

Schroders

# Schroder Oriental Income Fund Limited

Half Year Report and Accounts  
for the six months ended  
28 February 2022



## Investment objective

The investment objective of the Company is to provide a total return for investors primarily through investments in equities and equity-related investments, of companies which are based in, or which derive a significant proportion of their revenues from, the Asia Pacific region and which offer attractive yields.

## Investment policy

The investment policy of the Company is to invest in a diversified portfolio of investments, primarily equities and equity-related investments, of companies which are based in, or derive a significant proportion of their revenues from, the Asia Pacific region. The portfolio is diversified across a number of industries and a number of countries in that region. The portfolio may include government, quasi-government, corporate and high yield bonds and preferred shares.

Equity-related investments which the Company may hold include investments in other collective investment undertakings (including real estate investment trusts and related stapled securities), warrants, depositary receipts, participation certificates, guaranteed performance bonds, convertible bonds, other debt securities, equity-linked notes and similar instruments (whether or not investment grade) which give the Company access to the performance of underlying equity securities, particularly where the Company may be restricted from directly investing in such underlying equity securities or where the Manager considers that there are benefits to the Company in holding such investments instead of directly holding the relevant underlying equity securities. Such investments may be listed or traded outside the Asia Pacific region. Such investments may subject the Company to credit risk against the issuing entity. The Company may also participate, subject to regulatory and tax implications, in debt-to-equity conversion programmes.

The Manager may consider writing calls over some of the Company's holdings, as a low risk way of enhancing the returns from the portfolio, although it has not written any to date. The Company may only invest in derivatives for the purposes of efficient portfolio management. The Board has set a limit such that covered calls cannot be written over portfolio holdings representing in excess of 15% of gross assets. Investors should note that the types of equity-related investments listed above are not exhaustive of all of the types of securities and financial instruments in which the Company may invest, and the Company will retain the flexibility to make any investments unless these are prohibited by the investment restrictions applicable to the Company.

Although the Company has the flexibility to invest in bonds and preferred shares as described above, the intention of the directors is that the assets of the Company which are invested (that is to say, which are not held in cash, money funds, debt securities, interest bearing gilts or treasuries) will predominantly comprise Asia Pacific equities and equity-related investments.





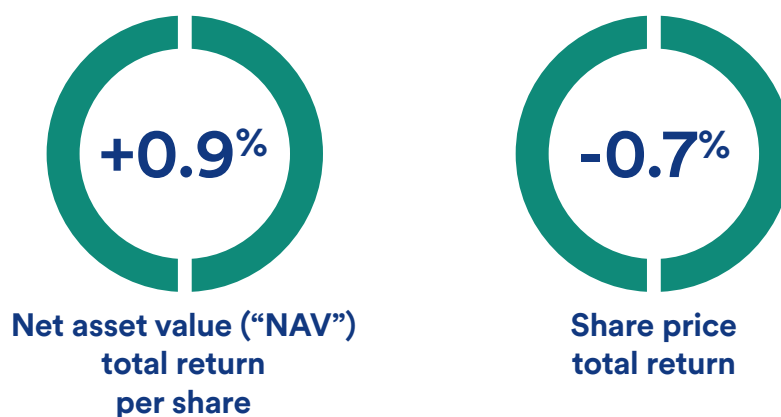


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# Financial Highlights

## Total returns for the six months ended 28 February 2022<sup>1</sup>



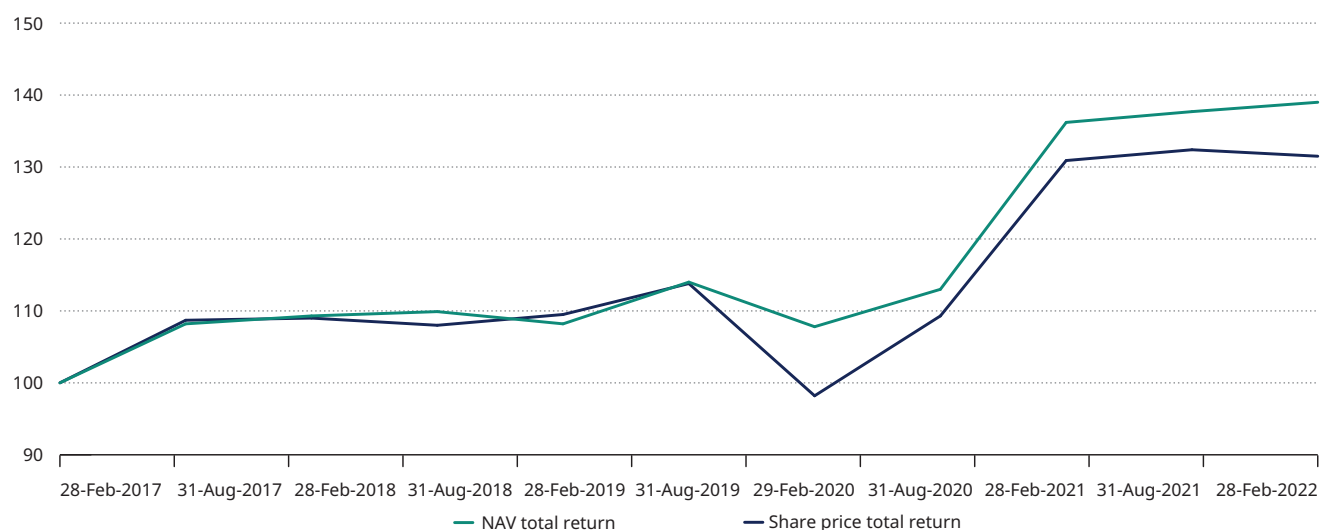
<sup>1</sup>Source: Morningstar. Total returns measure the combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies.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

## Other financial information

	28 February 2022	31 August 2021	% Change
Shareholders' funds (£'000)	730,601	751,419	(2.8)
NAV per share (pence)	277.30	280.94	(1.3)
Share price (pence)	263.00	271.50	(3.1)
Share price discount to NAV per share (%)	(5.2)	(3.4)	
Gearing (%) <sup>1</sup>	4.4	2.7	

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

## Share price and NAV total returns five years ended 28 February 2022



Source: Morningstar. Rebased to 100 at 28 February 2017.

