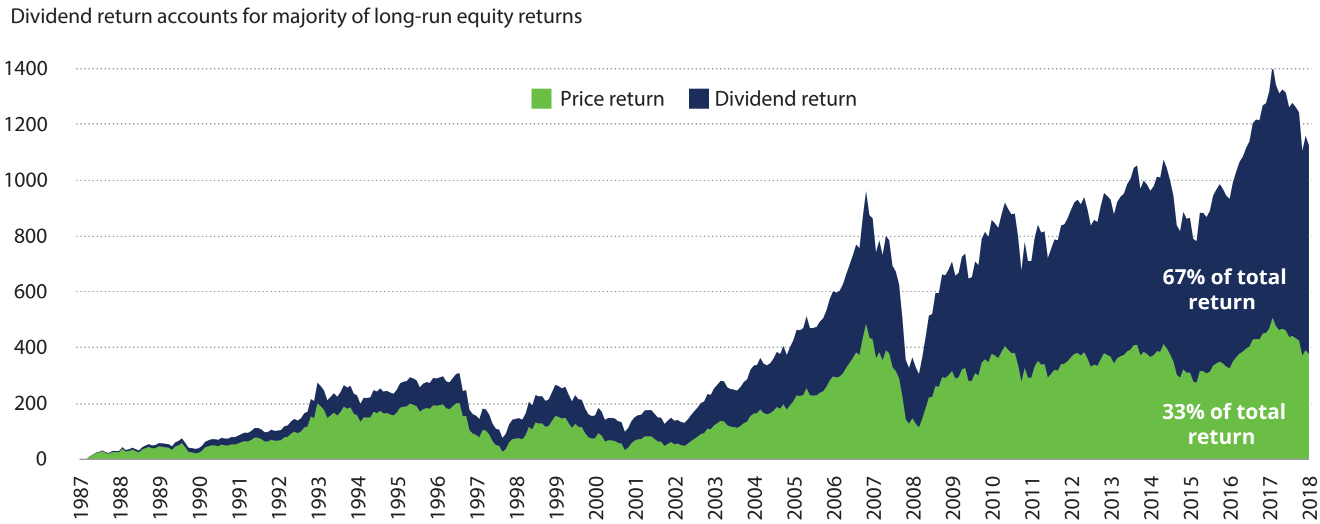
"We remain cautious but not outright defensive… Profit margins in Asia have remained healthy and cashflow strong…"

So pulling all the above together, how are we positioning the portfolio? We remain cautious but not outright defensive. Assuming the tail risks outlined above are avoided (RMB devaluation/financial stress in China, US credit blow ups), then we expect markets in Asia to offer moderate gains (low headline valuations offset by a relatively weak earnings outlook). We continue to hold a moderate number of hedges against tail risks in China and are keeping some cash to take advantage of what we expect to be volatile market conditions.

We are likely to use rallies to trim positions in China if stocks exceed fair value, and proceeds are most likely to be reinvested in blue chip stocks in more developed markets (Hong Kong, Singapore and Australia) with sustainable yields. With growth slowing and interest rates likely to peak this year, we expect yield plays to come back into focus. Historically 67% of total returns in Asia came from reinvesting dividends (Chart 10) and with better corporate governance and dividend policies, this favours the bigger more "sensible" Asian stock markets (Chart 11).

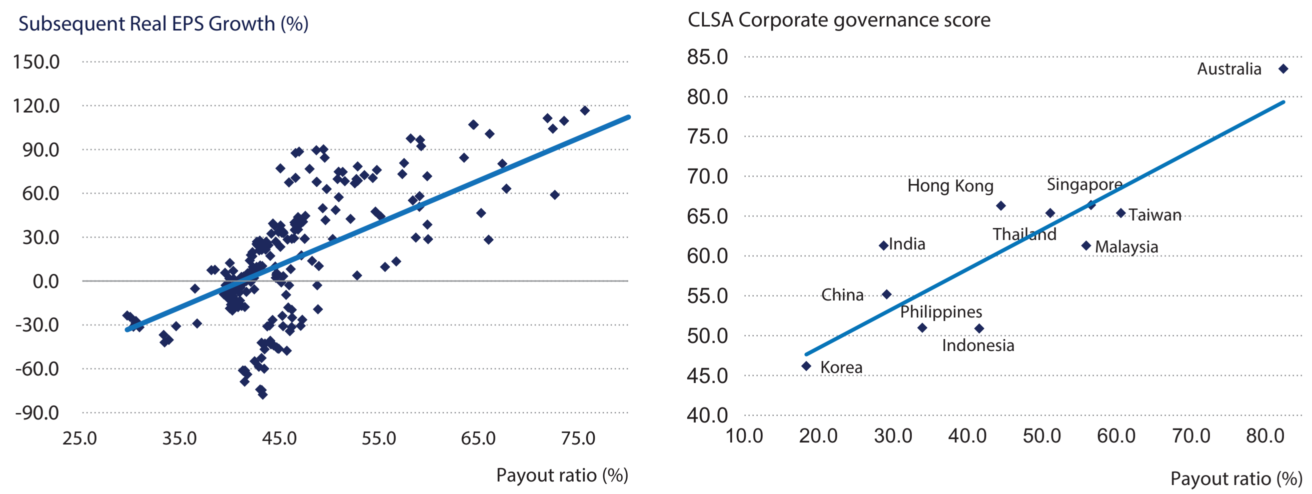
As can be seen in Chart 12 below, yield stocks have also underperformed for quite a prolonged period as investor focus has been on growth and new economy names. Whilst we are not forecasting a crisis (despite the title on the chart!), we do believe selective yield names can offer good defensive returns even if stock market conditions are difficult.

Chart 10: Dividend return accounts for majority of long-run equity returns



Source: Factset, MSCI AC Asia Pacific ex Japan index, Schroders, cumulative total return in US$ to December 2018.

Chart 11: Dividends signal superior earnings growth and strong corporate governance in Asia



Source (left): MSCI AC Asia Pac ex Japan index, Factset, Schroders, Monthly 1995-2018.

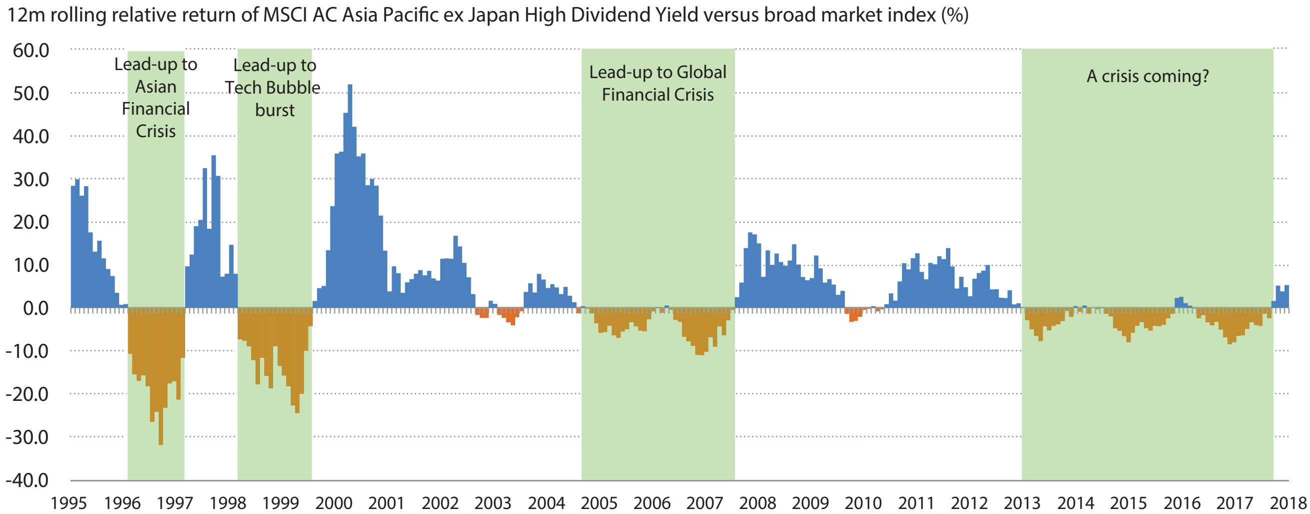
Source (right): Factset, MSCI AC Asia Pac x J, CLSA, Schroders, 30 Jun 2016. The CLSA Corporate governance score is a proprietary scoring system gauging corporate governance quality.

Portfolio Managers' Review

"Our focus...is on companies where we are confident cashflow will remain strong and management is focused on a sensible balance between returning capital to shareholders and investing in the future growth of their business."

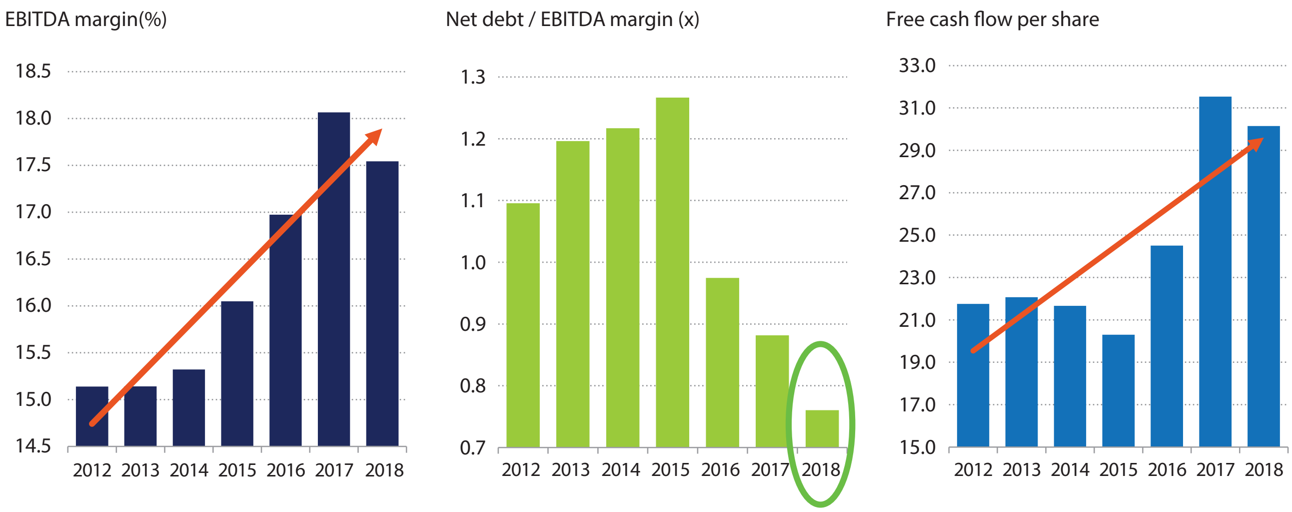
To end on a positive note – how sustainable are dividend yields in Asia? As Chart 13 shows, profit margins in Asia have remained healthy and cashflow strong. With balance sheets relatively lowly geared, there is ample scope in Asia for more generous payouts despite the weak outlook. Our focus at the moment is very much on those companies where we are confident cashflow will remain strong and management is focused on a sensible balance between returning capital to shareholders and investing in the future growth of their business.

