

Schroders

# Schroder Oriental Income Fund Limited

Half Year Report and Accounts  
for the six months ended  
28 February 2023



## 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.



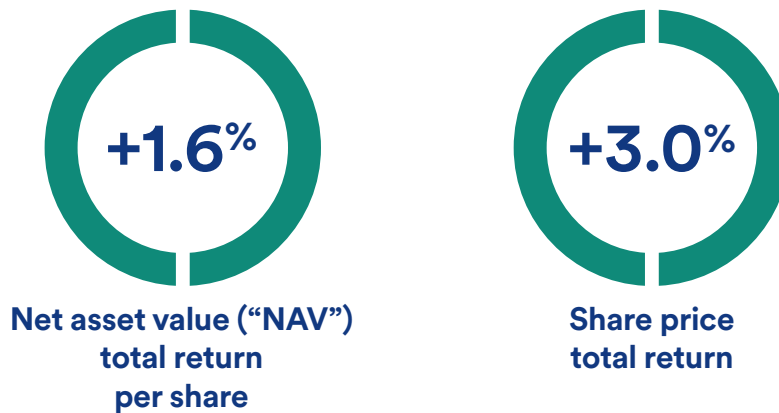


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# Financial Highlights

## Total returns<sup>1</sup> for the six months ended 28 February 2023



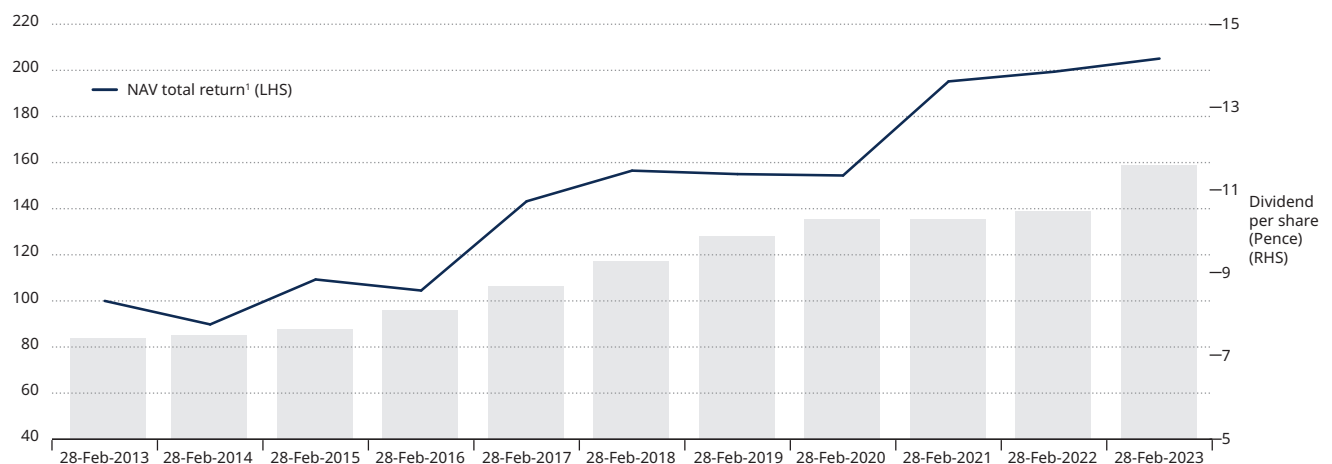
<sup>1</sup>Total returns measure the combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received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

## Other financial information

	28 February 2023	31 August 2022	% Change
Shareholders' funds (£'000)	<b>706,404</b>	724,147	(2.5)
NAV per share (pence)	<b>273.73</b>	277.24	(1.3)
Share price (pence)	<b>264.00</b>	264.00	0.00
Share price discount to NAV per share (%)	<b>(3.6)</b>	(4.8)	
Gearing (%) <sup>1</sup>	<b>4.8</b>	4.0	

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

## NAV total returns and dividends per share over ten years to 28 February 2023



<sup>1</sup>Source: Morningstar. Rebased to 100 at 28 February 2013.

# Interim Management Report – Chairman’s Statement



The economic and market environment remained volatile during the six month period to 28 February 2023, but I am pleased to report that the Company continued to outperform and to generate positive returns. During the period, the net asset value (NAV) total return was +1.6% whereas the reference index, the MSCI AC Pacific ex Japan,

fell by 2.9%. The share price total return was higher, at +3.0%, as the share price discount to NAV narrowed slightly. Although modest, these positive returns are encouraging when most investors lost money in the region.

Without doubt, there were choppy waters during the period. In December 2022, the abrupt end to China’s zero-COVID policy acted as a positive boost, with regional equity markets rising rapidly in the weeks following the announcement. By the end of February 2023, the realities of growing geopolitical tensions, persistently high inflation and sharply rising global interest rates led to the markets relinquishing most of their gains. The Manager explains the sources of outperformance in their report on page 5 but, as previously, it boils down to their consistent approach to investment management: they are, first and foremost, stock pickers and seek, through the bottom up analysis of stocks, to build a diversified, income generating portfolio favouring quality companies with solid balance sheets, sustainable earnings and good governance. This approach has proven itself time and again across market cycles, demonstrated by the Company’s consistent long term outperformance.