# Interim Management Report – Chairman’s Statement



Dear Shareholder

Global financial markets have had a bumpy ride since I wrote to you last autumn. Bond yields have risen swiftly as global interest rate forecasts pivoted higher and, combined with the war in Ukraine, this has acted as a considerable headwind to equities. Asia has had its own challenges, especially continued

outbreaks of Covid in China and the consequent lockdowns and economic slowdown. Against that backdrop, it is encouraging that the Company’s net asset value (“NAV”) total return rose by 0.9% during the six month period to 28th February 2022, the more so considering the performance of broad equity markets across the region. The Company’s reference index, the MSCI Pacific ex Japan index, fell by 7.9% during the same period. So last year’s material outperformance has continued. I am cautious about drawing too many conclusions from this or extrapolating it into the future because the Company’s investment strategy does not seek benchmark outperformance per se. But, nonetheless, it is heartening that in the 18 month period from 1st September 2020 to 28th February 2022 the Company’s total NAV return outperformed that of the index by over 18%.

It is, however, worth dwelling a little on why the Company has outperformed and preserved capital against a difficult background. The primary factor behind this, I believe, is the Manager’s investment approach. In times of rising interest rates or rising inflation, investors first focus back on to companies with visible earnings growth and pricing power and then, as economic growth slows, a focus on quality and sustainable earnings growth becomes increasingly important. The love affair with profitless growth companies can quickly turn sour. The Manager has always sought exactly those quality companies with strong balance sheets, steadily growing earnings and robust dividends. The inherent strength of our approach has been proven time and again over the 17 years since the launch of the Company.

What has been especially pleasing recently has been the resumption of growth in dividend receipts from our investments. Having used a very small amount of our revenue reserves to grow our dividend through the Covid crisis, the improved confidence of many of our portfolio companies in Asia has seen dividend receipts grow nicely during the period. This, in turn, should enable us to grow the dividend that we pay to you. It is notable that, despite a dip, dividend flows in Asia were much more robust

through the Covid pandemic than in traditional equity income markets such as the UK, re-emphasising the original case for the Company - that Asian equity income is an attractive diversifier for traditional UK income investors.

Given positive absolute NAV performance, strong relative performance and a growing dividend stream, it is a little disappointing, therefore, that our share price continues to trade at a modest discount. The share price discount to NAV ended the six month period at 5.2%, a little wider than the 3.4% at the end of the last financial year in August. That meant that the shareholder total return was -0.7% during the period. We are very aware that this is the return that really matters to you. The fact that other Asian investment trusts saw greater discount widening is of little comfort. Your board sees no reason for our discount to persist, even if the “risk off” sentiment of recent months has made it hard to close the gap. Accordingly, we have been happy to repurchase shares at a discount when there is an imbalance in the market. During the six month period, a total of 4,000,000 shares were repurchased at an average discount of 4.5% and a further 1,240,000 shares have been repurchased since the period end. As we have stated previously, we stand willing to repurchase further shares should the discount linger and, in the meantime, will redouble our efforts to spread the word about the Company’s success and of the opportunities that the Manager sees in Asian markets.

Another important factor is the Company’s own competitiveness and I am delighted to be able to announce a reduction in the fees payable by shareholders. The Company has both a recurring investment management fee (generally low by the standards of our peers) and a performance fee. The Board believes it is important that any performance fee rewards the Manager proportionately and for delivering genuine added value rather than just market based returns. We have now agreed a reduction in the performance fee with the Manager. Historically, the Manager would receive 10% of any gains in excess of a 7% NAV return in a financial year, capped at 0.75% of NAV in any year. Henceforth (but backdated to 1st September 2021), the Manager will receive 10% of any gains in excess of 8%, capped at 0.65%. In addition, the carry forward from the cap that previously existed has been eliminated. In combination, this represents a meaningful saving for shareholders whilst ensuring that the Manager is properly incentivised and rewarded for true added value. Had the new fee basis been in operation, that would have produced a saving of £752,000 over the past year. This reduced fee basis will ensure that the Company’s total expense ratio remains competitive. The Board would like to thank Schroders for agreeing to the fee reduction.

Looking forward, it is easy to focus on the short term negatives in the world: Covid, Ukraine and the squeeze in

# Interim Management Report – Chairman’s Statement

living standards to name just a few. It is also important to ponder the longer term shifts, many of which, themselves, are not positive for global investment markets: the likelihood that inflation will be structurally higher in the next decade, the reversal of globalisation, the fracturing of geo-politics and the increasing hazards of investing in China all give pause for thought. The almost inevitable outcome will be lower real investment returns over the coming decade relative to the last. But, despite these global headwinds, Asia and the Asian income strategy of the Company in particular look well placed. The Manager continues to identify attractive opportunities in companies across the region, especially outside of China, and, as he concludes in his own report, it is important to remember that the approach is one of bottom-up stock picking: picking well managed companies with growing earnings and structural advantages. This approach may not always be fashionable and markets can be volatile in the short term. But it should enable us to continue to deliver a growing dividend and capital appreciation over time, qualities that seem all the more important given the uncertainties of the world at present.

I look forward to reporting to you further in the autumn but in the meantime would like to thank you for your continued support of the Company.