Chart 12: Dividend investing outperforms strongly after periods of market irrationality



Source: FactSet, MSCI, Schroders.

Chart 13: Steeply rising profitability, historically low gearing and burgeoning free cashflows represent the best conditions for dividends to surprise positively in Asia



Source: Factset, MSCI, Schroders. 31 December 2018. 'EBITDA' shows companies' earnings before interest, tax, deprecation and amortisation.

Robin Parbrook, Lee King Fuei
For Schroder Investment Management Limited

28 March 2019

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

Investment Portfolio as at 31 December 2018

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 58.5% (2017: 54.6%) of total investments and derivative financial instruments.

	£'000	%
Hong Kong		
Jardine Strategic[1]	**11,601**	**4.0**
Swire Properties	**9,751**	**3.4**
AIA	**9,311**	**3.2**
Techtronic Industries	**7,497**	**2.6**
Galaxy Entertainment	**7,367**	**2.5**
Sun Hung Kai Properties	**6,978**	**2.4**
ASM Pacific Technology	**5,505**	**1.9**
HSBC	5,273	1.8
Swire Pacific	4,694	1.6
CNOOC	4,679	1.6
Convenience Retail Asia	3,959	1.4
Dah Sing Banking	3,754	1.3
HongKong Land[1]	2,768	0.9
Pacific Textiles Holding	2,440	0.8
Johnson Electric Holdings	2,297	0.8
Chow Sang Sang	2,251	0.8
Total Hong Kong	**90,125**	**31.0**
China		
Tencent Holdings[2]	**13,086**	**4.5**
Alibaba (ADR)[3]	**7,733**	**2.7**
Shenzhou International Group[2]	**6,813**	**2.3**
China Pacific Insurance[2]	**5,574**	**1.9**
China Yangtze Power LEPO 03/10/19	5,392	1.9
Ping An Insurance[2]	4,844	1.7
Nexteer Automotive[2]	4,760	1.6
Midea Group (UBS) 19/06/19[4]	3,621	1.2
Haitian International Holdings[2]	3,138	1.1
Huazhu Group (ADR)[3]	3,116	1.1
WuXi Biologics[2]	2,462	0.8
Inner Mongolia Yili (UBS) 10/10/19[4]	2,322	0.8
WuXi AppTec[2]	2,085	0.7
Hutchison China MediTech (ADR)[3]	2,035	0.7
Hutchison China MediTech[5]	1,899	0.7
Total China	**68,880**	**23.7**

	£'000	%
Australia		
BHP Billiton	**8,843**	**3.0**
Medibank Private	**6,651**	**2.3**
Crown	**5,998**	**2.1**
Resmed	5,447	1.9
CSL	5,224	1.8
Brambles	4,734	1.6
Incitec Pivot	4,677	1.6
ASX	2,726	0.9
Lendlease	2,327	0.7
Total Australia	**46,627**	**15.9**
Taiwan		
Taiwan Semiconductor Manufacturing	**10,541**	**3.6**
Chroma ATE	4,382	1.5
Getac Technology	3,606	1.2
Voltronic Power Technology	3,498	1.2
Hon Hai Precision Industries	2,219	0.8
Total Taiwan	**24,246**	**8.3**
India		
HDFC Bank (ADR)[3]	**14,578**	**5.0**
Cognizant Technology Solutions[3]	4,263	1.5
Schroder International Selection Fund – Indian Opportunities	2,982	1.0
Total India	**21,823**	**7.5**
Singapore		
Oversea-Chinese Banking	**6,944**	**2.4**
Mapletree Commercial Trust	**5,656**	**1.9**
Venture	4,941	1.7
CapitaLand Mall Trust	2,373	0.8
Total Singapore	**19,914**	**6.8**
South Korea		
Samsung Electronics	**13,387**	**4.6**
Total South Korea	**13,387**	**4.6**
Thailand		
Aeon Thana Sinsap	**6,425**	**2.2**
Total Thailand	**6,425**	**2.2**
Total Investments[6]	**291,427**	**100.0**

Investment Portfolio as at 31 December 2018

	£'000	%
Derivative Financial Instruments		
Index Put Options		
TWSE Put Option 9900 February 2019	557	0.2
Total Index Put Options[7]	**557**	**0.2**
Index Futures		
FTX TAIEX Future January 2019	39	–
HKG H Shares China Enterprise Index Future January 2019	(137)	(0.1)
Total Index Futures	**(98)**	**(0.1)**
Forward Currency Contracts		
Purchase of USD 8.5 million for CNY 59.5 million for settlement on 3 April 2019	(128)	(0.1)
Purchase of USD 8.4 million for CNY 59.5 million for settlement on 4 April 2019	(127)	–
Purchase of USD 8.5 million for CNY 59.6 million for settlement on 8 April 2019	(122)	–
Purchase of USD 8.5 million for CNY 59.6 million for settlement on 9 April 2019	(101)	–
Total Forward Currency Contracts	**(478)**	**(0.1)**
Total Investments and Derivative Financial Instruments	**291,408**	**100.0**

[1]Listed in Singapore.
[2]Listed in Hong Kong.
[3]Listed in the USA.
[4]Participatory notes.
[5]Listed in the UK.
[6]Total investments comprise the following:

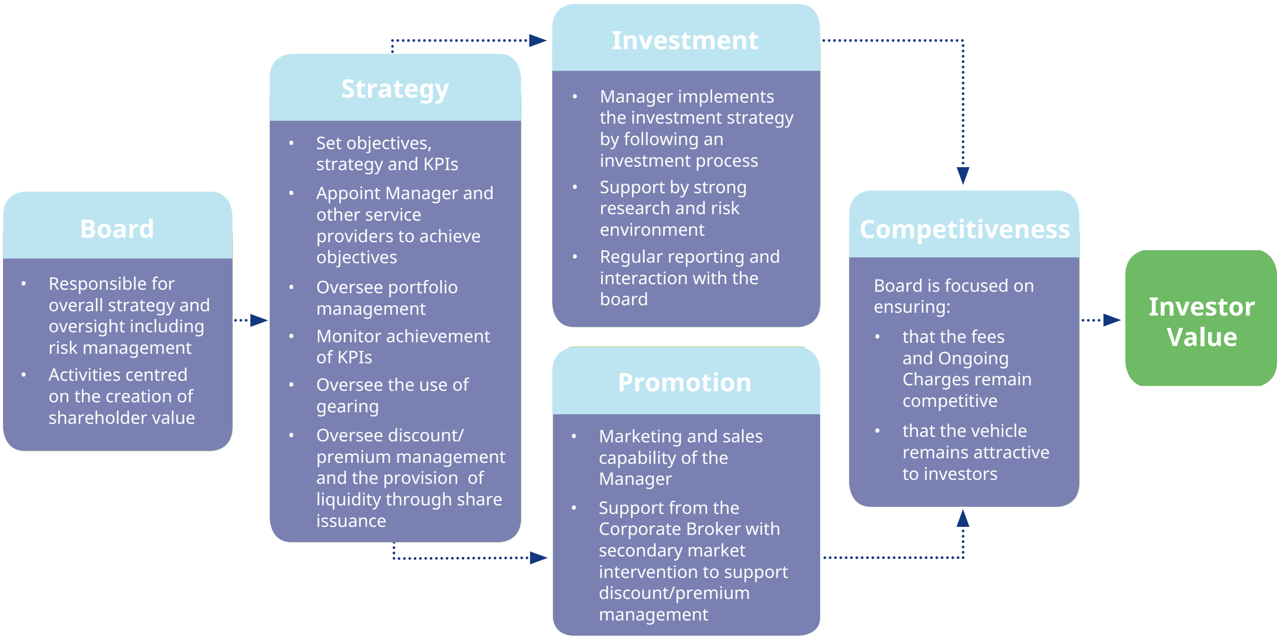
	£'000
Equities	249,648
American Depositary Receipts (ADR)	27,462
Participatory notes	5,943
Low exercise price options (LEPO)	5,392
Collective investment funds	2,982
Total investments	291,427

[7]The combined effect of the options gives downside protection to 14.0% of total investments.

Strategic Report

Strategic Review

Business model



The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010, by way of a one-off application, and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

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

It is not intended that the Company should have a limited life but the directors consider it desirable that shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the articles of association contain provisions requiring the directors to put a proposal for the continuation of the Company to shareholders at three yearly intervals. A continuation vote will be proposed at the AGM.

The Company's business model may be demonstrated by the diagram above.

Investment objective and policy

Details of the Company's investment objective and policy may be found on the inside front cover.

The board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, hedging, cash, derivatives and other financial instruments as appropriate.

Investment approach

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

The Company invests principally in equity and equity-related securities of companies operating primarily in the region, wherever they may be listed, with exposure to small and mid cap companies. Volatility reduction and offering a degree of capital preservation is achieved through the strategic and tactical use of derivatives (principally futures and options on markets and forward foreign currency contracts) to hedge market risk with inputs from the use of quantitative models and a top-down overlay to stock selection. The Company may also seek to do this by significantly disinvesting from markets and holding high levels of cash.