In addition to the consistency and quality of financial returns, ESG remains an important consideration for many investors, this company included. ESG accords very much with our Manager’s investment approach and philosophy. ESG has long been an integrated input in how they select attractive companies because meaningful and useful ESG criteria are inherent in identifying the quality companies, sustainable earnings and good governance that we seek.

In previous reports both the Manager and the Board have pointed to the important link (albeit with a lag) between underlying corporate earnings growth, our dividend receipts from our portfolio and the dividend growth that we have been able to deliver to you, our shareholders. This remains the case and a slowdown in global growth prospects is starting to appear. For now, the long anticipated global recession remains just that – a forecast. Growth is proving resilient. But weaker links in the global financial system are beginning to break, whether the rout

in UK Gilts in the autumn or the recent issues in the US and European banking systems. Asia cannot be totally immune to these headwinds but it does offer something of a haven. By way of example, inflation has not been as elevated nor as persistent in Asia and the Asian banking system has been relatively unperturbed by recent events. Even so, we have to expect any global slowdown to begin to evidence itself in our dividend receipts over the rest of the year. That said, we have returned to good dividend cover post-pandemic, payout ratios in Asia remain conservative, we retain considerable revenue reserves and any slowdown in dividend receipts should be transitory. We recognise the importance of a consistently growing dividend to our shareholders. Therefore, absent material unforeseen circumstances, the Board remains committed to continue to grow our dividend to shareholders over time.

Despite the Company’s strong performance and 16th year of dividend growth, our shares continue to trade at a discount to NAV. This discount did narrow a little during the period, from 4.8% to 3.6% but, since the period end, has subsequently drifted wider once again. The discount is only modest but it is stubborn. As we have reiterated in previous reports, the Board does not believe that the discount is justified, even though discounts have widened across the investment trust sector. We are reluctant to allow it to widen materially further or become “structural”. During the period, the Company repurchased 3,135,000 shares at an average discount of 5.4% and, since the period end, has repurchased a further 2,025,000 shares, as at 3 May 2023. Be assured that we will continue to intervene when there is an imbalance of supply and demand for shares and it is in shareholders’ interests.

The ongoing acrimony between the US and China with regard to Taiwan and China’s political stance on the Russian Ukraine conflict continues to cast a geopolitical shadow over the region. Nevertheless, economic recovery in China and initiatives by both Chinese and Western businesses to diversify production across the Asia Pacific region could have significant positive implications for Asian equities. Over the coming months it seems likely that we will approach the peak of this global interest rate cycle. Equity valuations in Asia are now looking more attractive. With this combination of factors, it seems plausible that Asian equity markets may make headway over the next year. Schroder Oriental Income should benefit from this: it has exposure to powerful structural growth trends and has, historically, combined long term outperformance of the region’s equity markets with an attractive, growing income. Events closer to home over the last few years, such as sharp dividend cuts by UK companies during COVID or the turbulence in UK markets last autumn, show how important international diversification remains. By harvesting consistent income from Asian growth drivers, the Company provides exactly

# Interim Management Report – Chairman’s Statement

that diversification and seems, to me, to have earned a role in any investor’s portfolio.

I look forward to reporting to you again in the autumn with the annual financial report and, in the meantime, would like to thank all of our shareholders for their continued support.

**Paul Meader**

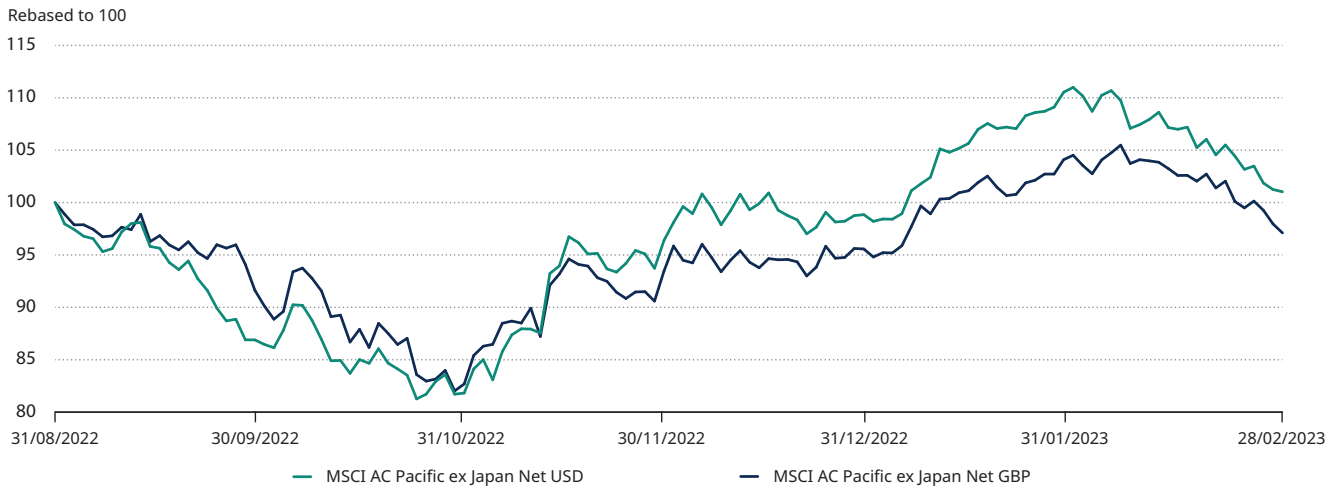
Chairman

3 May 2023

# Interim Management Report – Manager’s Review

The net asset value per share of the Company recorded a total return of +1.6% over the six months to end February 2023. Two interim dividends have been declared totalling 4.00p per share (3.80p last year).