**Paul Meader**

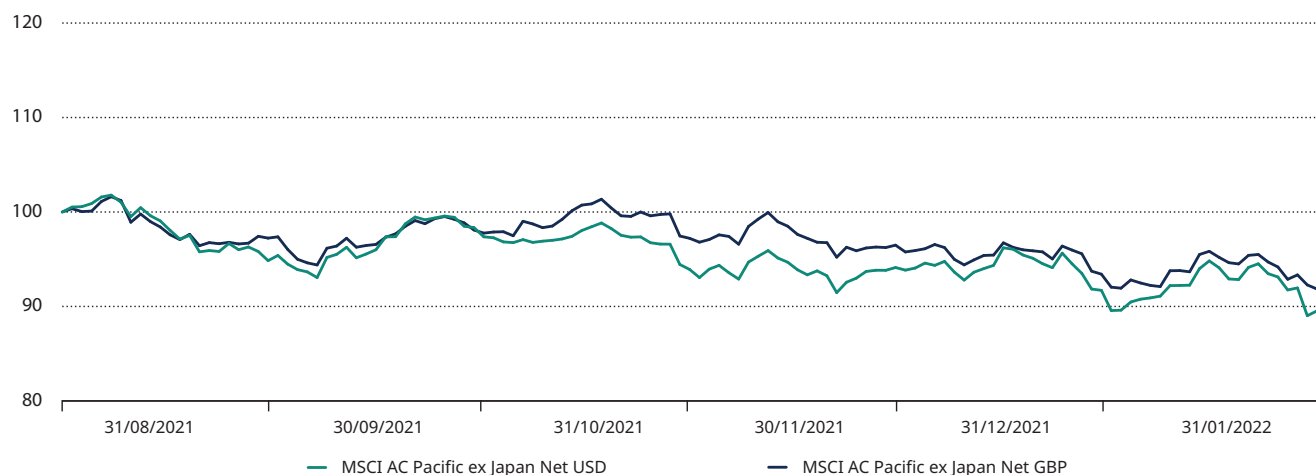
Chairman

23 May 2022

# Interim Management Report – Manager’s Review

The net asset value per share of the company recorded a total return of +0.9% over the six months to end February 2022.

## Performance of the MSCI AC Pacific ex Japan net dividends reinvested Index in GBP and USD – 31 August 2021 to 28 February 2022

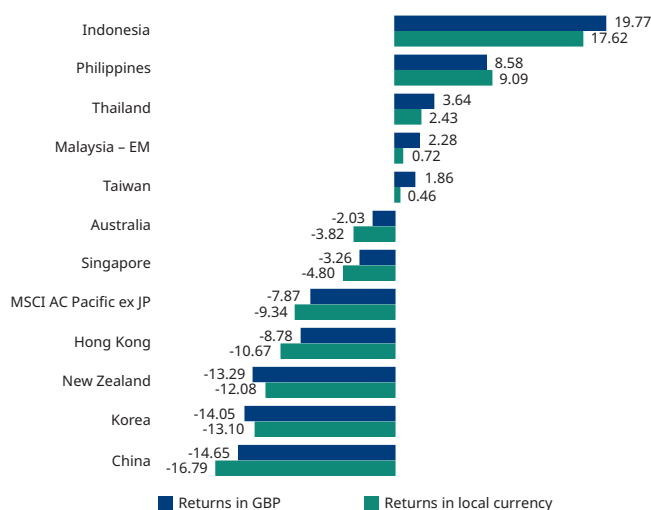


Asian markets were volatile across the 6 months to end February 2022 falling 7.9% with a number of headwinds globally and regionally weighing on sentiment. The Russian invasion of Ukraine towards the end of the period is a tragedy that has created a human crisis which will have long lasting impacts. In Asia the period was dominated by ongoing elevated levels of regulation in China (particularly amongst the internet names), the health of the Chinese economy and how weak the property market was, the potential impact of Omicron on the region as well as global concerns over supply chain issues, rising inflation and the outlook for interest rates. Later in the period some easing measures out of China together with an apparent shift in focus towards ‘stability’ helped underpin sentiment. With the rise in and potential for a more sustained higher level of inflation globally, there was renewed concern over the potential for higher rates. This saw some of the more highly rated growth stocks come under pressure, especially the less profitable names, with value stocks outperforming growth stocks over the period. Cash generating companies which reward shareholders with resilient dividend streams also out-performed in this environment.

The divergence of returns across the regional markets continued to be high with China lagging due to a combination of ongoing regulatory fears, concern over defaults in the property sector and weaker economic growth. Korea was also weak with the memory sector names in the doldrums and some of the internet names under pressure, not only from rising rates impacting valuations, but also uncertainty over regulation given the upcoming election. Of the larger markets Taiwan, Australia and Singapore all outperformed. Australia and Singapore were aided by a strong recovery in the financials and materials sectors whereas Taiwan saw a

recovery in some of the oversold IT names, as well as strength in some of the more cyclical areas including financials. The other ASEAN markets performed better, helped initially by potential for opening up, as well as value stocks outperforming, in which they tend to have higher weightings.

## Country returns of the MSCI AC Pacific ex Japan Net Dividends Reinvested Index in GBP and local currency – 31 August 2021 to 28 February 2022



Sector returns across the region also saw a large spread of returns. Beneficiaries of rising commodity prices did well, with energy and materials outperforming, and the prospect for higher interest rates meant financials also outperformed. Sectors with a high growth component sold off including the healthcare names dragged down by



# Interim Management Report – Manager’s Review

the high multiple biotechnology stocks, as were a number of the e-commerce and internet related names.

The recovery in earnings over the past year has, in part, started to be reflected in dividend payments. Areas of improvement included Australian resource names buoyed by higher commodity prices as well as some of the financials and real estate companies in HK and Korea. Australian and Singaporean banks also announced increased dividends in part due to regulators becoming more comfortable with the macro backdrop and in part due to the earnings headwinds starting to abate. Concerns over renewed outbreaks of COVID, supply chain disruption and a volatile geopolitical backdrop understandably did see caution from some companies in areas which were more dependent on the opening up of economies or whose earnings were more impacted by shortages.

## Positioning and Performance

The Company's positive NAV total return of +0.9% over the period compared favourably with that of the reference benchmark which fell -7.9% over the period. The recovery in global growth and the potential for interest rates to start to move up was a relatively positive backdrop for the fund as it favoured some of the more economically sensitive sectors such as financials and materials at the expense of the more expensive growth names. Our overweight to, and stock selection in, financials and materials added value. In financials this was driven by the positions in banks which in general benefitted from a firming of interest rate expectations combined with their lowly valuations. Australian resources exposure also was positive thanks to higher commodity prices driven by the global recovery. This saw them generate substantial levels of free cash flow which in turn led to record dividend payments. A lack of exposure to the higher growth names was also positive with rising rates weighing on valuations. In particular, internet and healthcare names, which tend to pay little or no dividend and where the fund has no exposure, lagged in the period.

