Schroder Asian Total Return Investment Company plc

Report and Accounts for the year ended 31 December 2019

Investment objective

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

Investment policy

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

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

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

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

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

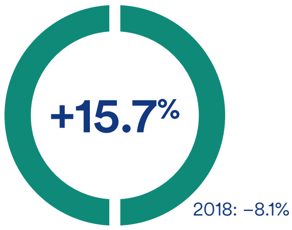
The Company does not tie its portfolio construction to the constituents of any benchmark; instead, the size of stock positions are set on an absolute basis reflecting where the best potential risk adjusted returns are to be found.

Contents

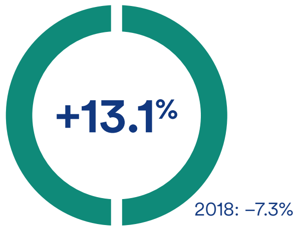
Financial Highlights

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on page 78 together with supporting calculations where appropriate.

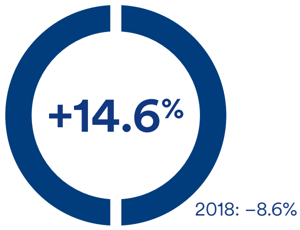
Total returns* for the year ended 31 December 2019



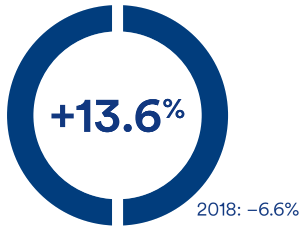
NAV per share



Share price



Reference Index[1]



Peer group NAV per share[2]

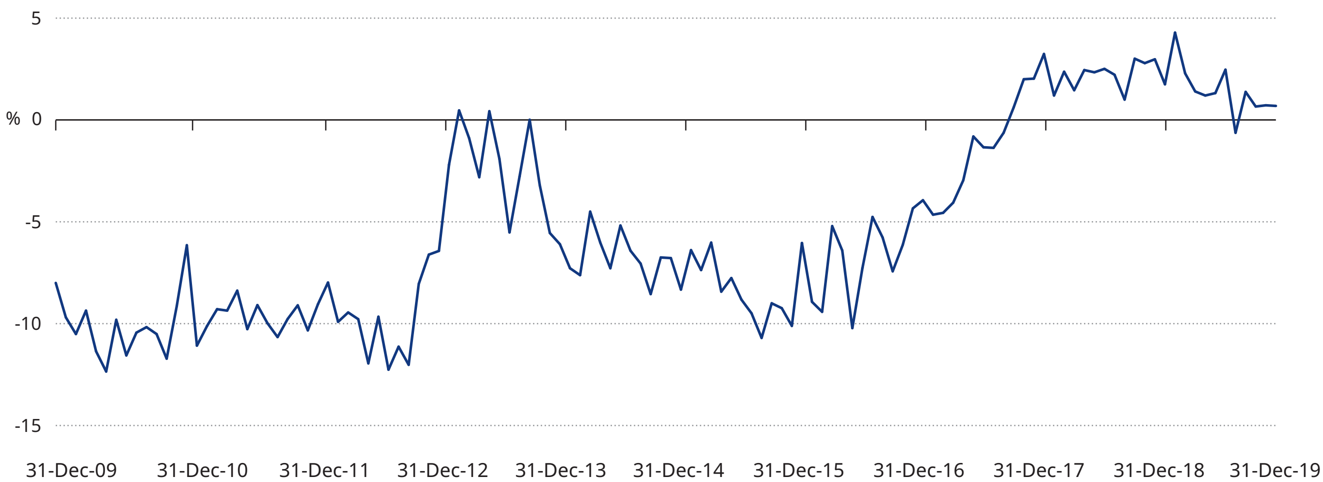
[1]Source: Thomson Reuters.
[2]Source: Morningstar. The arithmetic average of a group of nine investment trust competitors.

Other financial information

	31 December 2019	31 December 2018	% Change
Shareholders' funds (£'000)	357,871	293,783	+21.8
NAV per share (pence)	365.57	321.43	+13.7
Share price (pence)	368.00	331.00	+11.2
Share price premium (%)*	0.7	3.0	
Gearing/(net cash) (%)*	2.2	(0.9)	

	Year ended 31 December 2019	Year ended 31 December 2018	% Change
Net revenue return after taxation (£'000)	7,653	6,303	+21.4
Revenue return per share (pence)	8.10	7.18	+12.8
Dividend per share (pence)	6.50	6.20	+4.8
Ongoing Charges (%)*	0.9	0.9	

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



[1]Source: Morningstar.

10 Year Financial Record

Definitions of terms and performance measures are provided on page 78.