Investment process – an overview

Key attributes of the investment process are as follows:

- Stock selection is unconstrained and driven by proprietary research and investment conviction
- Focus on stocks for absolute return potential, or stocks with significant alpha generation potential
- Decreases overall volatility and risks associated with investing in the Asian region through the use of derivatives for hedging
- A disciplined and repeatable investment process with strong risk controls

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

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

The portfolio managers are supported by an experienced team of 41 research analysts, based in Asia, with an average of 14 years of experience. They also have access to the management of Asian companies – with over 2,800 meetings taking place throughout the Asia Pacific ex Japan region (in 2018); the thoroughness and depth of local investment research resources provides valuable insight into companies and their key issues, a competitive advantage in conducting fundamental bottom-up analysis.

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

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

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

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

Investment restrictions and spread of risk

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

The key restrictions imposed on the Manager are that:

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

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

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

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

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

The Investment Portfolio on pages 14 and 15 demonstrates that, as at 31 December 2018, the Company held 54 investments spread over a range of industry sectors. The largest investment, HDFC Bank, represented 5.0% of total investments. The board therefore believes that the objective of spreading investment risk has been achieved.

Promotion

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

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

Details of the board's approach to discount/premium management and share issuance may be found in the Chairman's Statement on page 4 and in the Explanation of Special Business of the AGM on page 59.

Key performance indicators

The board measures the development and success of the Company's business through achievement of the Company's investment objective which is considered to be the most significant key performance indicator for the Company. Comment on performance against the investment objective can be found in the Chairman's Statement. The board also monitors the performance of the Company against the peer group average.

The performance objective is also reflected in the Manager's fee which rewards performance above an absolute hurdle. Further details of the fees paid to the Manager may be found in the Directors' Report on page 25.

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

Corporate and social responsibility

Board diversity

As at 31 December 2018, the board comprised two men and two women. Since the year end, another director, Mr Andrew Cainey, has been appointed. The board's approach to diversity is that candidates for board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall board, taking into account the specific criteria for the role being offered. Candidates are selected relative to a number of different criteria, including diversity of gender.

Responsible investment policy

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

A description of the Manager's policy on these matters can be found on the Schroders website at www.schroders.com/ri. The board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

The board monitors the implementation of this policy through regular reporting by the Manager on its engagement activity, how it is integrated into the investment process, and the outcomes of the activity.

Corporate responsibility

The Company is committed to carrying out its business in a responsible manner and has appropriate policies in place relating to the key areas of corporate responsibility, including in respect of anti-bribery and corruption and the prevention of the facilitation of tax evasion.

Greenhouse gas emissions

As the Company outsources its operations to third parties it has no greenhouse gas emissions to report.

Principal risks and uncertainties

The board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit and risk committee on an ongoing basis. This system assists the board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in March 2019.

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

The principal risks and uncertainties faced by the Company have remained unchanged throughout the year under review. Cyber risk relating to all of the Company's key service providers is considered an ongoing threat in light of the rising propensity and impact of cyber attacks on businesses and institutions. To address the risk, the board receives reporting on cyber risk mitigation and management from its key service providers to ensure that it is managed and mitigated appropriately.

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

Risk	Mitigation and management
Strategic The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.	The appropriateness of the Company's investment remit is periodically reviewed and the success of the Company in meeting its stated objectives is monitored. The share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis. The marketing and distribution activity is actively reviewed. Proactive engagement with shareholders.
The Company's cost base could become uncompetitive, particularly in light of open ended alternatives.	The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against their competitors. Annual consideration of management fee levels.
Investment management The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of: the Manager's compliance with its agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager is undertaken.
Financial and currency The Company is exposed to the effect of market and currency fluctuations due to the nature of its business. A significant fall in regional equity markets or substantial currency fluctuation could have an adverse impact on the market value of the Company's underlying investments.	The risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets are discussed with the Manager. The derivative strategy employed by the Manager is subject to review by the board. The board considers the overall hedging policy on a regular basis.

Risk	Mitigation and management
Custody Safe custody of the Company's assets may be compromised through control failures by the depositary, including cyber hacking.	The depositary reports on safe custody of the Company's assets, including cash, and portfolio holdings independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements. An annual report from the depositary on its activities, including matters arising from custody operations is received.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 30% of net asset value. The board oversees the Manager's use of derivatives.
Accounting, legal and regulatory In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010. Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Service providers give regular confirmation of compliance with relevant laws and regulations. Shareholder documents and announcements, including the Company's published annual report, are subject to stringent review processes. Procedures established to safeguard against disclosure of inside information.
Service provider The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, depositary and registrar. Failure of controls, including as a result of cyber hacking, and poor performance of any service provider, could lead to disruption, reputational damage or loss.	Service providers are appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reports are provided by key service providers and the quality of their services is monitored. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls, and follow up of remedial actions as required.

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the audit and risk committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition.

No significant control failings or weaknesses were identified from the audit and risk committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 21 to the accounts on pages 53 to 58.

Viability statement

The directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 31 December 2018 and the potential impact of the principal risks and uncertainties it faces for the review period.

The board believes that a period of five years reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding.

In its assessment of the viability of the Company, the directors have considered each of the Company's principal risks and uncertainties detailed on pages 19 and 20 and in particular the impact of a significant fall in regional equity markets on the value of the Company's investment portfolio. The directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary.

Based on the Company's processes for monitoring operating costs, the board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

In reaching this decision, the board has taken into account the Company's continuation vote, on the assumption that it will be passed at the forthcoming AGM.

Going concern

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

By order of the board

Schroder Investment Management Limited
Company Secretary

28 March 2019

Board of Directors

David Brief

Status: independent non-executive Chairman

Length of service: 11 years – appointed a director in November 2007 and Chairman in April 2015
Experience: Mr Brief has worked in investment management since 1979. He was Chief Investment Officer of BAE Systems Pension Fund Investment Management Limited from 2001 to 2011, having previously been Chief Investment Officer at both TRW (Lucas) and Courtaulds Pension Scheme. He was formerly an independent adviser to the British Coal Staff Superannuation Scheme, Rio Tinto Pension Schemes, and J Sainsbury Pension Scheme.
Committee membership: Management Engagement and Nominations Committees (Chairman)
Current remuneration: £40,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other directors of the Company: None

Andrew Cainey

Status: independent non-executive director

Length of service: appointed a director on 7 March 2019
Experience: Mr Cainey is an experienced business consultant, public policy adviser, speaker and writer. He is currently a Senior Partner of Asiability, an Associate Fellow of Chatham House, a Senior Fellow of the Shanghai Academy of Social Sciences, and a Senior Advisor of Lumen Capital Investors. He previously held roles with the Boston Consulting Group, Booz & Company and Tony Blair Associates. During the course of his career he spent over 15 years in Asia, including China, Korea and Singapore.
Committee membership: Audit and Risk, Management Engagement and Nominations Committees
Current remuneration: £30,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other directors of the Company: None

Caroline Hitch

Status: senior independent non-executive director

Length of service: 4 years – appointed a director in February 2015 and senior independent director in May 2018
Experience: Ms Hitch has worked in the financial services industry since the early 1980s, mostly with the HSBC group. Her experience includes Head of Wealth Portfolio Management at HSBC Global Asset Management (UK) Ltd. with investment management responsibility for their flagship multi asset retail funds. Prior roles took her to various locations including Hong Kong. Ms Hitch is a non-executive director of Aberdeen Standard Equity Income Trust plc and Chairman of CQS New City High Yield Ltd.
Committee membership: Audit and Risk, Management Engagement and Nominations Committees
Current remuneration: £30,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other directors of the Company: None

Board of Directors

Mike Holt

Status: independent non-executive director and chairman of the audit and risk committee

Length of service: 4 years – appointed a director in July 2014 and chairman of the audit and risk committee in October 2014
Experience: Mr Holt was CFO of Low & Bonar PLC, an international performance materials group, from 2010 until 2017 and was Group Finance Director of Vp plc from 2004 to 2010. Prior to 2004, he held a number of senior financial positions with Rolls-Royce Group plc in the UK, the USA and Hong Kong. He is a Fellow of The Institute of Chartered Accountants in England & Wales and an associate member of The Association of Corporate Treasurers. Mr Holt is a non-executive director of North Midland Construction plc and Real Good Food plc.
Committee membership: Audit and Risk (chairman), Management Engagement and Nominations Committees
Current remuneration: £35,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other directors of the Company: None

Sarah MacAulay

Status: independent non-executive director

Length of service: 1 year – appointed a director in March 2018
Experience: Ms MacAulay is a non-executive director of JPMorgan Multi-Asset Trust plc, Fidelity Japan Trust plc and Aberdeen New Thai Investment Trust plc. She is also a Trustee of Glendower School Trust, an educational charitable Trust. She was formerly a director of Baring Asset Management (Asia) Ltd, head of Asian equities at Kleinwort Benson Investment Management and Eagle Star Investment Management.
Committee membership: Audit and Risk, Management Engagement and Nominations Committees
Current remuneration: £30,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared directorships with any other directors of the Company: None

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2018.

Revenue and dividend

The net revenue return for the year, after finance costs and taxation, was £6,303,000 (2017: £4,183,000), equivalent to a revenue return per ordinary share of 7.18 pence (2017: 5.48 pence).

For the year ended 31 December 2018, the directors have recommended a final dividend of 6.20 pence per ordinary share which, subject to approval by shareholders at the forthcoming AGM, will be paid on 15 May 2019 to shareholders on the register on 12 April 2019.

Directors and their interests

The directors of the Company at the date of this report and their biographical details can be found on pages 22 and 23. All directors held office throughout the year under review with the exception of Ms Sarah MacAulay who was appointed as a director on 2 March 2018 and Mr Andrew Cainey who was appointed as a director on 7 March 2019. Details of directors' share interests in the Company are set out in the Directors' Remuneration Report on page 33.