From a country perspective, the major contributor to relative performance was the significant underweight to, and stock selection in, China where the regulatory clampdown and concern over the slowing economy impacted returns. Here the internet names bore the brunt of this. Positioning in Singapore and Korea also added value in part thanks to financials and telecoms exposure. ASEAN markets outperformed meaning our underweight to the smaller markets of Malaysia, Indonesia and the Philippines detracted but this was more than offset by our overweight to Singapore.

The geographic exposure in the Company's portfolio continues to be mainly spread between Taiwan, Hong

Kong, Australia, Korea, China and Singapore. China remains a substantial underweight but is, in part, offset by the overweight to Hong Kong. Over the period we did reduce our exposure to Hong Kong by reducing exposure to some of the property names that had performed relatively well and by selling our Macau gaming stock early on in the period. Here concerns over regulation together with ongoing uncertainty as to when travel restrictions would be relaxed due to further COVID outbreaks were the driver. Elsewhere, we added to Singapore, where we are overweight, and also to a limited extent to Korea.

As throughout much of 2021, portfolio moves tended to take advantage of the valuation spread that we saw across industries, reducing those stocks that performed particularly strongly and now look more fully valued in favour of those names that have lagged and look more attractive from a valuation perspective. We continued in aggregate to add to financials where valuations still look relatively attractive given the prospect of higher interest rates and subdued credit costs. Here we added to Korean, Australian and Indonesian names albeit these were partly funded from names in Taiwan and Thailand which had run ahead. However, the net additions leave us overweight the sector. Real estate continues to be an important sector in the fund but we did reduce the size of that overweight, taking profits in Hong Kong and China names that had performed relatively well. This was despite concerns over Chinese residential developers, where we have minimal exposure, with our focus being predominantly on commercial names. Information technology remains the biggest sectoral exposure in the fund where we continue to see some strong long-term drivers for growth around digitisation and the roll out of 5G and 'Internet of Things' and our focus remains on the Taiwanese and Korean companies.

## Investment Outlook

At the time of writing the tragic conflict unfolding in Ukraine has created a human crisis resulting in suffering for millions of people. This crisis also has implications for the global economy and stock markets. The conflict demonstrates the unpredictability of geopolitics and its impact on commodity prices will have ramifications for inflation, trade balances, nominal GDP and earnings growth globally as well as impacting markets. Although direct impacts on Asia are relatively limited, rising commodity prices and any impact on global growth are headwinds. China's relationship with Russia is also likely to be a focus. Unfortunately, this crisis has exacerbated some of the trends that were already there in relation to rising prices and shortages. It has also reinforced the need for self-sufficiency; a desire that will inevitably have implications for globalisation.



# Interim Management Report – Manager’s Review

This backdrop means that Asian markets are likely to remain volatile, with the path of the conflict in Ukraine a key driver of markets. Direct impact of the crisis is limited with none of the Company’s investments having significant exposure to Russia or Ukraine from a revenue or asset perspective, and direct trade between the region and Russia is extremely limited. However, it is the indirect impacts that are potentially more significant, specifically the pressure that the conflict has had on commodity prices which were already rising. Higher prices will eat into consumers’ real incomes globally and hence consumption, potentially hurting demand for Asian products. Asia, in aggregate, is a net importer of many commodities, including energy, and thus rising prices will act as a drag on economic growth and trade balances. Furthermore, Asian companies in general will find their raw material costs rising which will potentially squeeze profitability unless companies are able to pass them through in end prices. Nevertheless, although painful for certain countries’ external accounts, and many companies’ input costs, volatility in commodity prices is a risk that investors are used to dealing with in Asia and creates winners as well as losers.

With price rises being seen globally in many areas, the question whether inflation will be transitory or more structural remains but for now the path for rate expectations has moved higher. Therefore, it is likely that we see renewed concerns over tightening and tapering going forward. Although most economies in Asia remain better placed than in 2013 when we last saw a prolonged QE tapering episode, thanks to improved external accounts and higher real interest rate differentials with the US, valuations in some ‘high growth’ areas may come under pressure. Beneficiaries of higher prices and firmer interest rates include materials companies and financials, both areas where we are overweight.

The other trend that the crisis has reinforced has been the need for increased self-sufficiency. The need for diversified supply chains was something that the COVID crisis had highlighted following the disruption the pandemic caused. With security of supply already a focus in areas such as semiconductor production thanks to ongoing US-China tensions and the concentration of advanced manufacturing in Taiwan, the Ukraine conflict has highlighted the vulnerability of nations to energy supply dependency. All this will likely lead to further localisation of supply chains and an era of reduced globalisation.

Regionally, a number of other issues have been weighing on sentiment. Although globally most countries are starting ‘to live’ with COVID, in part thanks to high rates of vaccination, China remains an outlier in continuing to pursue a zero COVID policy. The Omicron variant has proven to be very difficult to control, with a deadly fifth wave impacting Hong Kong. At the time of writing various parts of China including Shanghai are locked down, with

estimates that around 200mn people are under full or partial lockdown. Although the overall vaccination rate is high in China, there still remains a large tranche of the very elderly that are unvaccinated, which means a move away from zero COVID in the near term is unlikely and that these rolling shutdowns are likely to continue and potentially weigh heavily on growth.

From an economic perspective, there were already concerns over the strength of the economy in China given the weakness of the property sector and the generally lacklustre consumer. This combined with the ongoing regulatory scrutiny being faced by many of the internet names had already seen the government shift policy onto an easing track, with a focus on stability. These latest lockdowns are likely to see renewed pressure to take further stimulative actions especially if global growth, and thus exports, start to slow.