## Performance of the MSCI AC Pacific ex Japan net dividends reinvested Index in GBP and USD – 31 August 2022 to 28 February 2023



Source: Thompson Datastream as at 28 February 2023

Asian markets experienced huge swings in sentiment over the six months to end February 2023, seeing steep falls in China and Hong Kong during October in the run up to, and post, the Communist Party Congress before seeing a dramatic recovery driven by the Chinese authorities' move away from 'Zero COVID'. This move took the market, and us, by surprise given the speed and extent of the reversal. We had expected a slower, more staggered, shift given the sizeable cohort of the elderly that were still not fully vaccinated and given the political capital that had been invested in the policy.

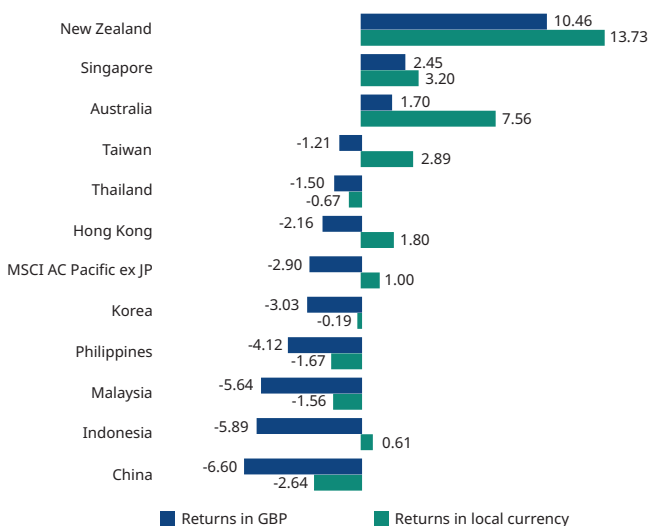
In addition to this policy reversal, there were a number of positive developments including a stabilisation in US-China relations following the G-20 meeting in Bali, where presidents Xi and Biden met face-to-face. With the party congress and US mid-term elections out of the way, there was hope that we could see increased cooperation between the two countries. In this vein, there was a positive development from the US Public Company Accounting Oversight Board inspection of Chinese accounts where, for now at least, the US seem happy with the access they had been given thus likely deferring any forced de-listings of Chinese companies in the US. Unsurprisingly, the Chinese ADRs responded very positively to this. Furthermore, in China, there was a shift in tone around regulation towards the internet companies, together with the approval of a number of games by leading developers and further announcements of government support for the troubled residential property market. All this led to a very rapid rise in the market and although the China index ended down by 6.6% over the whole period, at one point it was up nearly 50% from its end-October 2022 lows before selling off as

some of the re-opening euphoria died back along with renewed geopolitics concerns.

Elsewhere, of the major markets, Australia and Singapore outperformed, with Indonesia the main laggard as investors took profits following its strong performance throughout 2022, in part helped by strong commodity prices. Despite the deteriorating outlook for global growth, inflation pressures remained elevated which disappointed investors, as US interest rates would likely remain a headwind for longer. From a sector perspective, this was supportive of financials. Materials were supported by higher-for-longer materials prices in part buoyed by China reopening expectations. The consumer discretionary sector was the weakest over the period with the Chinese e-commerce names particularly volatile, partially giving up reopening gains on competition concerns towards the end of the period. Defensive sectors generally underperformed over the period.

# Interim Management Report – Manager’s Review

## Country returns of the MSCI AC Pacific ex Japan Net Dividends Reinvested Index in GBP and local currency – 31 August 2022 to 28 February 2023



Source: Schroders, Factset

Following the broad-based pick up in dividends in the last financial year, this year so far has been more mixed with dividends in some areas such as the Australian resource names (and other more cyclical<sup>1</sup> areas) coming down as falls in underlying commodity prices saw profits retreat from high levels. Financials, including the banks, on the other hand benefitted as interest rate rises helped margins and earnings. Ongoing supply chain disruption, and a volatile geopolitical backdrop, understandably also did see caution from some companies across the region.

## Positioning and performance

The company made a small positive return over the period, with a NAV total return of +1.6% which compared favourably to the fall in the reference benchmark of -2.9%. Performance over the period was helped by the underweight positioning and strong stock selection in China. Stocks in the insurance sector there, such as our new holding in China Pacific Insurance, were perceived to be beneficiaries of the move away from zero COVID and infrastructure spend beneficiaries, such as supplier of construction equipment Sany Heavy, also performed well. An absence of the e-commerce names who pay little or no dividends was also a positive. Our stock picks in Taiwan led by the Information Technology (IT) names, including semiconductor assembly and testing company ASE and fabless design house Novatek, added value, and the positive contribution from stocks in Australia was driven by the diversified resource names. In Singapore, our overweight was positive but exposure to some of the more defensive stocks such as Singapore Telecom that had performed well in previous periods impacted selection. From a sector perspective, picks in the

<sup>1</sup>A cyclical stock is a stock where its price is affected by macroeconomic or systematic changes in the overall economy.

financials sector did well including banks in Singapore (OCBC and UOB) and Indonesia (Bank Mandiri). Stock selection in the IT names also contributed positively, as described earlier. Our holdings in Hong Kong and Chinese property names also added value as the move away from zero COVID was expected to lead to a return of shoppers and workers to the malls and office.