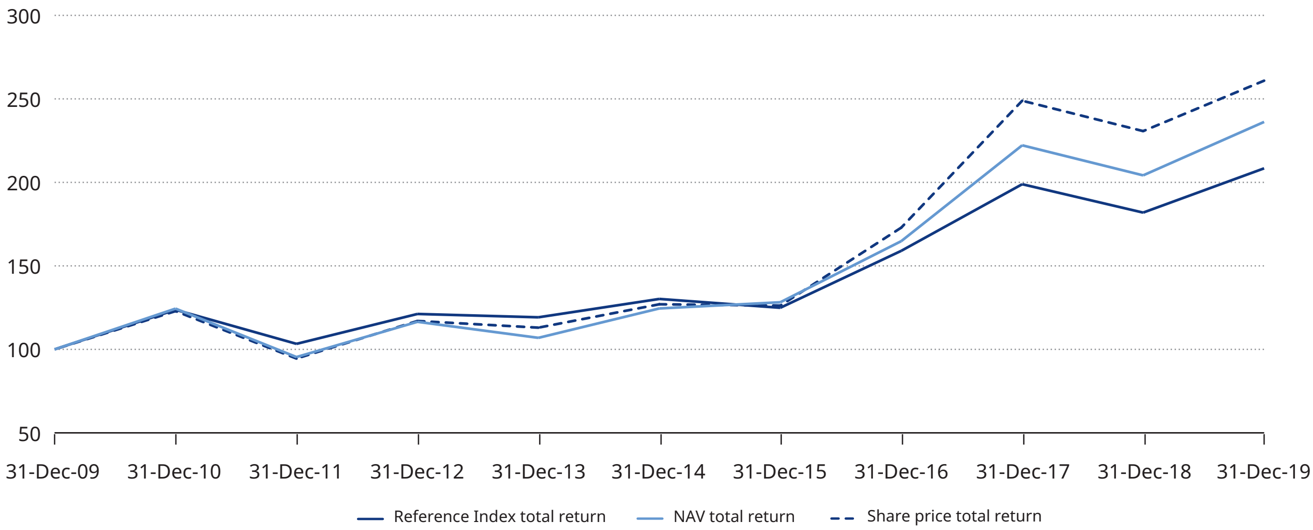
At 31 December	2010	2011	2012	2013[1]	2014	2015	2016	2017	2018	2019
Shareholders' funds (£'000)	357,570	269,417	298,076	135,240	152,342	154,186	195,017	294,426	293,783	357,871
NAV per share, diluted where applicable (pence)	221.5	167.5	201.2	181.8	208.1	211.4	267.1	354.8	321.4	365.6
Share price (pence)	201.3	152.3	185.0	176.0	194.0	190.0	255.5	362.0	331.0	368.0
Gearing/(net cash) %	14.1	4.1	(0.2)	(1.4)	(1.3)	1.0	7.0	4.5	(0.9)	2.2

Year ended 31 December	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net revenue after taxation (£'000)	5,372	5,760	4,526	1,793	2,272	3,236	3,940	4,183	6,303	7,653
Net revenue return per share (pence)	3.33	3.57	2.92	1.98	3.07	4.43	5.40	5.48	7.18	8.10
Dividends per share (pence)	2.90	3.25	3.25	3.25	3.25	3.80	4.50	4.80	6.20	6.50
Ongoing Charges (%)	0.9	0.6	0.9	0.7	1.1	1.0	1.0	1.0	0.9	0.9

Performance[2]	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NAV per share total return	100.0	124.4	95.4	116.5	106.9	124.5	128.2	164.8	222.2	204.2	236.2
Share price total return	100.0	122.9	94.5	117.0	113.0	127.0	126.2	172.9	248.9	230.7	260.9
Reference Index total return	100.0	123.7	103.3	121.2	119.2	130.2	124.9	159.0	198.9	181.9	208.4

[1]Schroder Investment Management Limited was appointed as investment manager on 15 March 2013.
[2]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2009.

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



[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2009.

Strategic Report

Chairman's Statement

In this my final report to shareholders as Chairman, I am delighted to report another year of satisfactory performance.

During the year ended 31 December 2019 the Company produced a net asset value ("NAV") total return of 15.7% performing better than the total return of 14.6% from the Reference Index, also outperforming the total return of 13.6% from the average peer group NAV. The share price produced a total return of 13.1%. In the period from Schroders' appointment in March 2013 to 31 December 2019, the NAV and share price produced total returns of 89.3% and 92.5%, respectively, both outperforming the Reference Index total return of 60.5%.

As a result of the sharp fall in markets caused by COVID-19, since the year end, and as at 7 April 2020, the NAV per share had decreased to 323.70p and the share price to 327.00p. Further comment on performance and investment policy may be found in the Portfolio Managers' review.

Earnings and dividends

The revenue return from the portfolio for the year increased when compared to the previous year, from 7.18p per share in 2018 to 8.10p per share for the year under review. This is due to increases in dividend rates and purchases of higher yielding stocks.

The board has recommended a final dividend of 6.50p per share for the year ended 31 December 2019, an increase of 4.8% over the final dividend of 6.20p per share paid in respect of the previous financial year.

In order to provide shareholders with the opportunity to vote on the quantum of the dividend, the board is proposing that it will be payable as a final dividend, subject to shareholder approval at the Annual General Meeting. The dividend will be paid on 22 May 2020 to shareholders on the register on 14 April 2020.