In accordance with the Company's articles of association, Mr Cainey will seek election at the forthcoming AGM, this being the first AGM since his appointment.

In line with the provisions of the 2018 UK Corporate Governance Code, all other directors will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

Proposed re-election as a director is not automatic and follows a formal process of evaluation of his/her performance and directors who have served for more than six years are subject to particularly rigorous assessment of their independence and contribution.

The board does not believe that length of service, by itself, necessarily affects a director's independence of character or judgment. Directors who have served for more than nine years on the board may therefore continue to offer themselves for re-election at the AGM. This was considered by the board with respect to the Chairman, as further detailed in the Chairman's Statement.

Having reviewed the composition, structure and diversity of the board, succession planning, the independence of the directors and whether each of the directors has sufficient time available to discharge their duties effectively, the nomination committee and the board considers that each director is able to discharge their duties effectively. In reaching this conclusion, the board has considered the level of external interests of each director.

The board, having taken all relevant matters into account, considers that all directors that are being proposed for re-election continue to demonstrate commitment to their roles, provide valuable contributions to the deliberations of the board and remain free from conflicts with the Company and its directors. It therefore recommends that shareholders vote in favour of their re-election. The board also recommends that shareholders vote in favour of the election of Mr Cainey.

Share capital

As at 26 March 2019, the Company had 92,235,159 ordinary shares of 5p in issue. No shares were held in treasury. Accordingly, the total number of voting rights in the Company at the date of this report is 92,235,159. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 50.

Substantial share interests

As at the date of this report, the Company has received notifications in accordance with the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Ordinary shares held as at 31 December 2018	% of total voting rights
Old Mutual	11,341,474	13.67
F&C Asset Management plc	3,547,705	4.28
Investec Wealth & Investment Limited	2,743,593	3.31

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

Key service providers

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

Manager

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

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

The Schroders Group manages £421.4 billion (as at 31 December 2018) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

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

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

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

The management fee payable in respect of the year ended 31 December 2018 amounted to £1,985,000 (2017: £1,711,000). No performance fee is payable for the year (2017: £4,177,000). The Manager is also entitled to a fee for providing administrative, accounting and company secretarial services to the Company. For these services in the year ended 31 December 2018, the Manager received a fee of £75,000 (2017: same).

Details of all amounts payable to the Manager are set out in note 18 to the accounts on page 52.

The board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth of resource to deliver above average returns over the longer term. Therefore, the board considers that the Manager's appointment under the terms of the AIFM agreement, further details of which are set out above, is in the best interests of shareholders as a whole.

Depositary

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

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

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

Corporate governance statement

The board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code (the "Code"). The disclosures in this statement report against the provisions of the Code, as revised in April 2016. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

The board has noted the publication of a further revised UK Corporate Governance Code, in July 2018, which applies to financial years beginning on or after 1 January 2019. The board has reviewed the Company's governance framework in light of the new provisions and will be reporting under the new provisions in the next annual report.

The board is satisfied that the Company's current governance framework is compliant with the new provisions except with respect to the tenure of the current Chairman. In line with the board's succession policy, published in 2017, which set out that the Chairman would serve for a term of five years from appointment as Chairman, Mr Brief intends to retire at the 2020 AGM.

Compliance statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 30 and 21, respectively, indicates how the Company has complied with the principles of good governance of the Code and its requirements on internal control.

The board believes that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code.

Operation of the board

Chairman

The Chairman is an independent non-executive director who is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 22. He has no conflicting relationships.

Role and operation of the board

The board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The board also ensures that the Manager adheres to the investment restrictions set by the board and acts within the parameters set by it in respect of any gearing.

Directors' Report

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

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

The board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

Training and development

On appointment, directors receive a full, formal and tailored induction. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the board as they arise. Directors also regularly participate in relevant training and industry seminars. Training and development needs are included as part of the evaluation process and are agreed with the Chairman.

Conflicts of interest

The board has approved a policy on directors' conflicts of interest. Under this policy, directors are required to disclose all actual and potential conflicts of interest to the board as they arise for consideration and approval. The board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Board evaluation

In order to review the effectiveness of the board, the committees and the individual directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the directors and the senior independent director. The process is considered by the board to be constructive in terms of identifying areas for improving the functioning and performance of the board and the committees, the contribution of individual directors and building and developing individual and collective strengths. The last evaluation took place in February 2019.

Directors' and officers' liability insurance and indemnities

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

Directors' attendance at meetings

Five board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy, approval of borrowings and/or cash positions; review of investment performance, the level of premium or discount of the Company's shares to underlying NAV per share and promotion of the Company; and an evaluation of service providers. Additional meetings of the board are arranged as required.

The number of meetings of the board and its committees held during the year under review, and the attendance of individual directors, is shown below. Whenever possible all directors attend the AGM.

Director	Board	Nomination Committee	Audit and Risk Committee	Management Engagement Committee
David Brief	5/5	2/2	N/A	1/1
Caroline Hitch	5/5	2/2	2/2	1/1
Mike Holt	5/5	2/2	2/2	1/1
Christopher Keljik[1]	2/2	1/1	0/1	N/A
Sarah MacAulay[2]	4/4	1/1	1/1	1/1
Alexandra Mackesy[1]	2/2	1/1	1/1	N/A

[1]Retired as a director on 9 May 2018.
[2]Appointed as a director on 2 March 2018.

The board is satisfied that the Chairman and each of the other directors commits sufficient time to the affairs of the Company to fulfil their duties.

Relations with shareholders

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

The Chairmen of the board and its committees, as well as the senior independent director, attend the AGM and are available to respond to queries and concerns from shareholders.

Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover.

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

Directors' Report

Committees

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

The committees of the board have defined terms of reference, setting out the committees' duties and responsibilities, which are available on the Company's webpage www.schroders.com/satric. Membership of the committees is set out on pages 22 and 23 of this report.

Nominations committee

The nominations committee is responsible for succession planning, bearing in mind the balance of skills, knowledge, experience and diversity of the board, and will recommend to the board when changes to its composition are required. The committee aims to maintain a balance of relevant skills, experience and length of service of the directors serving on the board, taking diversity, including gender, into account.

To discharge its duties, the committee met twice during the year under review to discuss board succession and the appointment of a new director. The Chairman of the board acts as chairman of the committee but does not participate when the Chairman's performance, re-election or successor is being considered.

Before the appointment of a new director, the committee prepares a description of the role and capabilities required for a particular appointment. While the committee is dedicated to selecting the best person for the role, the board also recognises the importance of diversity. The board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as independence necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account in considering the appointment of a new director. The board does not consider it appropriate or to be in the interests of shareholders as a whole to establish prescriptive diversity targets.

Candidates are sourced through an external agency and interviewed by members of the committee, which makes a recommendation to the board. In respect of the appointment of Mr Cainey, the committee utilised the services of Cornforth Consulting in the selection of suitable candidates. Cornforth Consulting has no other connection with the Company.

Management engagement committee

The role of the management engagement committee is to ensure that the Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support. The committee also reviews the services provided by other service providers. All directors are members of the committee, which is chaired by the Chairman. The board considers each member of the committee to be independent.

To discharge its duties, the committee met once during the year under review and considered the performance and suitability of the Manager, the terms and conditions of the AIFM agreement, the performance and suitability of other service providers and the committee's terms of reference.

Audit and risk committee

The role and activities of the audit and risk committee are set out overleaf in the audit and risk committee report which is incorporated into and forms part of the Directors' Report.

By order of the board

Schroder Investment Management Limited
Company Secretary

28 March 2019

Report of the Audit and Risk Committee

The responsibilities and work carried out by the audit and risk committee during the year under review are set out in the following report. The duties and responsibilities of the committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/satric. Membership of the committee is as set out on pages 22 and 23. The board has satisfied itself that at least one of the committee's members has recent and relevant financial experience.

The committee met twice during the year ended 31 December 2018. The committee discharged its responsibilities by:

- considering its terms of reference;
- reviewing the operational controls maintained by the Manager, depositary and registrar;
- reviewing the half year and annual report and accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the auditors;
- evaluating the auditors' performance;
- reviewing the principal risks faced by the Company and the system of internal control; and
- agreeing to hold a tender for the provision of audit services to the Company.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 December 2018, the audit and risk committee, having deliberated on the Company's principal risk and uncertainties, considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the auditors during its reporting:

Issue considered	How the issue was addressed
– Valuation and existence of holdings	– Review of portfolio holdings and assurance reports on controls from the Manager and depositary.
– Recognition of investment income	– Consideration of dividends received against forecast and the allocation of special dividends to income or capital.
– Calculation of the investment management fee and performance fee	– Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.
– Overall accuracy of the annual report and accounts	– Consideration of the draft Annual Report and Accounts and the letter from the Manager in support of the letter of representation to the auditors.
– Internal controls and risk management	– Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance reports on these controls.
– Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	– Consideration of the Manager's report confirming compliance.

As a result of the work performed, the committee has concluded that the annual report for the year ended 31 December 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the board. The board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 30.

Report of the Audit and Risk Committee

Effectiveness of the independent audit process

The committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the auditors' performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the committee considered feedback from the Manager on the audit process and the year end report from the auditors, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the committee also met the auditors without representatives of the Manager present.

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

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

PricewaterhouseCoopers LLP has provided audit services to the Company from its incorporation in 1987 to date. In line with the provisions of the Statutory Auditors and Third Country Regulations 2016 relating to the mandatory rotation of the auditor, after the year end, the committee commenced a tender process for the provision of audit services to the Company. At the date of this report, the committee has requested submissions from a number of audit firms, which do not include PricewaterhouseCoopers LLP, as the firm is excluded from the process due to length of tenure. The result of the audit tender will be announced when the process has concluded, with the new firm undertaking the 2020 audit.

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

Independent auditors

PricewaterhouseCoopers LLP will not be continuing in office due to length of tenure. The new auditor, to be appointed by directors during the financial year, will be proposed for re-appointment by shareholders at the 2021 AGM.