The geographic exposure in the Company’s portfolio continues to be mainly spread between Taiwan, Australia, Singapore, Hong Kong, Korea and China. Over the period we did add to positions in China and Hong Kong, including a new position in China Merchants Bank. China remains a substantial underweight but is, in part, offset by the overweight to Hong Kong. The Hong Kong market, in general, looks more attractive from a valuation perspective with a number of names set to benefit from the opening of the border with the mainland. Elsewhere, we reduced Singapore, reducing our exposure to some of the REIT names there which had performed well and will see costs rise along with interest rates, as well as cutting our position in UOB, a bank that had outperformed. However, we remain overweight. We took some money out of some of the better performing Taiwanese IT names as well as selling out of Far EasTone, a telecom company that had performed strongly.

We continued in aggregate to add to financials, where we are overweight, with valuations still looking relatively attractive given higher interest rates and subdued credit costs. Here we added to Chinese names, as described above. We also reduced the overweight to real estate, trimming names that had performed strongly across the region, and IT as described above. Although near term earnings have been seeing downward revisions, we continue to see some strong long-term drivers for growth around digitisation and the roll-out of 5G and ‘Internet of Things’. In IT, our focus remains on the Taiwanese and Korean companies.

The other area where we have reduced exposure is in the materials sector, where sales have been focussed on the Australian names. The sector has performed strongly over the last year, in part helped by the surge in commodity prices.

## Investment outlook

We entered the Year of the Rabbit with the hope that China’s re-opening and the potential for a softer US dollar and peaking US rate hike cycle should provide a more supportive backdrop for Asian markets, although slowing global growth would inevitably be a headwind given Asia’s position as manufacturer to the world. More recently the collapse of Silicon Valley Bank (SVB) in the US and the proposed takeover of Credit Suisse have added to concerns over financial sector risk globally, as well as the potential knock-on impact on growth. Geopolitics remains



# Interim Management Report – Manager’s Review

a risk with US-China relations, Taiwan and the Ukraine all areas of tension.

The U-turn in China’s Zero COVID policy unsurprisingly saw the Chinese market rally hard off its lows, rising some 50% before pulling back. Clearly the move away from zero COVID is a positive from an economic perspective and, when combined with the stimulus measures that have been announced, particularly towards the property sector, this should help remove the tail risk of a hard landing in China centred on the property market. We remain very underweight China and, from a reopening standpoint, it feels as though much of the upside has already been priced in. Notwithstanding the recent pullback, valuations of many of the ‘reopening plays’ pre the U-turn on COVID were not particularly attractive, as there was already an expectation that 2023 would see a move away from Zero COVID – albeit very few, including ourselves, expected it to happen as rapidly as it has. Following the rally, valuations in a lot of these names are now well above historic levels despite factoring in a large recovery in profits.

Other areas have in part also benefitted from this change in policy, together with a perceived lowering of risk from a regulatory perspective. Statements at the CEWC (Central Economic Work Conference) in December around equal support for state owned and private owned enterprises, as well as support for the internet platform companies, helped here. This, along with a diminished ADR-delisting risk, saw the likes of Alibaba rally strongly from their lows. Whilst things have improved from a regulatory perspective, we remain sceptical that risks around ‘national service’ have entirely gone away, as highlighted by the recent use of ‘golden shares’, and thus think that long term returns in a number of areas in the market have likely come down. It should be remembered that the internet platform companies, given their current yields, are unlikely to form a material weighting in the portfolio given its income focus, thus the Company is likely, for now at least, to remain structurally underweight China.

Lastly, although the domestic demand outlook has improved in China, the external side is moving in the opposite direction, with net exports likely to continue to be under pressure through 2023. Given its importance in employment (approximately 24% of the workforce), this slowdown will have obvious ramifications for growth.

All this means we remain meaningfully underweight China, although we are still looking for opportunities to add to stocks that have lagged in areas which are less obvious beneficiaries, but where we think the long term opportunity remains attractive. We are, however, more positive on Hong Kong, where valuations are lower and the SAR will see a recovery as the border with the mainland opens and tourists come back. Given this, we did add to some of our names there including BOC HK and HK Exchange.

If we look further afield, we think the stabilisation of China’s economy and rebound in consumption, albeit most evident in services rather than goods, will also help a number of regional names including some of the IT companies in Korea and Taiwan, resource names in Australia and other companies that will benefit from an increased level of travel by Chinese visitors. The Company’s holdings in these areas should benefit from any pick up in China and improved mobility.

Indonesia (as well as other ASEAN markets) appeared to be being used as a source of funds for investing in other regions after strong performance last year. Although we did trim some of our exposure to some of our names in Singapore and Indonesia, we also invested some of those proceeds into other ASEAN names, including a new holding in Indonesia.