Promotion and share issuance

At the AGM on 10 May 2019, shareholders granted the board authority to issue shares, including out of treasury. The share price traded mostly at a premium throughout the year. Accordingly, during the year, the Company issued 6,495,000 shares at an average premium to NAV of 1.39%. A resolution to renew the authorities will be proposed at the AGM, details of which can be found on page 74.

The Company will continue to implement a discount management policy, which continues to target a discount to NAV of no more than 5% in normal market conditions. The board believes that overall liquidity and the relative discount to the Company's peers has also to be considered in any decision to buy back shares. However, the board continues to be of the view that a mixture of good marketing and good performance is the best way to sustain a narrow discount/premium in the long term. Since the year end, we clearly have not been in normal market conditions and intraday volatility has been very high. The board closely monitors the situation and since the year end has purchased 12,500 shares for treasury.

Gearing and the use of derivatives

Gearing continues to be utilised by the Portfolio Managers. The Company may use gearing to enhance performance but net gearing will not exceed 30% of NAV. The board has agreed a disciplined framework for gearing to increase market exposure, based on a number of valuation indicators. Gearing stood at 2.2% at the end of the year, compared to 0.9% net cash at the beginning of the year. Shareholders should be aware that the use of borrowings must be seen in the context of the use of derivative hedging instruments to reduce the volatility of the portfolio.

Since the year end, the board has agreed a renewal of the Company's £25 million revolving credit facility for another year. The Company also has access to a £25 million overdraft with HSBC Bank plc.

The new facility will expire on 6 April 2021. As at 7 April 2020, gearing was at 7.6%.

Environmental, Social and Governance issues ("ESG")

The issue of how investment managers deal with ESG issues is increasingly important to shareholders. During the year, the board has spent time understanding more about our Portfolio Managers' integration of ESG analysis into their investment process. The board will continue to review ESG issues on a regular basis during portfolio reviews with the Manager.

Annual General Meeting

The AGM will be held at 10.00 a.m. on Tuesday, 19 May 2020 at the Manager's offices at 1 London Wall Place, London EC2Y 5AU. In light of the rapidly evolving situation and recent government guidance regarding the outbreak of COVID-19, the board has taken the decision to alter the format of the Company's AGM.

The formalities of the meeting, as required by the Companies Act 2006 and the Company's Articles of Association, will still take place.

The safety and security of the Company's shareholders, guests, officers and service providers is of paramount importance. While the Government's "Stay at Home Measures" are in force public gatherings of more than two people are prohibited. **Shareholders are therefore asked not to attend the AGM in person but instead to vote by proxy.** We also ask shareholders to follow the current advice of the Government and Public Health England, noting the current guidance on travel and the limits on numbers at public gatherings.

All shareholders should vote by proxy. Proxy votes can be submitted electronically through the registrar's portal, and also by email. Details are included with the proxy forms and on the Company's webpages.

In the event that shareholders have a question for the board, please contact the Company Secretary by email (amcompanysecretary@schroders.com) or telephone (0207 658 3847), and we will arrange for a response to be provided to you. A presentation by the Portfolio Managers will be made available on the Company's webpages.

Outlook

The sudden outbreak of COVID-19 has completely transformed the economic environment. Investors had been expecting another year of improving economic activity, few inflationary pressures, low interest rates and ample credit. Equity markets were selling on rich valuations reflecting this benign environment. They are now facing a range of outcomes where the extent of the disruption to the global economy is unknown. We can only hope for all our sakes that the most pessimistic predictions are wide of the mark. Meanwhile, our Portfolio Managers are not virologists and can only continue to concentrate on the longer term fundamentals of companies and seek opportunities that may present themselves during this period of market turbulence.

The Portfolio Managers have provided an update on their current thinking in their report. The fall in the Company's NAV per share and share price after the balance sheet date has been recorded as a post-balance sheet event in Note 23 to the Accounts on page 73.

Board succession and refreshment

I retire as your Chairman at the AGM. It has been a great pleasure and privilege to serve as a board member and Chairman and I would like to thank my colleagues past and present and the team at Schroders for their support.

I am pleased to report that following a selection process led by the senior independent director, the board has accepted the nomination committee's recommendation that Sarah MacAulay be appointed as Chairman of the Company following my retirement at the AGM. I am certain that the Company will continue to serve its shareholders well under her leadership.

David Brief
Chairman

14 April 2020

Portfolio Managers' Review

Market Review

Total returns, year to 31 December 2019

	Local currency %	Sterling %
Australia	23.1	18.2
Mainland China	23.1	18.7
Hong Kong (SAR)	9.9	6.1
India	10.0	3.4
Indonesia	5.3	4.9
Korea	16.6	8.2
Malaysia	–3.0	–5.8
New Zealand	37.4	32.9
Pakistan	22.4	5.4
Philippines	6.4	6.2
Singapore	13.4	10.6
Taiwan	33.0	31.1
Thailand	0.7	5.3

Source: MSCI, net income reinvested.