All of the above paints a pretty negative backdrop. However, this has in part been reflected in market action with valuations today looking much less frothy than they did a year ago, particularly versus global equities. Although it is likely we will see further downward revisions to earnings, aggregate valuations for the region are now trading at or below long-term averages and at the lower end of the range versus the rest of the world.

It is also our belief that Asia remains an attractive source of equity income, potentially providing diversification for UK investors seeking income. For many companies across the region, we have started to see dividend payments recover, although there is still a lot of uncertainty as to where they will go given the unfolding geopolitical events and the ongoing impact from Covid-19. All that said, we still believe that in most cases this is more a matter of timing rather than these companies’ ability to pay. In the medium to long term, dividends tend to follow earnings and earnings have recovered materially from the Covid-19 lows, albeit earnings growth this year will likely face some pressures as outlined above. Still, it should not be forgotten that overall pay out ratios in Asia do not look extended versus some other markets and corporates in Asia remain relatively lowly geared. From an overall fund distribution perspective, the other dynamic to be cognisant of is Sterling, whose direction will obviously impact the size of translated dividends, with a stronger Sterling acting as a headwind. Finally, it is worth highlighting that whilst inflation rising faster than expected is not great for equities in the short-term, longer term real asset income sources should look attractive versus the ‘risk-free return’ that is fixed income.

To conclude it is worth remembering that as investors we buy companies not countries. We are mindful of the impact political and macroeconomic factors can have on equities and returns, but we are bottom-up stock-pickers first and foremost focusing on the company’s return prospects and valuation. We do not try to pick companies which will do well based purely on a particular macro

# Interim Management Report – Manager’s Review

environment which we have forecast; rather we try to pick well-managed companies with attractive and growing distributions, which have structural advantages allowing them to survive (and hopefully thrive!) in as wide a range of external conditions as possible. Therefore, a focus on attractive bottom-up ideas, in our view, remains essential.

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

## Portfolio by sector (gearing\* currently at 4.4%)

	Portfolio weight %
Consumer Discretionary	4.6
Consumer Staples	3.2
Energy	1.0
Banks	19.1
Real Estate	17.3
Other Financials	7.0
Health Care	-
Industrials	0.7
Information Technology	29.8
Materials	11.6
Communication Services	10.1
Utilities	-

\*Net cash less loans outstanding.

Source: Schroders as at February 28, 2022

## Portfolio by country (gearing\* currently at 4.4%)

	Portfolio weight %
Australia	19.2
Hong Kong	15.3
China	11.2
India	-
Indonesia	1.7
Japan	1.4
Korea	13.2
Malaysia	-
New Zealand	0.7
Philippines	-
Singapore	15.2
Taiwan	24.4
Thailand	2.1
Other	-

\*Net cash less loans outstanding.

Source: Schroders as at February 28, 2022

**Schroder Investment Management Limited**

23 May 2022

# Schroder Oriental Income Fund Limited

## Investment Portfolio at 28 February 2022

Investments are classified by the Manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 61.5% (28 February 2021: 60.1% and 31 August 2021: 59.6%) of total investments.

	£'000	%
<b>Taiwan</b>		
<b>Taiwan Semiconductor Manufacturing</b>	<b>69,783</b>	<b>9.2</b>
<b>Hon Hai Precision Industry</b>	<b>22,587</b>	<b>3.0</b>
<b>Mediatek</b>	<b>15,504</b>	<b>2.0</b>
<b>Novatek Microelectronics</b>	<b>12,245</b>	<b>1.6</b>
ASE Technology	11,837	1.5
Delta Electronics	11,222	1.5
Uni-President	11,149	1.5
Far EasTone Telecommunications	10,474	1.4
CTBC Financial	9,100	1.2
Mega Financial	2,894	0.4
<b>Total Taiwan</b>	<b>176,795</b>	<b>23.3</b>
<b>Australia</b>		
<b>BHP Group<sup>1</sup></b>	<b>36,940</b>	<b>4.9</b>
<b>Rio Tinto<sup>1</sup></b>	<b>22,049</b>	<b>2.9</b>
<b>National Australia Bank</b>	<b>18,952</b>	<b>2.5</b>
<b>Telstra</b>	<b>17,325</b>	<b>2.3</b>
Mirvac	11,673	1.5
James Hardie Industries	8,124	1.1
Woolworths	7,313	0.9
Orica	6,011	0.8
Suncorp	5,015	0.7
Deterra Royalties	4,620	0.6
Endeavour	1,475	0.2
<b>Total Australia</b>	<b>139,497</b>	<b>18.4</b>

	£'000	%
<b>Hong Kong (SAR)</b>		
<b>HKT Trust and HKT</b>	<b>20,278</b>	<b>2.7</b>
<b>BOC Hong Kong</b>	<b>19,861</b>	<b>2.6</b>
<b>Link (REIT)</b>	<b>15,462</b>	<b>2.0</b>
Kerry Properties	11,707	1.5
Fortune Real Estate Investment Trust	11,071	1.5
HK Exchanges & Clearing	7,318	1.0
Hang Lung Properties	7,028	0.9
Swire Properties	6,812	0.9
Hang Lung Group	6,169	0.8
Swire Pacific B	3,272	0.4
Pacific Textiles	2,128	0.3
<b>Total Hong Kong (SAR)</b>	<b>111,106</b>	<b>14.6</b>
<b>Singapore</b>		
<b>Singapore Telecom</b>	<b>19,786</b>	<b>2.6</b>
<b>Oversea-Chinese Banking</b>	<b>17,378</b>	<b>2.3</b>
<b>United Overseas Bank</b>	<b>17,189</b>	<b>2.3</b>
<b>CapitaLand Integrated Commercial Trust (REIT)</b>	<b>12,444</b>	<b>1.6</b>
Singapore Exchange	10,017	1.3
Venture	9,656	1.3
Suntec (REIT)	8,665	1.1
Mapletree Industrial Trust (REIT)	6,701	0.9
Frasers Centrepoint Trust (REIT)	4,977	0.7
Mapletree Commercial Trust (REIT)	3,339	0.4
<b>Total Singapore</b>	<b>110,152</b>	<b>14.5</b>