Markets globally have been more recently impacted by the collapse of SVB and Credit Suisse and their wider impacts on the financial system. The Asian financial sector has few direct parallels for the problems faced in these cases. In particular, the Asian banks tend to have strong deposit franchises, smaller investment portfolios and mark to market their fixed income positions. They have been seeing improved profitability and are generally well capitalised. Most banks we own are more domestically focussed retail names and in general trade at attractive valuations and decent dividend yields. Still, we are mindful of the global tightening in liquidity that we are seeing and the potential contagion risks, and will continue to monitor our positions carefully. Elsewhere, our preference for IT continues. The IT names remain sensitive to the global slowdown and the Korean names, such as Samsung Electronics, despite a recent rally are still trading at relatively attractive levels from a valuation perspective. Although the demand slowdown has been worse than we expected, there are signs that an adjustment on the supply side is starting to take place as announcements on production and capital expenditure cuts have started to be seen.

Underweights remain in the more defensive areas of the market, including consumer staples and utilities, where valuations in our view still remain relatively full.

Near term, it is likely that we will see further downward revisions to earnings as global growth slows and an ongoing period of inventory adjustment amongst companies to reflect this slower growth, which will hopefully put them in a position to start to grow earnings once more. Given overall aggregate valuations for the region are now trading at or below long-term averages, this does set up a more constructive backdrop for Asian markets in the coming year, barring a global hard landing or a more extreme geopolitical risk event.

As we have discussed previously, it is our belief that Asia remains an attractive source of equity income, potentially providing diversification for some UK investors seeking

# Interim Management Report – Manager’s Review

income, as we saw through the initial wave of COVID. In the medium to long term, dividends tend to follow earnings and earnings have recovered materially from the COVID lows. However, earnings growth this year will likely face some downward pressures as has been seen in earnings revisions trends which may impact dividends, particularly in some of the more cyclical areas, including resources and information technology. It should not be forgotten that overall payout ratios in Asia do not look extended versus some other markets and that 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.

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 environment which we have forecast; rather we try to pick well-managed companies with attractive distribution profiles, which have structural advantages. Therefore, a focus on attractive bottom up ideas, in our view, remains essential.

## Sectoral breakdown of portfolio (gearing\* at -4.8%)

	Portfolio Weight (%)
Information Technology	26.6
Banks	23.3
Real Estate	14.3
Communication Services	10.5
Materials	9.5
Other Financials	8.4
Consumer Discretionary	3.6
Consumer Staples	3.5
Industrials	3.2
Energy	1.9
Health Care	-
Utilities	-

\*Net cash less loans outstanding.  
Source: Schroders as at 28 February 2023

## Regional breakdown of portfolio (gearing\* at -4.8%)

	Portfolio Weight (%)
Australia	20.4
Taiwan	19.5
Singapore	14.3
Hong Kong	14.1
Korea	13.2
China	12.4
Indonesia	3.7
Thailand	2.3
Japan	1.9
Vietnam	1.3
Philippines	1.2
New Zealand	0.5

\*Net cash less loans outstanding.  
Source: Schroders as at 28 February 2023

## Schroder Investment Management Limited 3 May 2023

*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.*

# Schroder Oriental Income Fund Limited

## Investment Portfolio at 28 February 2023

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 56.7% (28 February 2022: 61.5% and 31 August 2022: 59.5%) of total investments and derivative financial instruments.

	£'000	%
<b>Australia</b>		
<b>BHP Billiton<sup>1</sup></b>	<b>24,825</b>	<b>3.4</b>
<b>Telstra</b>	<b>20,309</b>	<b>2.7</b>
<b>National Australia Bank</b>	<b>18,941</b>	<b>2.6</b>
<b>Rio Tinto<sup>1</sup></b>	<b>17,264</b>	<b>2.3</b>
Westpac Bank	10,097	1.3
Mirvac	9,792	1.3
Australia and New Zealand Banking	8,169	1.1
Woolworths	7,863	1.0
Orica	7,049	1.0
Suncorp	6,179	0.8
James Hardie Industries	5,923	0.8
Deterra Royalties	4,769	0.6
Woodside Energy <sup>1</sup>	4,326	0.6
<b>Total Australia</b>	<b>145,506</b>	<b>19.5</b>
<b>Taiwan</b>		
<b>Taiwan Semiconductor Manufacturing</b>	<b>68,518</b>	<b>9.3</b>
<b>Mediatek</b>	<b>12,485</b>	<b>1.7</b>
<b>ASE Technology</b>	<b>11,627</b>	<b>1.6</b>
<b>Delta Electronics</b>	<b>11,456</b>	<b>1.5</b>
Hon Hai Precision Industry	9,577	1.3
Novatek Microelectronics	8,507	1.1
Uni-President Enterprises	7,829	1.1
CTBC Financial	7,625	1.0
<b>Total Taiwan</b>	<b>137,624</b>	<b>18.6</b>