After a difficult second half of 2018, Asian equity markets enjoyed a strong start to 2019 following a shift in sentiment as the US Federal Reserve and the Chinese authorities moved to a more accommodative policy stance. After a 15% bounce (in US$ terms) to mid-April, markets then mostly consolidated, moving largely on sentiment surrounding US-China tensions and Trump tweets on trade talks. Asian markets finished the year on a relatively high note on expectations that the US and China were set to sign a phase one trade deal in January 2020.

Chinese stock markets led gains in the region. Consumer discretionary stocks were notably positive thanks in part to Alibaba's secondary listing in Hong Kong and the incremental inclusion of China-A shares by MSCI towards the end of the year. The Taiwanese market also outperformed as the large semiconductor and technology stocks were re-rated amid optimism of an improving medium term demand outlook led by 5G telecom-related expenditure. Hong Kong domestic stocks lagged significantly due to the prolonged period of social unrest initially caused by a proposed and contentious extradition bill, which then spiralled into a protest against many of the underlying tensions regarding Hong Kong's long-term future. The social unrest has had a significant negative impact on local activities in Hong Kong and caused investors to ponder the longer-term implications for Hong Kong and its role as Asia's leading financial and trading centre.

Elsewhere, India underperformed as economic momentum and confidence remained weak despite the temporary boost to market sentiment by the re-election of its ruling party in the general election in Q2. Korea was also a laggard with domestic sectors, autos and cyclicals performing poorly which offset the strong performance from the technology sector. ASEAN markets had a relatively muted performance and trailed the region over the year – economic growth continues to disappoint and the structural outlook for growth even before the outbreak of COVID-19 was increasingly being called into question.

Performance Analysis

Principal contributors	£ Return (%)	Contribution to return (%)
Taiwan Semiconductor Manufacturing	51.8	1.8
Samsung Electronics	37.7	1.8
Alibaba	48.8	1.5
Techtronic Industries	50.3	1.2
HDFC Bank	18.4	0.9

Principal detractors	£ Return (%)	Contribution to return (%)
Jardine Strategic	–19.0	–0.7
Nexteer Automotive	–37.3	–0.5
Dah Sing Banking	–24.4	–0.2
Swire Pacific	–9.8	–0.2
Infosys	–12.4	–0.2

Source: Schroders.

In 2019 the NAV total return was 15.7%, which compares with the Reference Index which rose 14.6% in sterling. The outperformance principally came from avoiding or minimising exposure to some of the sectors facing disruption due to technological change. In particular the Company had minimal exposure to banks (outside India where the private sector bank exposure did well), and broadly avoided cyclical areas (those sensitive to the business cycle), all of which performed poorly. The Company also had little exposure to the ASEAN markets which were the worst performing in the region as markets finally started to realise, with domestic growth challenged, the earnings outlook for many companies was relatively muted.

Despite the Company's good gains, your Portfolio Managers feel it has been a somewhat frustrating year. Given that we avoided many of the pitfalls, shouldn't we have done better? The Company had large weightings in large cap tech and internet stocks which did well (Taiwan Semiconductor Manufacturing, Alibaba, Samsung Electronics), but did not have exposure to newer, emerging and less proven internet names like Meituan and Pinduoduo where we were cautious about the ability of the business models to generate cash flow. With markets in a bullish mood and looking for the "next new thing" the newer internet stocks performed strongly. The other parts of the market we "missed" were

Portfolio Managers' Review

2019 performance attribution

	Contribution to returns (%)	Key positions
Australia	3.3	CSL, Resmed, BHP Billiton, Medibank Private, Lendlease Group
Mainland China	6.4	Alibaba, Tencent Holdings, Wuxi Biologics/Apptec, Midea Group
France	0.3	LVMH
Germany	-0.0	Adidas
Hong Kong (SAR)	1.8	Techtronic Industries, AIA, ASM (positive); JSH (negative)
India	0.8	HDFC Bank
Korea	1.8	Samsung Electronics
Philippines	0.1	Ayala Land
Singapore	1.3	Mapletree Commercial Trust, Venture
Taiwan	2.9	Taiwan Semiconductor Manufacturing, Voltronic Power Technology, Chrome ATE, Getac Technology
Thailand	0.5	Aeon Thana Sinsap
United States	–0.1	Cognizant Technology
Derivatives	–1.3	Puts and short futures on regional market indices
Currency forwards	–0.2	Hedging tail risk of CNY
Cost of gearing	–0.1	
Performance fee	–0.9	
Costs	–0.9	
Total return	15.7	

Source: Schroders, FactSet, Morningstar, year to 31 December 2019.

China-A shares and Taiwan technology stocks (outside Taiwan Semiconductor Manufacturing), where there were some extraordinary moves in 5G plays and to a lesser extent some of the Chinese consumer-related stocks. Valuations in these areas even after the COVID-19 related correction are expensive and we are happy to remain on the side-lines.