# Schroder Oriental Income Fund Limited

## Investment Portfolio at 28 February 2022

	£'000	%
<b>South Korea</b>		
<b>Samsung Electronics (including preference shares)</b>	<b>63,485</b>	<b>8.4</b>
Samsung Fire and Marine Insurance (including preference shares)	8,066	1.1
KB Financial	7,271	1.0
LG Chemical preference shares	6,305	0.8
SK Telecom	5,577	0.7
Hana Financial	5,494	0.7
<b>Total South Korea</b>	<b>96,198</b>	<b>12.7</b>
<b>Mainland China</b>		
<b>Midea Group warrants 27/05/2022<sup>2</sup> and A shares</b>	<b>25,684</b>	<b>3.4</b>
<b>China Resources Land<sup>3</sup></b>	<b>13,581</b>	<b>1.8</b>
<b>Ping An Insurance H shares<sup>3</sup></b>	<b>13,450</b>	<b>1.8</b>
China Construction Bank <sup>3</sup>	9,214	1.2
China Petroleum & Chemical H shares <sup>3</sup>	7,328	1.0
China Life Insurance <sup>3</sup>	6,490	0.9
Shenzhou International <sup>3</sup>	5,540	0.7
<b>Total Mainland China</b>	<b>81,287</b>	<b>10.8</b>

	£'000	%
<b>Thailand</b>		
Kasikornbank NDVR	9,226	1.2
Land and Houses NDVR	6,162	0.8
<b>Total Thailand</b>	<b>15,388</b>	<b>2.0</b>
<b>Indonesia</b>		
<b>Bank Mandiri</b>	<b>12,154</b>	<b>1.6</b>
<b>Total Indonesia</b>	<b>12,154</b>	<b>1.6</b>
<b>Japan</b>		
Sumitomo Mitsui Financial	10,245	1.4
<b>Total Japan</b>	<b>10,245</b>	<b>1.4</b>
<b>New Zealand</b>		
Fletcher Building	5,368	0.7
<b>Total New Zealand</b>	<b>5,368</b>	<b>0.7</b>
<b>Total Investments<sup>4</sup></b>	<b>758,190</b>	<b>100.0</b>

<sup>1</sup>Listed in the UK

<sup>2</sup>Listed in USA

<sup>3</sup>Listed in Hong Kong

<sup>4</sup>Total investments comprises:

	£'000	%
Equities, including NVDR	692,039	91.3
Preference shares	66,151	8.7
<b>Total investments</b>	<b>758,190</b>	<b>100.0</b>

"NVDR" means non-voting depositary receipts

"REIT" means real estate investment trust



# Interim Management Report

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: strategic; investment management; financial and currency risk; political; custody; gearing and leverage; accounting, legal and regulatory; service provider and cyber. The Board notes that although the principal risks and uncertainties have not materially changed during the six months ended 28 February 2022, the war in Ukraine has significantly increased political tensions and contributed to rising inflation and weakened global stability. The Board continues to monitor the impact of this situation on a regular basis.

A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 20 and 22 of the Company's published annual report and accounts for the year ended 31 August 2021.

## Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 23 of the published annual report and accounts for the year ended 31 August 2021, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

## Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 28 February 2022.

## Directors' responsibility statement

The directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with the Companies (Guernsey) Law, 2008, International Financial Reporting Standards and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in April 2021 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

# Statement of Comprehensive Income

## For the six months ended 28 February 2022 (unaudited)

	(Unaudited) For the six months ended 28 February 2022			(Unaudited) For the six months ended 28 February 2021			(Audited) For the year ended 31 August 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	-	(2,259)	(2,259)	-	129,359	129,359	-	121,017	121,017
Net foreign currency (losses)/gains	-	(862)	(862)	-	962	962	-	395	395
Income from investments	13,273	1,448	14,721	10,791	219	11,010	32,394	219	32,613
Other income	5	-	5	1	-	1	1	-	1
<b>Total income/(loss)</b>	<b>13,278</b>	<b>(1,673)</b>	<b>11,605</b>	10,792	130,540	141,332	32,395	121,631	154,026
Management fee	(765)	(1,785)	(2,550)	(771)	(1,799)	(2,570)	(1,584)	(3,697)	(5,281)
Performance fee	-	-	-	-	(5,356)	(5,356)	-	(5,636)	(5,636)
Administrative expenses	(580)	(2)	(582)	(534)	(3)	(537)	(1,033)	(5)	(1,038)
<b>Profit/(loss) before finance costs and taxation</b>	<b>11,933</b>	<b>(3,460)</b>	<b>8,473</b>	9,487	123,382	132,869	29,778	112,293	142,071
Finance costs	(46)	(107)	(153)	(52)	(115)	(167)	(94)	(220)	(314)
<b>Profit/(loss) before taxation</b>	<b>11,887</b>	<b>(3,567)</b>	<b>8,320</b>	9,435	123,267	132,702	29,684	112,073	141,757
Taxation (note 4)	(801)	-	(801)	(811)	-	(811)	(2,002)	-	(2,002)
<b>Net profit/(loss) and total comprehensive income</b>	<b>11,086</b>	<b>(3,567)</b>	<b>7,519</b>	8,624	123,267	131,891	27,682	112,073	139,755
<b>Earnings/(losses) per share (note 5)</b>	<b>4.18p</b>	<b>(1.35)p</b>	<b>2.83p</b>	3.20p	45.76p	48.96p	10.30p	41.70p	52.00p

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards. 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 profit for the period is also the total comprehensive income for the period.