Provision of information to the independent auditors

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

Provision of non-audit services

The committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's auditors. The committee has determined that the Company's appointed auditors will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditors may, if required, provide other non-audit services which will be judged on a case-by-case basis.

The auditors have not provided any non-audit services to the Company during the year (2017: nil).

Internal audit

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

Mike Holt
Audit and risk committee chairman

28 March 2019

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

On behalf of the board

David Brief
Chairman

28 March 2019

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the relevant provisions of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM to be held in 2020. In addition, the below directors' annual report on remuneration is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 26 April 2017, 99.70% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the remuneration policy were in favour, while 0.30% were against. 11,405 votes were withheld.

At the AGM held on 9 May 2018, 99.63% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the annual report on remuneration for the year ended 31 December 2017 were in favour, while 0.37% were against. 40,016 votes were withheld.

Directors' remuneration policy

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

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

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

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

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

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

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

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

Directors' remuneration report

This report sets out how the remuneration policy was implemented during the year ended 31 December 2018.

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the board in December 2018. The members of the board at the time that remuneration levels were considered were as set out on pages 22 and 23, with the exception of Andrew Cainey. Although no external advice was sought in considering the levels of directors' fees, information on fees paid to directors of other investment companies managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

Following the annual review, it was determined that directors' fees would remain unchanged. The last change to directors' fees was effective from 1 January 2017. The board is minded to consider fee increases on a three-year cycle. Fees will however continue to be reviewed on an annual basis.

Directors' Remuneration Report

Fees paid to directors

The following amounts were payable by the Company to the directors for services as non-executive directors in respect of the year ended 31 December 2018 and the previous financial year:

	Fees		Taxable benefits[1]		Total	
	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £
David Brief (Chairman)	**40,000**	40,000	**2,967**	2,035	**42,967**	42,035
Caroline Hitch	**30,000**	30,000	**493**	–	**30,493**	30,000
Mike Holt	**35,000**	35,000	**3,357**	–	**38,357**	35,000
Christopher Keljik[2]	**10,740**	30,000	**200**	–	**10,940**	30,000
Sarah MacAulay[3]	**24,965**	N/A	**136**	–	**25,101**	N/A
Alexandra Mackesy[4]	**10,740**	30,000	**136**	–	**10,876**	30,000
Total	**151,445**	165,000	**7,289**	2,035	**158,734**	167,035

[1]Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up, to include PAYE and NI contributions.
[2]Retired on 9 May 2018.
[3]Appointed on 2 March 2018.
[4]Retired on 9 May 2018.

The information in the above table has been audited.

Expenditure by the Company on remuneration and distributions to shareholders

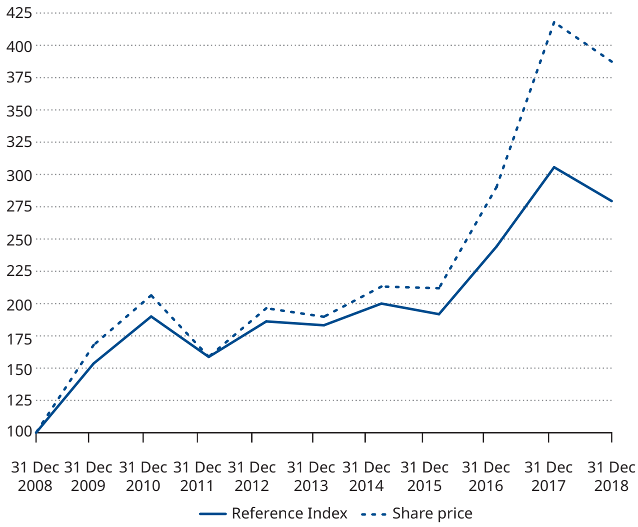
The table below compares the remuneration payable to directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000	Change (%)
Remuneration payable to directors	**159**	167	(4.8)
Distributions paid to shareholders:			
–Dividends	**4,064**	3,273	24.2
–Share buy backs	**–**	334	(100.0)
	4,064	3,607	12.7

Performance graph

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

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



[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2008. Definitions of terms and performance measures are given on page 63.

Directors' Remuneration Report

Directors' share interests

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

	At 31 December 2018[1]	At 31 December 2017[1]
David Brief	**36,171**	36,171
Caroline Hitch	**10,000**	10,000
Mike Holt	**10,000**	10,000
Christopher Keljik[2]	**N/A**	127,304
Sarah MacAulay[3]	**–**	N/A
Alexandra Mackesy[4]	**N/A**	5,290

[1]Ordinary shares of 5p each.
[2]Retired as a director on 9 May 2018.
[3]Appointed as a director on 2 March 2018.
[4]Retired as a director on 9 May 2018.

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

The information in the above table has been audited (see Independent Auditors' Report on pages 34 to 39).

The portfolio managers and connected persons' interests in the Company were approximately 375,000 ordinary shares as at the date of this report.

On behalf of the board

David Brief
Chairman

28 March 2019

Governance

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

Report on the audit of the financial statements

Opinion

In our opinion, Schroder Asian Total Return Investment Company plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018; the Income Statement, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the audit and risk committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

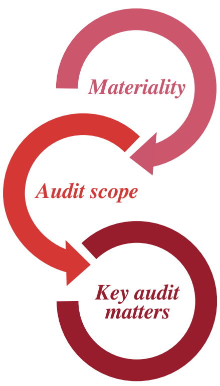
We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview



Materiality

- Overall materiality: £2.93 million (2017: £2.94 million), based on 1% of net assets.

Audit scope

- The Company is a standalone Investment Trust Company and engages Schroder Unit Trusts Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from HSBC Securities Services, to whom the Manager has, with the consent of the directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and HSBC Securities Services, and adopted a fully substantive testing approach using reports obtained from HSBC Securities Services.

Key audit matters

- Income from investments.
- Valuation and existence of investments.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

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

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 (see page 20 of the annual report), and we considered the extent to which non-compliance might have a material effect on the financial statements of the Company. We also considered those laws and regulations that have a direct impact on the financial statements of the Company such as the Companies Act 2006 and Chapter 15 of the UK Listing Rules applicable to Closed-Ended Investment Funds. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by management;
- Reviewing relevant meeting minutes, including those of the audit and risk committee;
- Assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Income from investments *Refer to page 28 (Report of the Audit and Risk Committee), page 44 (Accounting policies) and page 46 (Notes to the Accounts)* ISAs (UK) presume there is a risk of fraud in revenue recognition. For the purpose of clarification, "revenue" refers to all of the Company's income streams, those classified as both revenue and capital (including unrealised/realised gains and losses on investments). We considered this risk to specifically relate to the risk of misstating unrealised/realised gains/losses on investments and the misclassification of dividend income as capital or revenue due to the pressure that management may feel to achieve capital or income returns growth in order to meet the objective of the Company. We also focused on the accuracy, occurrence and completeness of income from investments, as incomplete or inaccurate income could have a material impact on the Company's net asset value.	Our main audit procedures over income were as follows: – We read the basis of accounting and accounting policy selected by the directors covering recognition of income and assessed it for compliance with UK Generally Accepted Accounting Practice comprising FRS 102 ("UK GAAP") and the AIC SORP. – To respond to the risk of fraud in revenue recognition we gained an understanding of both automated and manual journals posted to the income account. We tested a sample of manual year-end adjusting journals including material journals and those impacting income (revenue and capital). – We understood and assessed the design and implementation of key controls surrounding income recognition. – To test for the occurrence and accuracy of capital gains, we vouched a sample of realised gains to supporting evidence such as bank statements and recalculated unrealised gains and losses through testing the valuation of 100% of the investment portfolio using independent third party prices as described below. – To test completeness of dividend income we agreed that appropriate dividends had been received in the year by reference to independent data of dividends declared for the investment holdings in the portfolio.

Financial

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

Key audit matter	How our audit addressed the key audit matter
	– To test occurrence and accuracy of dividend income we tested all dividends received by reference to the investment holding in the portfolio and recalculated the amounts using third party data. – We also considered the classification of income between revenue and capital. We concluded that income had been accounted for in accordance with the stated accounting policy and the AIC SORP and no material differences were noted.
Valuation and existence of investments *Refer to pages 14 and 15 (Investment portfolio), page 28 (Report of the Audit and Risk Committee), page 44 (Accounting policies) and page 49 (Notes to the Accounts)* The investment portfolio at 31 December 2018 comprised listed investments of £291.4 million. We focused on the valuation and existence of investments because investments represent the principal element of the NAV as disclosed in the Statement of Financial Position in the financial statements.	Our main audit procedures over these investments were as follows: – We agreed 100% of investment prices used in the calculation of the year end valuation of investments to independent third party sources. – We agreed the foreign currency exchange rates used (for non-GBP investments) as at the year end to independent third party sources. – We agreed the holdings of each of the quoted investments at 31 December 2018 to an independently obtained confirmation from the third party custodian, HSBC Bank plc. – We re-calculated the carrying value of each of the listed investments by multiplying the price per share by the holding, taking into consideration applicable foreign exchange rates. We concluded that the valuation of investments held at fair value through profit or loss was consistent with the Company's accounting policies and that the investments existed and were owned by the Company at year end. No material differences were noted.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

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

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

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£2.93 million (2017: £2.94 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We agreed with the audit and risk committee that we would report to them misstatements identified during our audit above £146,000 (2017: £147,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. As not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the Company's business and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (*CA06*)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (*CA06*)

The directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 19 of the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the annual report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 21 of the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 30, that they consider the annual report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the annual report on page 28 describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit and risk committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (*CA06*)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the members in 1987 to audit the financial statements for the period ended 31 December 1987 and subsequent financial periods. The period of total uninterrupted engagement is 32 years, covering the years ended 31 December 1987 to 31 December 2018.