The other key negative for performance was the portfolio's exposure to Hong Kong blue chip companies like Jardine, Swire Pacific and Hang Lung. As discussed above, the Hong Kong protests caused a big correction in Hong Kong domestic stocks. The positions in technology, exporters and China consumer upgrading stocks are balanced by holdings in good quality, high-yielding stocks in Hong Kong, Singapore and Australia, and whilst most of these stocks (outside Hong Kong) made positive returns they lagged in strongly rising markets.

In summary, the Company had a good year in both absolute and relative terms, although underperformance in December amid increasingly bullish market sentiment pared overall gains versus the Reference Index. The portfolio has largely been correct on what not to own. However, our more blue chip, established business models started to underperform as markets turned more euphoric and increasingly thematic in Q4. The hedging overlay (to reduce the risk of adverse price movements) was also a small drag on performance in the rising market. This mostly came in Q1 and Q4, which was in contrast to Q3, when the overlays helped performance as we had puts (options to sell assets at an agreed price) on the Hong Kong and China indices. Overall, given the extent of market rises in 2019, we are comfortable how the capital preservation strategies played out, helping to reduce the volatility of returns without a significant cost to performance.

Ten largest positions

As at 31 December 2019	(% of portfolio)
Alibaba	5.7
Samsung Electronics	5.5
Taiwan Semiconductor Manufacturing	5.5
Tencent Holdings	4.3
HDFC Bank	4.2
AIA	3.6
Jardine Strategic	3.1
Galaxy Entertainment	3.0
Techtronic Industries	3.0
Swire Properties	2.6

Source: Schroders

Portfolio Activities

We took some profits during the rally early in the year, trimming some China holdings and reducing banking exposure in Hong Kong given the deteriorating outlook for net interest margins and fee income. In the second half we used a bounce during a hiatus in the protests to reduce exposure to Hong Kong property and domestic consumption stocks, selling out of Chow Sang Sang, Sun Hung Kai Properties and Hong Kong Land. We now view the issues in Hong Kong as partly structural and have reappraised the long-term outlook for the economy.

Over the year we rotated some of the proceeds from sales into the more defensive stocks with attractive dividend yields such as Woodside Petroleum and Tabcorp in Australia. We have also added to select new economy stocks in China which continue to benefit from the upgrading story, both in terms of the secular shift in domestic consumption patterns and product competitiveness over peers. This remains a key

Portfolio Managers' Review

focus for the portfolio, rather than picking stocks where the investment case is reliant on a pick-up in headline GDP growth rates and inflation both globally and in Asia. Even before COVID-19 we believed neither was likely to happen.

Investment trends and outlook

Our original report was written in early February and it discussed in some detail the long-term investment views behind the Company's current positions. As we are long-term investors (and not viral experts) we have kept the bulk of the original note below in the section titled "Longer term trends". Given the widening impact of COVID-19, as we sit locked down in our flats in early April, it is clear a more detailed discussion of what the short- and long-term impact of COVID-19 on the Company's Asian holdings might be and how we are adapting the fund's strategies.

The first point to highlight is that any discussion of the impact of COVID-19 is bordering on the realms of speculation. If the virus impact is 3 months and we relatively quickly return to normal then the long-term implications whilst still significant may be less serious. If the virus continues to spread globally and restrictive measures to restrain the virus remain in place till the end of year clearly the implications are much greater.

So what are we doing to protect the Company's investments? Firstly we are trying not to constantly watch the depressing news headlines but instead to take a step back and think. The world will materially change post COVID-19. The depth and speed of the change will depend on how long-lasting the measures to contain the virus are. Regardless of this we now believe that the crisis will mark a significant structural change in economic policy – and for historians will mark the end of the 1980-2020 period of effectively unfettered capitalism in the West. Before our eyes we can see massive government intervention in private sector operations, whether it be compulsory orders for landlords to offer rent-free periods, instructions for banks to cancel dividends, and Government directed bank lending. All of these mark the end of the mostly unfettered operation of Mr Smith's invisible hand that your fund managers have known throughout their combined 50-year investment careers.

It is also possible at a macro policy level that we are moving to a different era in most countries. The fusion of fiscal and monetary policy is about to become the norm and the independence of central banks, quantitative easing policies, the financialisation of assets (where policy drives asset prices not the economy) and the belief that relatively unfettered capitalism is the best approach to economic management is coming to an end in most countries. We are in our view moving to a new era for policy making.

Whilst short-term collapsing economies are likely to be deflationary and we could see government bond yields fall further, we think the policies to offset the severe slowdown caused by COVID-19 are likely to be similar, ultimately, to some form of MMT (Modern Monetary Theory - basically where fiscal expenditure is primarily financed by the printing of money). These policies may ultimately signal the end of deflation and the secular stagnation we have seen since the global financial crisis in 2008.

Other trends are likely to combine with this, including:

– The end of rising globalisation and the optimisation of supply chains. Globalisation was already starting to reverse (trade as a % of global GDP) as countries increasingly questioned an excessive reliance on China, and the complexity and risks of relying on supply chains in multiple far-flung places. Onshoring will become the increasing norm. This will call into question the development model currently pursued by many emerging economies.