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

# Statement of Changes in Equity

## For the six months ended 28 February 2022 (unaudited)

	Share capital £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2021	234,347	(9,500)	39	150,374	345,929	30,230	751,419
Repurchase of shares into treasury	-	(10,597)	-	-	-	-	(10,597)
Net (loss)/profit	-	-	-	-	(3,567)	11,086	7,519
Dividends paid in the period (note 6)	-	-	-	-	-	(17,740)	(17,740)
<b>At 28 February 2022</b>	<b>234,347</b>	<b>(20,097)</b>	<b>39</b>	<b>150,374</b>	<b>342,362</b>	<b>23,576</b>	<b>730,601</b>

## For the six months ended 28 February 2021 (unaudited)

	Share capital £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2020	234,347	(2,155)	39	150,374	233,856	30,238	646,699
Repurchase of shares into treasury	-	(5,233)	-	-	-	-	(5,233)
Net profit	-	-	-	-	123,267	8,624	131,891
Dividends paid in the period (note 6)	-	-	-	-	-	(17,504)	(17,504)
<b>At 28 February 2021</b>	<b>234,347</b>	<b>(7,388)</b>	<b>39</b>	<b>150,374</b>	<b>357,123</b>	<b>21,358</b>	<b>755,853</b>

## For the year ended 31 August 2021 (audited)

	Share capital £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2020	234,347	(2,155)	39	150,374	233,856	30,238	646,699
Repurchase of shares into treasury	-	(7,345)	-	-	-	-	(7,345)
Net profit	-	-	-	-	112,073	27,682	139,755
Dividends paid in the year (note 6)	-	-	-	-	-	(27,690)	(27,690)
<b>At 31 August 2021</b>	<b>234,347</b>	<b>(9,500)</b>	<b>39</b>	<b>150,374</b>	<b>345,929</b>	<b>30,230</b>	<b>751,419</b>

# Balance Sheet

	(Unaudited) 28 February 2022 £'000	(Unaudited) 28 February 2021 £'000	(Audited) 31 August 2021 £'000
<b>Non current assets</b>			
Investments at fair value through profit or loss	758,190	785,355	774,425
<b>Current assets</b>			
Receivables	6,946	8,556	6,881
Cash and cash equivalents	4,886	6,272	16,147
	<b>11,832</b>	14,828	23,028
<b>Total assets</b>	<b>770,022</b>	800,183	797,453
<b>Current liabilities</b>			
Bank loans	(37,265)	(35,763)	(36,331)
Payables	(2,156)	(8,567)	(9,703)
	<b>(39,421)</b>	(44,330)	(46,034)
<b>Net assets</b>	<b>730,601</b>	755,853	751,419
<b>Equity attributable to equity holders</b>			
Share capital (note 7)	234,347	234,347	234,347
Treasury share reserve	(20,097)	(7,388)	(9,500)
Capital redemption reserve	39	39	39
Special reserve	150,374	150,374	150,374
Capital reserves	342,362	357,123	345,929
Revenue reserve	23,576	21,358	30,230
<b>Total equity shareholders' funds</b>	<b>730,601</b>	755,853	751,419
<b>Net asset value per share (note 8)</b>	<b>277.30p</b>	281.78p	280.94p

Registered in Guernsey  
Company registration number: 43298



# Cash Flow Statement

	(Unaudited) For the six months ended 28 February 2022 £'000	(Unaudited) For the six months ended 28 February 2021 £'000	(Audited) For the year ended 31 August 2021 £'000
<b>Operating activities</b>			
Profit before finance costs and taxation	8,473	132,869	142,071
Foreign currency losses/(gains)	862	(962)	(395)
Losses/(gains) on investments at fair value through profit or loss	2,259	(129,359)	(121,017)
Net sales of investments at fair value through profit or loss	10,589	11,865	16,858
Decrease/(increase) in receivables	1,374	(1,367)	(1,719)
(Decrease)/increase in payables	(5,686)	5,543	5,753
Overseas taxation paid	(707)	(539)	(2,131)
<b>Net cash inflow from operating activities before interest</b>	<b>17,164</b>	18,050	39,420
Interest paid	(159)	(169)	(310)
<b>Net cash inflow from operating activities</b>	<b>17,005</b>	17,881	39,110
<b>Financing activities</b>			
Bank loans repaid	-	(5,241)	(5,304)
Repurchase of ordinary shares into treasury	(10,597)	(5,233)	(6,402)
Dividends paid	(17,740)	(17,504)	(27,690)
<b>Net cash outflow from financing activities</b>	<b>(28,337)</b>	(27,978)	(39,396)
<b>Decrease in cash and cash equivalents</b>	<b>(11,332)</b>	(10,097)	(286)
Cash and cash equivalents at the start of the period	16,147	17,028	17,028
Effect of foreign exchange rate changes on cash and cash equivalents	71	(659)	(595)
<b>Cash and cash equivalents at the end of the period</b>	<b>4,886</b>	6,272	16,147

Dividends received during the period amounted to £16,170,000 (period ended 28 February 2021: £9,307,000 and year ended 31 August 2021: £30,823,000) and bond and deposit interest receipts amounted to £5,000 (period ended 28 February 2021: £nil and year ended 31 August 2021: £1,000).

# Notes to the Accounts

## 1. Principal activity

The Company carries on business as a Guernsey closed-ended investment company.

## 2. Financial statements

The financial information for the six months ended 28 February 2022 and 28 February 2021 has not been audited or reviewed by the Company's auditor. These financial statements do not include all of the information required to be included in annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 August 2021.

## 3. Accounting policies

The accounts have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies set out in the statutory accounts of the Company for the year ended 31 August 2021. Where presentational guidance set out in the Statement of Recommended Practice (the "SORP") for investment trusts issued by the Association of Investment Companies in April 2021, is consistent with the requirements of International Financial Reporting Standards, the accounts have been prepared on a basis compliant with the recommendations of the SORP.

## 4. Taxation

Taxation comprises irrecoverable overseas withholding tax deducted from dividends receivable. The Company became resident in the United Kingdom for taxation purposes on 1 September 2020 and has been granted approval as an investment trust under Sections 1158 and 1159 of the Corporation Taxes Act 2010, from that date.