Richard McGuire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 March 2019

Income Statement
for the year ended 31 December 2018

	Note	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
(Losses)/gains on investments held at fair value through profit or loss	2	–	(29,709)	(29,709)	–	78,351	78,351
Net losses on derivative contracts		–	(72)	(72)	–	(8,866)	(8,866)
Net foreign currency (losses)/gains		–	(869)	(869)	–	1,665	1,665
Income from investments	3	7,883	32	7,915	5,483	30	5,513
Other interest receivable and similar income	3	33	–	33	11	–	11
Gross return/(loss)		7,916	(30,618)	(22,702)	5,494	71,180	76,674
Investment management fee	4	(496)	(1,489)	(1,985)	(428)	(1,283)	(1,711)
Performance fee	4	–	–	–	–	(4,177)	(4,177)
Administrative expenses	5	(630)	–	(630)	(646)	–	(646)
Net return/(loss) before finance costs and taxation		6,790	(32,107)	(25,317)	4,420	65,720	70,140
Finance costs	6	(106)	(317)	(423)	(78)	(235)	(313)
Net return/(loss) on ordinary activities before taxation		6,684	(32,424)	(25,740)	4,342	65,485	69,827
Taxation on ordinary activities	7	(381)	–	(381)	(159)	–	(159)
Net return/(loss) on ordinary activities after taxation		6,303	(32,424)	(26,121)	4,183	65,485	69,668
Return/(loss) per share – basic and diluted	9	7.18p	(36.91)p	(29.73)p	5.48p	85.78p	91.26p

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 year.

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

The notes on pages 44 to 58 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 December 2018

	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 2016		4,260	5	11,646	29,182	137,783	12,141	195,017
Repurchase of the Company's own shares into treasury		–	–	–	–	(334)	–	(334)
Reissue of shares out of treasury		–	12,340	–	–	21,008	–	33,348
Net return on ordinary activities		–	–	–	–	65,485	4,183	69,668
Dividend paid in the year	8	–	–	–	–	–	(3,273)	(3,273)
At 31 December 2017		4,260	12,345	11,646	29,182	223,942	13,051	294,426
Repurchase of the Company's own shares into treasury – prior year stamp duty		–	–	–	–	(2)	–	(2)
Issue of shares		310	21,387	–	–	–	–	21,697
Reissue of shares out of treasury		–	3,349	–	–	4,498	–	7,847
Net (loss)/return on ordinary activities		–	–	–	–	(32,424)	6,303	(26,121)
Dividend paid in the year	8	–	–	–	–	–	(4,064)	(4,064)
At 31 December 2018		**4,570**	**37,081**	**11,646**	**29,182**	**196,014**	**15,290**	**293,783**

The notes on pages 44 to 58 form an integral part of these accounts.

Financial

Statement of Financial Position at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**291,427**	311,798
Current assets	11		
Debtors		**323**	269
Cash at bank and in hand		**14,709**	2,315
Derivative financial instruments held at fair value through profit or loss		**596**	594
		15,628	3,178
Current liabilities	12		
Creditors: amounts falling due within one year		**(12,657)**	(20,330)
Derivative financial instruments held at fair value through profit or loss		**(615)**	(220)
		(13,272)	(20,550)
Net current assets/(liabilities)		**2,356**	(17,372)
Total assets less current liabilities		**293,783**	294,426
Net assets		**293,783**	294,426
Capital and reserves			
Called-up share capital	13	**4,570**	4,260
Share premium	14	**37,081**	12,345
Capital redemption reserve	14	**11,646**	11,646
Special reserve	14	**29,182**	29,182
Capital reserves	14	**196,014**	223,942
Revenue reserve	14	**15,290**	13,051
Total equity shareholders' funds		**293,783**	294,426
Net asset value per share	15	**321.43p**	354.79p

The accounts were approved and authorised for issue by the board of directors on 28 March 2019 and signed on its behalf by:

David Brief
Chairman

The notes on pages 44 to 58 form an integral part of these accounts.

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

Company registration number: 02153093

Cash Flow Statement
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Net cash inflow from operating activities	16	**652**	572
Servicing of finance			
Interest paid		**(413)**	(310)
Net cash outflow from servicing of finance		**(413)**	(310)
Investment activities			
Purchases of investments		**(115,706)**	(111,024)
Sales of investments		**106,368**	86,511
Cash flows on derivative instruments		**321**	(6,558)
Net cash outflow from investment activities		**(9,017)**	(31,071)
Dividends paid		**(4,064)**	(3,273)
Net cash outflow before financing		**(12,842)**	(34,082)
Financing			
Bank loan repaid		**(4,345)**	(3,905)
Reissue of shares out of treasury		**7,847**	33,348
Issue of new shares		**21,697**	–
Repurchase of the Company's own shares into treasury		**(2)**	(334)
Net cash inflow from financing		**25,197**	29,109
Net cash inflow/(outflow) in the year	17	**12,355**	(4,973)

The notes on pages 44 to 58 form an integral part of these accounts.

Financial

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in November 2014 and updated in February 2018. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments held at fair value through profit or loss.

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

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 December 2017.

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

(b) Valuation of investments

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

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

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

(c) Accounting for reserves

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

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

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

(d) Income

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

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

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

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

(e) Expenses

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

- The management fee is allocated 25% to revenue and 75% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Any performance fee is allocated 100% to capital.

– Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 49.

(f) Finance costs

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

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

(g) Other financial instruments

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

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

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

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

(h) Taxation

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

Deferred tax is accounted for in accordance with FRS 102.

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

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

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

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

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of any related irrecoverable VAT.

(j) Foreign currency

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

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

(k) Dividends payable

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

(l) Repurchases of shares into treasury and subsequent reissues

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

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

Notes to the Accounts

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

	2018 £'000	2017 £'000
Gains on sales of investments based on historic cost	**24,837**	25,397
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**(30,322)**	(15,803)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	**(5,485)**	9,594
Net movement in investment holding gains and losses	**(24,224)**	68,757
(Losses)/gains on investments held at fair value through profit or loss	**(29,709)**	78,351

3. Income

	2018 £'000	2017 £'000
Income from investments:		
Overseas dividends	**7,883**	5,483
Other interest receivable and similar income		
Securities lending fees	**–**	5
Deposit interest	**33**	6
	33	11
	7,916	5,494
Capital:		
Special dividend allocated to capital	**32**	30

4. Investment management fee

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**496**	**1,489**	**1,985**	428	1,283	1,711
Performance fee	**–**	**–**	**–**	–	4,177	4,177
	496	**1,489**	**1,985**	428	5,460	5,888

The bases for calculating the investment management and performance fees are set out in the Directors' Report on page 25 and details of all amounts payable to the Manager are given in note 18 on page 52.

5. Administrative expenses

	2018 £'000	2017 £'000
Administration expenses	**311**	300
Directors' fees[1]	**151**	165
Secretarial fee	**75**	75
Custody fees	**66**	80
Auditors' remuneration for audit services	**27**	26
	630	646

[1]Details of all amounts payable to directors are given in the Directors' Remuneration Report on page 32.

6. Finance costs

	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
Interest on bank loans and overdrafts	**106**	**317**	**423**	78	235	313

7. Taxation

(a) Analysis of charge in the year

	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
Irrecoverable overseas tax	**381**	**–**	**381**	342	–	342
Taiwanese withholding tax recovered	**–**	**–**	**–**	(183)	–	(183)
Taxation on ordinary activities	**381**	**–**	**381**	159	–	159

The Company has no corporation tax liability for the year ended 31 December 2018 (2017: nil).

(b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK was reduced from 20% to 19%, effective from 1 April 2017. Accordingly, the Company's profits for this accounting year would be taxed at a rate of 19.00% (2017: 19.25%). However the corporation tax charge for the year is nil (2017: nil), as dividends and capital gains are not subject to corporation tax. The tax charge comprises irrecoverable withholding tax deducted at source from dividends receivable.

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

	Revenue £'000	2018 Capital £'000	Total £'000	Revenue £'000	2017 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	**6,684**	**(32,424)**	**(25,740)**	4,342	65,485	69,827
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.00% (2017: 19.25%)	**1,270**	**(6,161)**	**(4,891)**	836	12,606	13,442
Effects of:						
Capital losses/(gains) on investments	**–**	**5,824**	**5,824**	–	(13,696)	(13,696)
Income not subject to taxation	**(1,449)**	**(6)**	**(1,455)**	(998)	(6)	(1,004)
Overseas withholding tax	**381**	**–**	**381**	342	–	342
Taiwanese withholding tax recovered	**–**	**–**	**–**	(183)	–	(183)
Relief for overseas tax expensed	**(5)**	**–**	**(5)**	(5)	–	(5)
Unrelieved expenses	**184**	**343**	**527**	167	1,096	1,263
Taxation on ordinary activities	**381**	**–**	**381**	159	–	159

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £6,998,000 (2017: £6,527,000) based on a prospective corporation tax rate of 17% (2017: 17%). The reduction in the standard rate of corporation tax was substantively enacted in September 2016 and is effective from 1 April 2020. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

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

Notes to the Accounts

8. Dividends

Dividends paid and declared

	2018 £'000	2017 £'000
2017 final dividend of 4.80p (2016: 4.50p), paid out of revenue profits[1]	**4,064**	3,273

	2018 £'000	2017 £'000
2018 final dividend proposed of 6.20p (2017: 4.80p), to be paid out of revenue profits[2]	**5,667**	3,983

[1]The 2017 final dividend amounted to £3,983,000. However the amount actually paid was £4,064,000 as shares were reissued out of treasury, after the accounting date but prior to the dividend Record Date.
[2]The proposed final dividend amounting to £5,667,000 (2017: £3,983,000) is the amount used for the basis of determining whether the Company has satisfied the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £6,303,000 (2017: £4,183,000).

9. Return/(loss) per share

	2018 £'000	2017 £'000
Revenue return	**6,303**	4,183
Capital (loss)/return	**(32,424)**	65,485
Total (loss)/return	**(26,121)**	69,668
Weighted average number of shares in issue during the year	**87,843,677**	76,336,740
Revenue return per share	**7.18p**	5.48p
Capital (loss)/return per share	**(36.91)p**	85.78p
Total (loss)/return per share	**(29.73)p**	91.26p

There is no dilution to the above returns per share when the diluted returns are calculated in accordance with the requirements of IAS 33, as is required by FRS 102.