– Big Government will be the new popular mantra. Again like the trend in Globalisation this was starting anyway. Whether it be Mr Trump in the US with his populist policies or the new conservative government in the UK with their plans for a better society. Millennials and Gen Z are clearly much more open to Big Government and populism versus the Boomers and Gen X generations who remember the woes of the 1970s. Big Government will mean governments increasing control and direct capital investment, research and development expenditure, and governments owning or controlling key critical economic infrastructure (transport, utilities, telecoms, banks).

– Higher taxes – the rich will be expected to pay more, whether via income tax, sin taxes, capital gains, wealth taxes, property taxes – governments can be innovative, when it comes to taxes at least. Minimum income guarantees may also become entrenched in many countries especially those that have effectively introduced them due to the COVID-19 crisis.

– Crony capitalism will be out. Buy backs will be penalised as will CEO compensation that is set at extreme levels. The trend where CEO pay goes to ever-higher multiples of average employee earnings will reverse (thank goodness).

– The Euro is finally stabilised/saved as Germany agrees to fiscal largesse and we move to a Federal Europe – without this the Euro will probably collapse if the current crisis is prolonged. MMT style policies may then engender the need for capital controls/financial repression (the forced holding of government bonds by domestic institutions such as banks and insurance companies) in many countries in order to ensure governments are not beholden to markets.

Clearly the above is speculation but we are fairly convinced by the direction of travel on the above issues albeit not the speed. In reality the world in two years time may look more like the post WW2 period when governments in the West faced with huge debt burdens and exhausted, war weary populations, looked to the policies above to create a fairer society and to inflate away unsustainable debt burdens. It also interestingly set up a policy regime not so different from that which prevails in China today, albeit with no democracy and a lack of the basic liberal freedoms we know in the West.

Moving on – what does this mean for investment? If we are correct on our thesis above it is not a backdrop in which assets generally do well. Clearly cash and bonds are unlikely to do well. Some areas of property and equities should be a

Portfolio Managers' Review

better inflation hedge – but key will be to be focus on those areas less prone to government intervention.

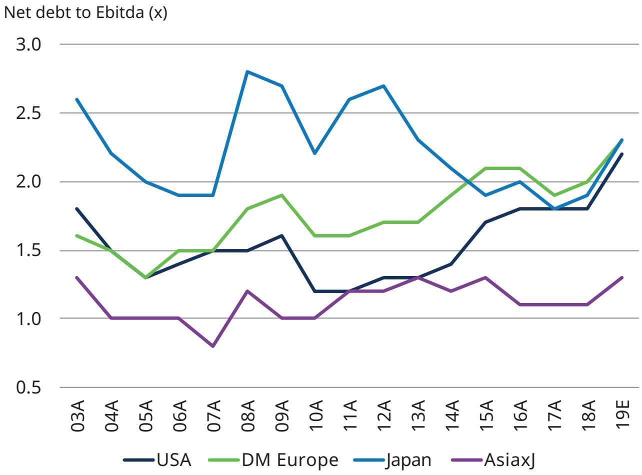
Asian equities themselves strike your portfolio managers as one of the better places to be as the crisis unfolds and the policy response comes through. Starting government debt levels in Asia are much lower than in the West so the extent of the policy reset above may be less in Asia. Whilst not immune from the structural changes above we are less worried about the impact of the new "Big Government" on our asset class, and of course in China "Big Government" is already the norm.

Going back to the current situation in Asia what investment decisions are we taking within the Company given the unfolding crisis? Key at the moment when analysing investments is cash – in a crisis cash is always king. The second key is the balance sheet and in particular the level of debt, the terms of the debt (covenants etc.) and the maturity of the debt. Your Portfolio Managers have been working with the Schroder analysts, setting out worst-case scenarios, in order to gauge the financial strength of each individual holding in the fund. This has resulted in the sale of a couple of stocks we felt uncomfortable with if, as we now expect, the economic situation continues to deteriorate.

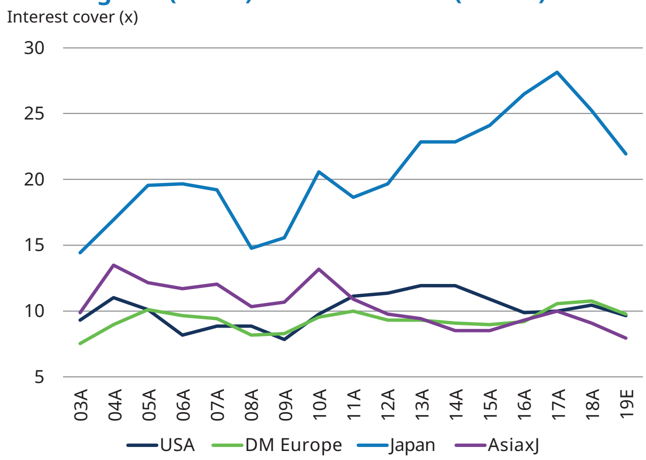
However the good news is most holdings in the Company have net cash on their balance sheets. One of the positive consequences of operating in a region that is volatile and has faced several crisis over the last 20 years (Asian financial crisis, TMT bust, SARS, Global Financial Crisis) is listed corporates in Asia don't trust banks and tend not to rely heavily on debt for their financial needs. They are mostly family owned corporates in Asia run with conservative balance sheets and fund investment and dividends from underlying cash flows. As highlighted by Chart 1 below debt levels within the listed Asian equity markets are the lowest of any major asset class, and interest cover is good.