	£'000	%
<b>Singapore</b>		
<b>Oversea-Chinese Banking</b>	<b>21,613</b>	<b>2.9</b>
<b>Singapore Telecom</b>	<b>17,450</b>	<b>2.4</b>
<b>Venture</b>	<b>10,570</b>	<b>1.5</b>
Singapore Exchange	10,427	1.4
CapitaLand Integrated Commercial Trust (REIT <sup>^</sup> )	10,329	1.4
DBS Group	7,848	1.1
United Overseas Bank	7,476	1.0
Mapletree Logistics (REIT <sup>^</sup> )	7,476	1.0
Mapletree Industrial Trust (REIT <sup>^</sup> )	6,902	0.9
<b>Total Singapore</b>	<b>100,091</b>	<b>13.6</b>
<b>Hong Kong (SAR)</b>		
<b>BOC Hong Kong</b>	<b>22,975</b>	<b>3.1</b>
<b>HKT Trust and HKT</b>	<b>18,314</b>	<b>2.5</b>
<b>Kerry Properties</b>	<b>10,906</b>	<b>1.5</b>
HK Exchanges & Clearing	9,455	1.2
Link (REIT <sup>^</sup> )	8,077	1.1
Swire Properties	7,664	1.0
Hang Lung Properties	7,176	1.0
Fortune (REIT <sup>^</sup> )	6,328	0.9
Hang Lung Group	5,595	0.8
Swire Pacific B	3,161	0.4
<b>Total Hong Kong (SAR)</b>	<b>99,651</b>	<b>13.5</b>

# Schroder Oriental Income Fund Limited

## Investment Portfolio at 28 February 2023

	£'000	%
<b>South Korea</b>		
<b>Samsung Electronics (including preference shares)</b>	<b>55,746</b>	<b>7.5</b>
Samsung Fire and Marine Insurance (including preference shares)	10,446	1.4
SK Telecom	9,459	1.3
LG Chemical preference shares	6,889	0.9
KB Financial	6,290	0.8
Hana Financial	5,157	0.7
<b>Total South Korea</b>	<b>93,987</b>	<b>12.6</b>
<b>Mainland China</b>		
<b>Midea Group warrants 21/06/2023<sup>2</sup> and A shares</b>	<b>20,358</b>	<b>2.8</b>
<b>Ping An Insurance H shares<sup>3</sup></b>	<b>13,105</b>	<b>1.8</b>
<b>Sany Heavy Industry A shares</b>	<b>10,477</b>	<b>1.5</b>
China Pacific Insurance <sup>3</sup>	9,814	1.3
China Petroleum & Chemical H shares <sup>3</sup>	9,169	1.2
China Resources Land <sup>3</sup>	9,104	1.2
China Construction Bank <sup>3</sup>	7,261	1.0
Shenzhou International <sup>3</sup>	4,795	0.6
China Merchants Bank <sup>3</sup>	3,716	0.5
<b>Total Mainland China</b>	<b>87,799</b>	<b>11.9</b>
<b>Indonesia</b>		
<b>Bank Mandiri</b>	<b>16,822</b>	<b>2.3</b>
Telekomunikasi Indonesia	8,766	1.2
<b>Total Indonesia</b>	<b>25,588</b>	<b>3.5</b>
<b>Thailand</b>		
Land and Houses NDVR*	8,029	1.1
Kasikornbank NDVR*	7,945	1.1
<b>Total Thailand</b>	<b>15,974</b>	<b>2.2</b>
<b>Japan</b>		
<b>Sumitomo Mitsui Financial</b>	<b>13,073</b>	<b>1.8</b>
<b>Total Japan</b>	<b>13,073</b>	<b>1.8</b>
<b>Vietnam</b>		
Vietnam Dairy Products	8,817	1.2
<b>Total Vietnam</b>	<b>8,817</b>	<b>1.2</b>

	£'000	%
<b>Philippines</b>		
International Container Terminal Services	8,167	1.1
<b>Total Philippines</b>	<b>8,167</b>	<b>1.1</b>
<b>New Zealand</b>		
Fletcher Building	3,845	0.5
<b>Total New Zealand</b>	<b>3,845</b>	<b>0.5</b>
<b>Total Investments<sup>4</sup></b>	<b>740,122</b>	<b>100.0</b>

<sup>1</sup>Listed in UK

<sup>2</sup>Listed in Luxembourg

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

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

	£'000	%
Equities and NVDR*	683,917	92.4
Preference shares	56,205	7.6
<b>Total investments</b>	<b>740,122</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 of the Company's business fall into the following categories: Geopolitical risks, market risks, currency risk, investment performance risks, risks related to competitiveness, risks related to gearing and leverage, ESG risks, risks related to service provider performance, and cyber risks.

A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 22 to 24 of the Company's published annual report and accounts for the year ended 31 August 2022.

These principal risks and uncertainties have not materially changed during the six months ended 28 February 2023.

## 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 25 of the published annual report and accounts for the year ended 31 August 2022, 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 2023.