Notes to the Accounts

10. Investments held at fair value through profit or loss

	2018 £'000	2017 £'000
Opening book cost	207,501	156,604
Opening investment holding gains	104,297	51,343
Opening valuation	311,798	207,947
Purchases at cost	115,706	111,024
Sales proceeds	(106,368)	(85,524)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(5,485)	9,594
Net movement in investment holding gains and losses	(24,224)	68,757
Closing valuation	291,427	311,798
Closing book cost	241,676	207,501
Closing investment holding gains	49,751	104,297
Total investments held at fair value through profit or loss	291,427	311,798

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

	2018 £'000	2017 £'000
On acquisitions	142	127
On disposals	137	304
	279	431

11. Current assets

Debtors

	2018 £'000	2017 £'000
Dividends and interest receivable	170	111
Taxation recoverable	132	141
Other debtors	21	17
	323	269

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

Cash at bank and in hand

The carrying amount of cash, amounting to £14,709,000 (2017: £2,315,000), represents its fair value.

	2018 £'000	2017 £'000
Derivative financial instruments held at fair value through profit or loss		
Index put options	557	594
Index futures	39	–
	596	594

Details of index put options and index futures held at the year end are given on page 15.

Details of the Company's strategy for managing currency risk are given in note 21(a)(i) on page 54.

Financial

Notes to the Accounts

12. Current liabilities

Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank loan	12,013	15,450
Other creditors and accruals	644	4,880
	12,657	20,330

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

The bank loan comprises US$15.3 million (2017: US$20.9 million) drawn down on the Company's £25 million, 364 day multi-currency credit facility with Scotiabank Europe plc. The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with during the year. Further details of this facility are given in note 21(a)(ii) on page 55.

Derivative financial instruments held at fair value through profit or loss

	2018 £'000	2017 £'000
Index futures	137	220
Forward foreign currency contracts	478	–
	615	220

13. Called-up share capital

	2018 £'000	2017 £'000
Allotted, called-up and fully paid:		
Ordinary shares of 5p each:		
Opening balance of 82,987,055 (2017: 72,749,141) shares	4,149	3,637
Reissue of 2,217,757 (2017: 10,357,914) shares out of treasury	111	518
Issue of 6,195,347 (2017: nil) new shares	310	–
Repurchase of nil (2017: 120,000) shares into treasury	–	(6)
Subtotal of 91,400,159 (2017: 82,987,055) shares	4,570	4,149
Nil (2017: 2,217,757) shares held in treasury	–	111
Closing balance[1]	4,570	4,260

[1]Represents 91,400,159 (2017: 85,204,812) shares of 5p each, including nil (2017: 2,217,757) held in treasury. During the year, the total of 2,217,757 shares held in treasury, nominal value £110,888, were reissued to the market to satisfy demand, at an average price of 353.83p per share, for a total consideration of £7,847,000. In addition 6,195,347 (2017: nil) new shares were issued to the market to satisfy demand, at an average price of 350.21p per share, for a total consideration of £21,697,000.

Notes to the Accounts

14. Reserves

				Capital reserves		
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Special reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	12,345	11,646	29,182	119,593	104,349	13,051
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	(5,485)	–	–
Net movement in investment holding gains and losses	–	–	–	–	(24,224)	–
Transfer on disposal of investments	–	–	–	30,322	(30,322)	–
Realised losses on derivatives	–	–	–	(103)	–	–
Unrealised gains on open derivative contracts	–	–	–	–	31	–
Realised exchange gains on cash and short-term deposits	–	–	–	39	–	–
Exchange gains/(losses) on foreign currency loans	–	–	–	98	(1,006)	–
Special dividend allocated to capital	–	–	–	32	–	–
Repurchase of the Company's own shares into treasury – prior year stamp duty	–	–	–	(2)	–	–
Reissue of shares out of treasury	3,349	–	–	4,498	–	–
Issue of new shares	21,387	–	–	–	–	–
Management fee and finance costs allocated to capital	–	–	–	(1,806)	–	–
Dividend paid	–	–	–	–	–	(4,064)
Retained revenue for the year	–	–	–	–	–	6,303
Closing balance	**37,081**	**11,646**	**29,182**	**147,186**	**48,828**	**15,290**

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

15. Net asset value per share

	2018	2017
Total equity shareholders' funds (£'000)	293,783	294,426
Shares in issue at the year end, excluding any shares held in treasury	91,400,159	82,987,055
Net asset value per share	321.43p	354.79p

Financial

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

	2018 £'000	2017 £'000
Total (loss)/return on ordinary activities before finance costs and taxation	**(25,317)**	70,140
Less capital loss/(return) on ordinary activities before finance costs and taxation	**32,107**	(65,720)
(Increase)/decrease in prepayments and accrued income	**(78)**	65
Decrease/(increase) in other debtors	**8**	(10)
(Decrease)/increase in other creditors	**(4,245)**	1,746
Special dividend allocated to capital	**32**	30
Management fee allocated to capital	**(1,489)**	(1,283)
Performance fee allocated to capital	**–**	(4,177)
Taiwanese withholding tax recovered	**–**	183
Overseas withholding tax deducted at source	**(366)**	(402)
Net cash inflow from operating activities	**652**	572

17. Analysis of changes in net debt

	2017 £'000	Cash flow £'000	Exchange movements £'000	2018 £'000
Cash at bank and in hand	**2,315**	**12,355**	**39**	**14,709**
Bank loan	**(15,450)**	**4,345**	**(908)**	**(12,013)**
Net debt	**(13,135)**	**16,700**	**(869)**	**2,696**

18. Transactions with the Manager

Under the terms of the Alternative Investment Fund Manager Agreement, the Manager is entitled to receive management, secretarial and performance fees. Details of the basis of these calculations are given in the Directors' Report on page 25. If the Company invests in funds managed or advised by the Manager, any fees earned by the Manager are rebated to the Company. The management fee payable in respect of the year ended 31 December 2018 amounted to £1,985,000 (2017: £1,711,000) of which £467,000 (2017: £525,000) was outstanding at the year end.

The secretarial fee payable for the year amounted to £75,000 (2017: £75,000) of which £19,000 (2017: £19,000) was outstanding at the year end. No performance fee is payable in respect of the year (2017: £4,177,000), and nil was outstanding at the year end (2017: £4,177,000).

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

19. Related party transactions

Details of the remuneration payable to directors are given in the Directors' Remuneration Report on page 32 and details of directors' shareholdings are given in the Directors' Remuneration Report on page 33. Details of transactions with the Manager are given in note 18 above. There have been no other transactions with related parties during the year (2017: nil).

Notes to the Accounts

20. Disclosures regarding financial instruments measured at fair value

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

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

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

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

Level 3 – valued using inputs that are unobservable.

Details of the Company's policy for valuing investments and derivative instruments are given in note 1(b) on page 44 and 1(g) on page 45.

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

	2018			
	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	**285,465**	**–**	**–**	**285,465**
Participatory notes[1]	**–**	**5,943**	**–**	**5,943**
Total	**285,465**	**5,943**	**–**	**291,408**

	2017			
	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	286,995	–	–	286,995
Participatory notes[1]	–	25,177	–	25,177
Total	286,995	25,177	–	312,172

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

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

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

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

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

Notes to the Accounts

(a) Market risk

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

(i) Currency risk

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

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

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

	2018									
	Hong Kong dollars £'000	US dollars £'000	Taiwanese dollars £'000	South Korean won £'000	Thai baht £'000	Singaporean dollars £'000	Australian dollars £'000	Chinese yuan £'000	Other £'000	Total £'000
Current assets	**1,587**	**1,710**	**386**	**3,506**	**–**	**–**	**638**	**–**	**–**	**7,827**
Current liabilities	**–**	**(12,032)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,032)**
Derivative instruments held at fair value through profit or loss – forward currency contracts	**–**	**26,601**	**–**	**–**	**–**	**–**	**–**	**(27,079)**	**–**	**(478)**
Foreign currency exposure on net monetary items	**1,587**	**16,279**	**386**	**3,506**	**–**	**–**	**638**	**(27,079)**	**–**	**(4,683)**
Investments held at fair value through profit or loss	**118,518**	**60,411**	**24,246**	**13,387**	**6,425**	**19,914**	**46,627**	**–**	**–**	**289,528**
Derivative instruments held at fair value through profit or loss – index futures and index put options	**(137)**	**–**	**596**	**–**	**–**	**–**	**–**	**–**	**–**	**459**
Total net foreign currency exposure	**119,968**	**76,690**	**25,228**	**16,893**	**6,425**	**19,914**	**47,265**	**(27,079)**	**–**	**285,304**

	2017									
	Hong Kong dollars £'000	US dollars £'000	Taiwanese dollars £'000	South Korean won £'000	Thai baht £'000	Singaporean dollars £'000	Australian dollars £'000	Chinese yuan £'000	Other £'000	Total £'000
Current assets	111	593	126	414	–	323	2	–	–	1,569
Current liabilities	–	(15,462)	–	–	–	–	–	–	–	(15,462)
Foreign currency exposure on net monetary items	111	(14,869)	126	414	–	323	2	–	–	(13,893)
Investments held at fair value through profit or loss	90,682	97,120	40,487	17,901	8,146	13,815	38,360	–	2,218	308,729
Derivative instruments held at fair value through profit or loss – index put options	157	–	203	–	–	(29)	43	–	–	374
Total net foreign currency exposure	90,950	82,251	40,816	18,315	8,146	14,109	38,405	–	2,218	295,210

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

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2017: 10%) appreciation or depreciation in sterling against the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

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

	2018 £'000	2017 £'000
Income Statement – return after taxation		
Revenue return	**740**	525
Capital return	**(497)**	(1,410)
Total return after taxation	**243**	(885)
Net assets	**243**	(885)

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

	2018 £'000	2017 £'000
Income Statement – return after taxation		
Revenue return	**(740)**	(525)
Capital return	**497**	1,410
Total return after taxation	**(243)**	885
Net assets	**(243)**	885

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

(ii) Interest rate risk

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

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

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

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2018 £'000	2017 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	**14,709**	2,315
Creditors: amounts falling due within one year – borrowings on the credit facility	**(12,013)**	(15,450)
Total exposure	**2,696**	(13,135)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2017: same).