Chart 1: Asian Equities are well placed to weather storms – debt levels are much lower than elsewhere and they haven't binged on cheap credit

MSCI regions (ex-fin) – Net debt to Ebitda trend



MSCI regions (ex-fin) – Interest cover (Ebitda)



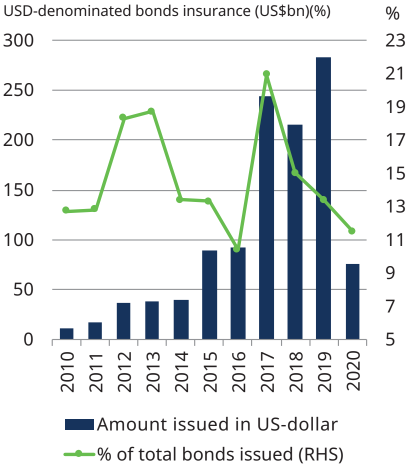
Note: Bottom-up aggregate ratio with free-float adjustments based on current MSCI universe.
Source: Factset, Jefferies, March 2020.

This is not to say investing in Asian Equities is without risks. As the second chart on page 10 highlights bond issuance has grown over the last few years, and in particular US$ bond issuance has spiked and often this is mismatched on a currency basis as it has been for bond issues by food, beverage and tobacco companies (FBT), or property companies, that earn their revenues in local Asian currencies. We are cautious in particular on Chinese property stocks and ASEAN companies carrying US$ debt.

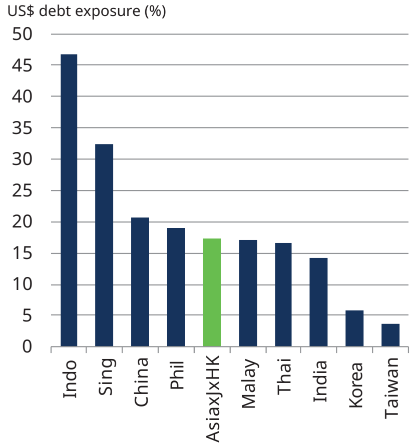
Portfolio Managers’ Review

Chart 2: There are areas of risk in Asia – mostly US$ debt issued by ASEAN corporates and Chinese Property stocks.

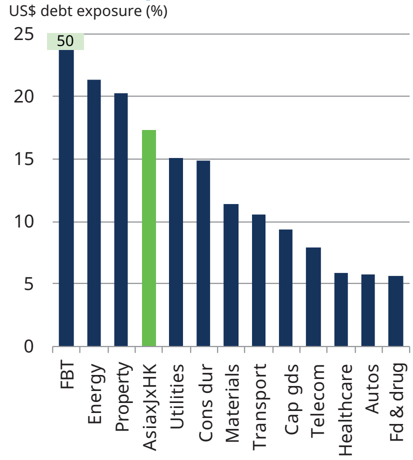
Asia ex-Japan – Total US-dollar bonds issuances[1]



MSCI ex-Japan mkts (ex-fin/HK) – US$ debt exposure[2]



MSCI Asia ex-Japan/HK sectors* – US$ debt exposure[2]



*Only for excotrs with latest net gearing > 10%.

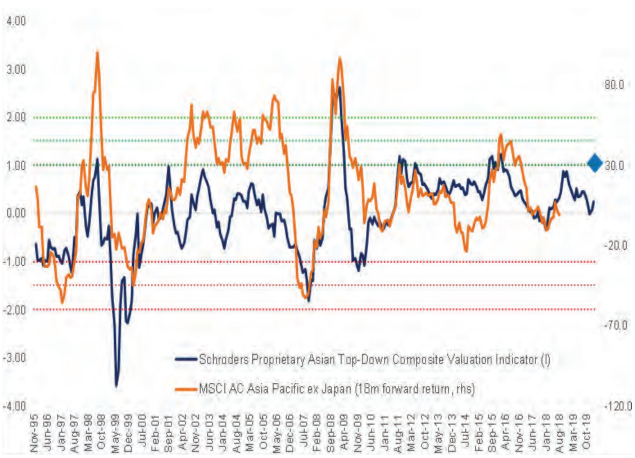
[1]Source: Bloomberg, Jefferies, March 2020. Notes: (1) Excluding certificate of deposits. (2) Data based on both public and private companies.
[2]Source: Factset DCS, Jefferies, March 2020. Notes: (1) Without freefloat adjustment; based on current MSCI universe. (2) Includes HKD debt

Other than reviewing corporate balance sheets with a fine toothcomb what action are we taking within the portfolio? With markets having collapsed in March we are starting to see some good opportunities to pick up favoured stocks. Two of the valuation indicators used in the portfolio are pointing to crisis level valuations. These are shown in chart 3 below.