## 5. Earnings/(losses) per share

	(Unaudited) Six months ended 28 February 2022 £'000	(Unaudited) Six months ended 28 February 2021 £'000	(Audited) Year ended 31 August 2021 £'000
Net revenue profit	11,086	8,624	27,682
Net capital (loss)/profit	(3,567)	123,267	112,073
<b>Net total profit</b>	<b>7,519</b>	131,891	139,755
Weighted average number of shares in issue during the period	<b>264,965,262</b>	269,389,571	268,751,860
Revenue earnings per share	<b>4.18p</b>	3.20p	10.30p
Capital (losses)/earnings per share	<b>(1.35)p</b>	45.76p	41.70p
<b>Total earnings per share</b>	<b>2.83p</b>	48.96p	52.00p

# Notes to the Accounts

## 6. Dividends paid

	(Unaudited) Six months ended 28 February 2022 £'000	(Unaudited) Six months ended 28 February 2021 £'000	(Audited) Year ended 31 August 2021 £'000
2021 fourth interim dividend of 4.80p (2020: 4.60p)	12,727	12,404	12,404
First interim dividend of 1.90p (2021: 1.90p)	5,013	5,100	5,100
Second interim dividend of 1.90p	-	-	5,097
Third interim dividend of 1.90p	-	-	5,089
	<b>17,740</b>	<b>17,504</b>	<b>27,690</b>

A second interim dividend of 1.90p (2021: 1.90p) per share, amounting to £5,006,000 (2021: £5,097,000) has been declared payable in respect of the year ending 31 August 2022.

## 7. Share capital

Changes in the number of shares in issue during the period were as follows:

	(Unaudited) Six months ended 28 February 2022	(Unaudited) Six months ended 28 February 2021	(Audited) Year ended 31 August 2021
Ordinary shares of 1p each, allotted, called-up and fully paid			
Opening balance of shares in issue, excluding shares held in treasury	267,468,024	270,268,024	270,268,024
Repurchase of shares into treasury	(4,000,000)	(2,025,000)	(2,800,000)
Closing balance of shares in issue, excluding shares held in treasury	263,468,024	268,243,024	267,468,024
Shares held in treasury	7,765,000	2,990,000	3,765,000
Closing balance of shares in issue	<b>271,233,024</b>	271,233,024	271,233,024

## 8. Net asset value per share

	(Unaudited) 28 February 2022	(Unaudited) 28 February 2021	(Audited) 31 August 2021
Net assets attributable to shareholders (£'000)	730,601	755,853	751,419
Shares in issue at the period end, excluding shares held in treasury	263,468,024	268,243,024	267,468,024
Net asset value per share	<b>277.30p</b>	281.78p	280.94p

# Notes to the Accounts

## 9. Disclosures regarding financial instruments measured at fair value

The Company's portfolio of investments, comprising investments in companies and any derivatives, are carried in the balance sheet at fair value. Other financial instruments held by the Company comprise amounts due to or from brokers, dividends and interest receivable, accruals, cash and drawings on the credit facility. For these instruments, the balance sheet amount is a reasonable approximation of fair value. The recognition and measurement policies for financial instruments measured at fair value have not changed from those set out in the statutory accounts of the Company for the year ended 31 August 2021.

The investments in the Company's portfolio are categorised into a hierarchy comprising the following three levels:

Level 1 – valued using quoted prices in active markets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

At 28 February 2022, the Company's investment portfolio was categorised as follows:

	(Unaudited) 28 February 2022 £'000	(Unaudited) 28 February 2021 £'000	(Audited) 31 August 2021 £'000
Level 1	758,190	785,355	769,397
Level 2	–	–	–
Level 3	–	–	5,028
<b>Total</b>	<b>758,190</b>	<b>785,355</b>	<b>774,425</b>

There have been no transfers between Levels 1, 2 or 3 during the period (period ended 28 February 2021 and year ended 31 August 2021: nil).

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

The war in Ukraine has continued to cause disruption in global financial markets after the interim accounting date. At 19 May 2022 the Company's share price and NAV were 262.5p and 270.19p respectively.

The directors have not noted any other events which have not been reflected in the financial statements.



# Notes

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## Directors

Paul Meader (Chairman)  
Alexa Coates  
Kate Cornish-Bowden  
Isabel Liu  
Nick Winsor

## Advisers

### Alternative Investment Fund Manager (the “Manager”)

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

### Company secretary and administrator

Schroder Investment Management Limited  
1 London Wall Place  
London EC2Y 5AU  
United Kingdom  
Telephone: 020 7658 6501

### Registered office

PO Box 208  
Arnold House  
St Julian's Avenue  
St Peter Port  
Guernsey GY1 3NF

### Lending bank

SMBC Bank International plc  
99 Queen Victoria Street  
London EC4V 4EH  
United Kingdom

### Safekeeping and cashflow monitoring agent

HSBC Bank plc  
8 Canada Square  
London E14 5HQ  
United Kingdom

### Recognised auditors

PricewaterhouseCoopers CI LLP  
Bank Place  
1 Glatigny Esplanade  
St Peter Port  
Guernsey GY1 4ND

## Registrar

Computershare Investor Services (Guernsey) Limited  
1st Floor  
Tudor House  
Le Bordage  
St Peter Port  
Guernsey GY1 1DB

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 Computershare Investor Services (Guernsey) Limited at the address set out above.

## Corporate broker

Numis Securities Limited  
45 Gresham Street  
London EC2V 7BF  
United Kingdom

## Designated manager

HSBC Securities Services (Guernsey) Limited  
Arnold House  
St Julian's Avenue  
St Peter Port  
Guernsey GY1 3NF

## Shareholder enquiries

General enquiries about the Company should be addressed to the company secretary at the address set out above.

## AIFM Directive disclosures

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

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

## Dealing codes

ISIN: GB00B0CRWN59  
SEDOL: B0CRWN5  
Ticker: SOI

## Global Intermediary Identification Number (GIIN)

1TVP6A.99999.SL.83

## Legal Entity Identifier (LEI)

5493001U9X6P8SS0PK40

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