## 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 July 2022 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 2023 (unaudited)

	(Unaudited) For the six months ended 28 February 2023			(Unaudited) For the six months ended 28 February 2022			(Audited) For the year ended 31 August 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	-	1,460	1,460	-	(2,259)	(2,259)	-	(7,810)	(7,810)
Net foreign currency gains/(losses)	-	1,539	1,539	-	(862)	(862)	-	(6,572)	(6,572)
Income from investments	11,174	199	11,373	13,273	1,448	14,721	39,047	1,448	40,495
Other income	55	-	55	5	-	5	24	-	24
<b>Total income/(loss)</b>	<b>11,229</b>	<b>3,198</b>	<b>14,427</b>	13,278	(1,673)	11,605	39,071	(12,934)	26,137
Management fee	(995)	(1,492)	(2,487)	(765)	(1,785)	(2,550)	(1,545)	(3,604)	(5,149)
Performance fee	-	-	-	-	-	-	-	-	-
Administrative expenses	(556)	(2)	(558)	(580)	(2)	(582)	(1,114)	(4)	(1,118)
<b>Profit/(loss) before finance costs and taxation</b>	<b>9,678</b>	<b>1,704</b>	<b>11,382</b>	11,933	(3,460)	8,473	36,412	(16,542)	19,870
Finance costs	(378)	(567)	(945)	(46)	(107)	(153)	(161)	(376)	(537)
<b>Profit/(loss) before taxation</b>	<b>9,300</b>	<b>1,137</b>	<b>10,437</b>	11,887	(3,567)	8,320	36,251	(16,918)	19,333
Taxation (note 4)	(691)	-	(691)	(801)	-	(801)	(2,146)	-	(2,146)
<b>Net profit/(loss) and total comprehensive income</b>	<b>8,609</b>	<b>1,137</b>	<b>9,746</b>	11,086	(3,567)	7,519	34,105	(16,918)	17,187
<b>Earnings/(losses) per share (note 5)</b>	<b>3.32p</b>	<b>0.44p</b>	<b>3.76p</b>	4.18p	(1.35)p	2.83p	12.94p	(6.42)p	6.52p

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/(loss) for the period is also the total comprehensive income/(loss) 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 2023 (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 2022	234,347	(25,991)	39	150,374	329,011	36,367	724,147
Repurchase of shares into treasury	-	(7,797)	-	-	-	-	(7,797)
Net profit and total comprehensive income	-	-	-	-	1,137	8,609	9,746
Dividends paid in the period (note 6)	-	-	-	-	-	(19,692)	(19,692)
<b>At 28 February 2023</b>	<b>234,347</b>	<b>(33,788)</b>	<b>39</b>	<b>150,374</b>	<b>330,148</b>	<b>25,284</b>	<b>706,404</b>

## 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 and total comprehensive income	-	-	-	-	(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 year ended 31 August 2022 (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 2021	234,347	(9,500)	39	150,374	345,929	30,230	751,419
Repurchase of shares into treasury	-	(16,491)	-	-	-	-	(16,491)
Net (loss)/profit and total comprehensive income	-	-	-	-	(16,918)	34,105	17,187
Dividends paid in the year (note 6)	-	-	-	-	-	(27,968)	(27,968)
<b>At 31 August 2022</b>	<b>234,347</b>	<b>(25,991)</b>	<b>39</b>	<b>150,374</b>	<b>329,011</b>	<b>36,367</b>	<b>724,147</b>

# Balance Sheet

	(Unaudited) 28 February 2023 £'000	(Unaudited) 28 February 2022 £'000	(Audited) 31 August 2022 £'000
<b>Non current assets</b>			
Investments at fair value through profit or loss	740,122	758,190	750,372
<b>Current assets</b>			
Receivables	3,158	6,946	4,355
Cash and cash equivalents	7,087	4,886	14,155
	<b>10,245</b>	11,832	18,510
<b>Total assets</b>	<b>750,367</b>	770,022	768,882
<b>Current liabilities</b>			
Bank loans	(41,300)	(37,265)	(42,970)
Payables	(2,663)	(2,156)	(1,765)
	<b>(43,963)</b>	(39,421)	(44,735)
<b>Net assets</b>	<b>706,404</b>	730,601	724,147
<b>Equity attributable to equity holders</b>			
Share capital (note 7)	234,347	234,347	234,347
Treasury share reserve	(33,788)	(20,097)	(25,991)
Capital redemption reserve	39	39	39
Special reserve	150,374	150,374	150,374
Capital reserves	330,148	342,362	329,011
Revenue reserve	25,284	23,576	36,367
<b>Total equity shareholders' funds</b>	<b>706,404</b>	730,601	724,147
<b>Net asset value per share (note 8)</b>	<b>273.73p</b>	277.30p	277.24p

Registered in Guernsey  
Company registration number: 43298



# Cash Flow Statement

	(Unaudited) For the six months ended 28 February 2023 £'000	(Unaudited) For the six months ended 28 February 2022 £'000	(Audited) For the year ended 31 August 2022 £'000
<b>Operating activities</b>			
Profit before finance costs and taxation	11,382	8,473	19,870
Add back net foreign currency (gains)/losses	(1,539)	862	6,572
(Gains)/losses on investments at fair value through profit or loss	(1,460)	2,259	7,810
Net sales of investments at fair value through profit or loss	11,659	10,589	16,211
Decrease in receivables	1,044	1,374	1,032
Increase/(decrease) in payables	1,194	(5,686)	(5,676)
Overseas taxation paid	(487)	(707)	(2,229)
<b>Net cash inflow from operating activities before interest</b>	<b>21,793</b>	17,164	43,590
Interest paid	(979)	(159)	(509)
<b>Net cash inflow from operating activities</b>	<b>20,814</b>	17,005	43,081
<b>Financing activities</b>			
Repurchase of ordinary shares into treasury	(8,059)	(10,597)	(17,172)
Dividends paid	(19,692)	(17,740)	(27,968)
<b>Net cash outflow from financing activities</b>	<b>(27,751)</b>	(28,337)	(45,140)
<b>Decrease in cash and cash equivalents</b>	<b>(6,937)</b>	(11,332)	(2,059)
Cash and cash equivalents at the start of the period	14,155	16,147	16,147
Effect of foreign exchange rate changes on cash and cash equivalents	(131)	71	67
<b>Cash and cash equivalents at the end of the period</b>	<b>7,087</b>	4,886	14,155