During the year, the Company extended its £25 million multi-currency credit facility with Scotiabank Europe plc which expires on 9 April 2019. The limit may be extended to £50 million, subject to credit approval by the lender. Amounts are normally drawn down on the facility for one month periods. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and period, plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 31 December 2018, the Company had drawn down US$15.3 million (£12.0 million) at an interest rate of 3.11%, repayable on 14 January 2019. At 31 December 2017, the Company had drawn down US$20.9 million (£15.5 million) at an interest rate of 2.14%, repayable on 18 January 2018.

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

	2018 £'000	2017 £'000
Maximum debit interest rate exposure during the year – net debt	**(16,176)**	(25,681)
Maximum credit/minimum debit interest rate exposure during the year – net cash/(debt)	**2,696**	(5,006)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2017: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2018		2017	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**59**	**(59)**	(8)	8
Capital return	**(45)**	**45**	(58)	58
Total return after taxation	**14**	**(14)**	(66)	66
Net assets	**14**	**(14)**	(66)	66

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

(iii) Market price risk

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

Management of market price risk

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

Market price risk exposure

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

	2018 £'000	2017 £'000
Investments held at fair value through profit or loss	**291,427**	311,798
Derivative financial instruments held at fair value through profit or loss – index futures and index put options	**459**	374
	291,886	312,172

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

An analysis of the Company's investments is given on page 14. This shows that the portfolio mainly comprises investments quoted on Asian stock markets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of classification.

Notes to the Accounts

Market price risk sensitivity

The following table illustrates the sensitivity of net return after taxation for the year and net assets to an increase or decrease of 10% (2017: 10%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments, adjusting for the hedging effect of the index put options and including the resulting effect on the management fee, but with all other variables held constant.

	2018		2017	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(42)	41	(48)	45
Capital return	25,694	(25,125)	29,602	(27,399)
	25,652	(25,084)	29,554	(27,354)
Percentage change in net asset value	8.7%	(8.5%)	10.0%	(9.3%)

(b) Liquidity risk

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

Management of the risk

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

Liquidity risk exposure

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

	2018 Three months or less £'000	2017 Three months or less £'000
Creditors: amounts falling due within one year		
Borrowings on the credit facility – including interest	12,046	15,480
Other creditors and accruals	626	4,867
	12,672	20,347

(c) Credit risk

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

This risk is not significant and is managed as follows:

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

Counterparties are subject to daily credit analysis by the Manager. Cash balances are deposited with the custodian of the Company's assets, HSBC Bank plc, which has Long-Term Credit Ratings of AA- with Fitch and Aa3 with Moody's.

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

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

There were no securities on loan at 31 December 2018 (2017: nil). The Company ceased securities lending in 2017. The highest value of securities on loan during the year ended 31 December 2017 amounted to £4.3 million.

(d) Fair values of financial assets and financial liabilities

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

22. Capital management policies and procedures

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

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

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

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

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

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

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

Annual General Meeting – Explanation of Special Business

The Annual General Meeting ("AGM") of the Company will be held on Friday, 10 May 2019 at 12.00 noon. The formal Notice of Meeting is set out on page 60.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Special business to be proposed at the AGM

Resolution 9: Continuation (Ordinary Resolution)

In accordance with the Company's articles of association, the directors are required to put forward a proposal for the continuation of the Company to shareholders at three yearly intervals. The board considers that the long-term investment objectives of the Company remain appropriate and that the current Manager has delivered superior returns over the last three years and remains well placed to continue to do so over the long-term. An ordinary resolution will therefore be proposed at the AGM to agree that the Company should continue as an investment trust for a further three year period.

Resolution 11: directors' authority to allot ordinary shares, on a non pre-emptive basis, including by way of a reissue of shares out of treasury (special resolution)

A special resolution will be proposed to authorise the directors to allot shares up to a maximum aggregate nominal amount of £461,175 (being 10% of the issued share capital as at 26 March 2019) on a non pre-emptive basis. This authority includes shares that the Company sells or transfers that have been held in treasury. The directors do not intend to allot ordinary shares or sell treasury shares, on a non pre-emptive basis, pursuant to this authority other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company as a whole. Shares issued or treasury shares reissued, under this authority, will be at a price that is equal to or greater than the Company's net asset value per share, plus any applicable costs, as at the latest practicable date before the allotment of such shares.

If approved, this authority will expire at the conclusion of the AGM in 2020 unless renewed, varied or revoked earlier.

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

At the AGM held on 9 May 2018, the Company was granted authority to make market purchases of up to 12,675,852 ordinary shares of 5p each for cancellation or holding in treasury. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 12,675,852 ordinary shares. This authority will expire at the forthcoming AGM.

The directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to NAV. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at 26 March 2019 (excluding treasury shares). The directors will exercise this authority only if the directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue.

If renewed, this authority will lapse at the conclusion of the AGM in 2020 unless renewed, varied or revoked earlier.

Notice of Annual General Meeting

Notice is hereby given that the thirty-second Annual General Meeting of Schroder Asian Total Return Investment Company plc will be held on Friday, 10 May 2019 at 12.00 noon at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions, of which resolutions 1 to 10 will be proposed as ordinary resolutions, and resolutions 11 and 12 will be proposed as special resolutions:

1. To receive the Directors' Report and the audited accounts for the year ended 31 December 2018.
2. To approve a final dividend of 6.20 pence per share for the year ended 31 December 2018.
3. To approve the Directors' Remuneration Report for the year ended 31 December 2018.
4. To approve the election of Andrew Cainey as a director of the Company.
5. To approve the re-election of David Brief as a director of the Company.
6. To approve the re-election of Caroline Hitch as a director of the Company.
7. To approve the re-election of Mike Holt as a director of the Company.
8. To approve the re-election of Sarah MacAulay as a director of the Company.
9. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

   "THAT in accordance with the articles of association, the Company should continue as an investment trust for a further three year period."
10. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

    "THAT in substitution for all existing authorities the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £461,175 (being 10% of the issued ordinary share capital at 26 March 2019) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2020, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the board may allot relevant securities in pursuance of that offer or agreement."
11. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "That, subject to the passing of Resolution 10 set out above, the directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 10 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £461,175 (representing 10% of the aggregate nominal amount of the share capital in issue at 26 March 2019); and where equity securities are issued pursuant to this power they will only be issued at a price which is equal or greater than the Company's NAV per share as at the latest practicable date before the allotment; and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
12. To consider and, if thought fit, to pass the following resolution as a special resolution:

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

    (a) the maximum number of Shares which may be purchased is 13,826,050, representing 14.99% of the Company's issued ordinary share capital as at 26 March 2019 (excluding treasury shares);

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

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

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

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

    (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2020 (unless previously renewed, varied or revoked by the Company prior to such date);

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

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

By order of the board

Schroder Investment Management Limited
Company Secretary

28 March 2019

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

Registered Number: 02153093

Explanatory Notes to the Notice of Meeting

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

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

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

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12.00 noon on 8 May 2019. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 389 0306 (or +44(0) 121 415 0179 for overseas callers).

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

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

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

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 8 May 2019, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 8 May 2019 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

Explanatory Notes to the Notice of Meeting

5. Copies of the terms of appointment of the non-executive directors and a statement of all transactions of each director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the directors has a contract of service with the Company.
6. The biographies of the directors offering themselves for election and re-election are set out on pages 22 and 23 of the Company's annual report and accounts for the year ended 31 December 2018.
7. As at 26 March 2019, 92,235,159 ordinary shares of 5 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 26 March 2019 was 92,235,159.
8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpage, www.schroders.co.uk/satric.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Definitions of Terms and Performance Measures

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

Net asset value ("NAV") per share

The NAV per share represents the net assets attributable to equity shareholders divided by the number of shares in issue, excluding any shares held in treasury. The NAV per share is published daily.

Reference Index

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

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share.

Gearing/net cash

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

Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, transactions costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year of £302.3 million (2017: £244.2 million).

Leverage

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

Total return

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

The NAV total return for the year ended 31 December 2018 is calculated as follows:

Opening NAV at 31/12/17				354.79p
Closing NAV at 31/12/18				321.43p
Dividend received 4.80p	XD date 5/4/2018	NAV on XD date 338.47p	Factor 1.0142	
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV:				-8.1%

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

Opening share price at 31/12/17				362.00p
Closing share price at 31/12/18				331.00p
Dividend received 4.80p	XD date 5/4/2018	Share price on XD date 351.00p	Factor 1.0137	
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price:				-7.3%

Shareholder Information

Webpages and share price information

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

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

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

Association of Investment Companies

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

ISA status

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

Non-Mainstream Pooled Investments Status

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

Financial calendar

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

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

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

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the Company's webpages. The Company is also required to periodically publish its actual leverage exposures. As at 31 January 2019 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.0	1.3
Commitment method	2.5	1.3

Illiquid assets

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

Remuneration disclosures

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

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

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

www.schroders.co.uk/satric

Directors

David Brief
Andrew Cainey
Caroline Hitch
Mike Holt
Sarah MacAulay

Advisers

Alternative Investment Fund Manager (the "Manager")

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

Investment Manager and Company Secretary

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London EC2Y 5AU
Telephone: 020 7658 3847

Registered Office

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Depositary and Custodian

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8 Canada Square
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Lending Bank

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Corporate Broker

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London SE1 2RT

Registrars

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

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

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

Shareholder enquiries

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

Dealing Codes

ISIN:	GB0008710799
SEDOL:	0871079
Ticker:	ATR

Global Intermediary Identification Number (GIIN)

TRPJG6.99999.SL.826

Legal Entity Identifier (LEI)

549300TQNNGZ0JHO2L78

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

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