Dividends received during the period amounted to £12,428,000 (period ended 28 February 2022: £16,170,000 and year ended 31 August 2022: £41,682,000) and bond and deposit interest receipts amounted to £45,000 (period ended 28 February 2022: £5,000 and year ended 31 August 2022: £15,000).

# 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 2023 and 28 February 2022 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 2022.

## 3. Accounting policies

### (a) Basis of accounting

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 2022. Where presentational guidance set out in the Statement of Recommended Practice (the "SORP") for investment trusts issued by the Association of Investment Companies in July 2022, 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.

### (b) Accounting estimates

In common with many other investment companies, the Board has chosen to adopt the 'allocation approach', as set out in the SORP, and has determined that basis of allocation of expenses to capital should reflect the long term split of returns in the form of capital gains and income. With effect from 1 September 2022 the Company allocates 60% of the management fee and finance costs to capital and the remaining 40% to revenue. It had previously allocated 70% of the management fee and finance costs to capital and 30% to revenue. The Board monitors the assumptions that underpin the basis of allocation. It concluded from its most recent review that a lesser proportion of the Company's long term investment returns are expected to come from capital. The effect of this change is to decrease the net revenue return after taxation by £343,000 and to increase the net capital return by the same amount. Total net return after taxation is unaffected by the change. The comparative figures have not been restated.

## 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 2023 £'000	(Unaudited) Six months ended 28 February 2022 £'000	(Audited) Year ended 31 August 2022 £'000
Net revenue profit	8,609	11,086	34,105
Net capital profit/(loss)	1,137	(3,567)	(16,918)
<b>Net total profit</b>	<b>9,746</b>	7,519	17,187
Weighted average number of shares in issue during the period	259,185,344	264,965,262	263,653,736
Revenue earnings per share	3.32p	4.18p	12.94p
Capital earnings/(losses) per share	0.44p	(1.35)p	(6.42)p
<b>Total earnings per share</b>	<b>3.76p</b>	2.83p	6.52p

# Notes to the Accounts

## 6. Dividends paid

	(Unaudited) Six months ended 28 February 2023 £'000	(Unaudited) Six months ended 28 February 2022 £'000	(Audited) Year ended 31 August 2022 £'000
2022 fourth interim dividend of 5.60p (2021: 4.80p)	14,527	12,727	12,727
First interim dividend of 2.00p (2022: 1.90p)	5,165	5,013	5,013
Second interim dividend of 1.90p	-	-	4,997
Third interim dividend of 2.00p	-	-	5,231
Dividends paid in the period	<b>19,692</b>	17,740	27,968

A second interim dividend of 2.00p (2022: 1.90p) per share, amounting to £5,124,000 (2022: £4,997,000) has been declared payable in respect of the year ending 31 August 2023.

## 7. Share capital

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

	(Unaudited) Six months ended 28 February 2023	(Unaudited) Six months ended 28 February 2022	(Audited) Year ended 31 August 2022
Ordinary shares of 1p each, allotted, called-up and fully paid			
Opening balance of shares in issue, excluding shares held in treasury	261,203,024	267,468,024	267,468,024
Repurchase of shares into treasury	<b>(3,135,000)</b>	(4,000,000)	(6,265,000)
Closing balance of shares in issue, excluding shares held in treasury	<b>258,068,024</b>	263,468,024	261,203,024
Shares held in treasury	<b>13,165,000</b>	7,765,000	10,030,000
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 2023	(Unaudited) 28 February 2022	(Audited) 31 August 2022
Net assets attributable to shareholders (£'000)	<b>706,404</b>	730,601	724,147
Shares in issue at the period end, excluding shares held in treasury	<b>258,068,024</b>	263,468,024	261,203,024
Net asset value per share	<b>273.73p</b>	277.30p	277.24p

# 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 2022.

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 2023, the Company's investment portfolio and derivative financial instruments were categorised as follows:

	(Unaudited) 28 February 2023 £'000	(Unaudited) 28 February 2022 £'000	(Audited) 31 August 2022 £'000
Level 1	721,538	734,744	730,624
Level 2	18,584	23,446	19,748
Level 3	–	–	–
<b>Total</b>	<b>740,122</b>	758,190	750,372

Level 2 investments comprise one holding in Midea Group warrants.

There have been no transfers between Levels 1, 2 or 3 during the period (period ended 28 February 2022 and year ended 31 August 2022: nil).

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

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

# Notes

# Notes

## 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

The Bank of Nova Scotia, London Branch  
201 Bishopsgate  
London EC2M 3NS  
United Kingdom

### Safekeeping and cashflow monitoring agent

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

### Recognised auditors

PricewaterhouseCoopers LLP  
7 More London Place  
London  
SE1 2RT

## 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.