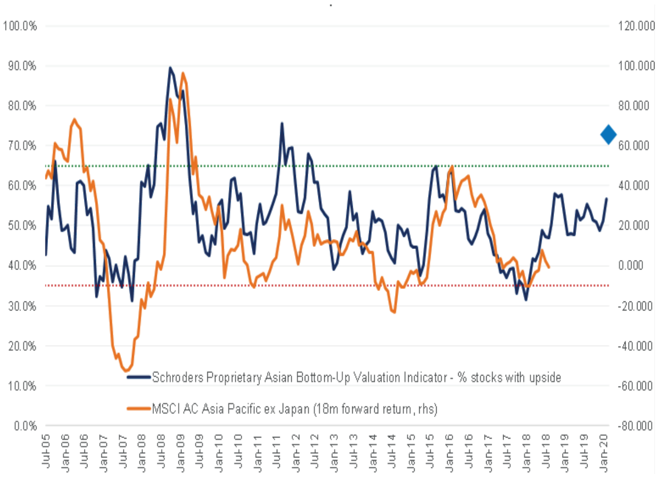
Both our top down indicator (CVI) and the bottom down indicator (BVI) are now at the “buy” trigger level. This is the level at which we normally remove any capital preservation strategies (futures and options) and potentially look to deploy gearing.

Chart 3: Our valuation indicators are now in the buy zone – the only time they have been higher was during the Global Financial Crisis.

Schroders Top-Down Valuation Indicator (I)



Schroders Bottom-up Valuation Indicator



Source: Schroders, March 2020.

Portfolio Managers' Review

At the time of writing we are gradually rolling off remaining hedges (our put options) and starting to deploy a little gearing as we pick up blue chip companies that we feel are oversold. Given the unfolding crisis we are only doing this gradually. The virus impact will pass and the world will return to some kind of normality but clearly we have no idea on the shape and timing of recovery. Our feeling is we have time on our hands, we expect plenty of volatility to come and lots of rights issues and fund raisings as the worst of the excesses in the high yield corporate bond market in particular unfold.

So what kind of businesses are we looking to buy – and does this crisis change any of our long-held views?

- We are looking to buy quality, growth businesses – we are not looking to buy value stocks (for the reasons highlighted in the section of our original report below). We think the current crisis may cause the trends around disruption to accelerate. A crisis is likely to mean the death of many old business models and ways of doing business. Necessity will be the mother of invention.
- We are principally looking at businesses in areas of secular growth where technology change and/or changes in consumer behaviour are driving their business. Companies we have been accumulating on weakness are companies like Cochlear (hearing aids where technology is growing the addressable market), SEA (on-line shopping in ASEAN – where the crisis we think has led to a structural step up in e-commerce activity), Mediatek (chip designer benefiting from the rise of auto electronics, factory automation, 5G handsets, and greater use of sensors), Seek (on-line recruitment in Asia and cloud based HR services).
- What aren't we buying? We are in general avoiding/cautious on ASEAN and Indian stocks. We discuss in some detail in the original report below our reasons for structural caution on these economies so we won't rehash our arguments here. But it is quite clear to us that if this crisis continues to worsen you want to invest in economies with stronger, effective governments and a good institutional framework. This favours Singapore, Australia, Taiwan, Hong Kong and China. India and the Philippines' very inept handling of the COVID-19 crisis so far demonstrates how a crisis can potentially lead to disaster and social unrest (we hope it doesn't come to this but are worried at time of writing).
- We also remain very cautious on banks and property. Banks as usual are likely to become the whipping boys in a crisis even if this time round they are not the major cause of the crisis (this is credit markets/ funds, in our view) and have much better balance sheets. They are going to be required to do national service. As appears to increasingly be the case for those evil, capitalist hoarders like landlords – will rent free periods for retailers and food and beverage operators become the norm we wonder?
- Other trends we think may accelerate because of the current crisis are online learning, home working, less commuting, e-commerce, less materialism, less foreign direct investment (putting paid to some emerging countries' growth models), more onshoring of factories to the country where their products are sold (helping some specialist capital expenditure plays in Asia).

In summary then we think the current crisis will mark a sea change in both popular attitudes and government policy making and will go down in history as potentially the end of the 1980 to 2020 period of relatively unhindered global capitalism. If we are correct that we ultimately move to MMT style policies, big government, financial repression and inflation – equities may be the least bad place to be. Within this Asian equities with much lower corporate gearing and less top down policy risk stack up reasonably well. We expect very significant volatility to come but do see good opportunities emerging in some of our favoured investment areas. We are looking to gradually accumulate our favoured companies into the current volatility and may look to gradually use gearing if valuations become even more compelling.

Longer term investment trends

1. China outlook – slower but better growth?

2. Why we have little exposure to ASEAN and India

3. Value stocks, internet stocks and disruption

4. Where we see the best opportunities and ESG in Asia

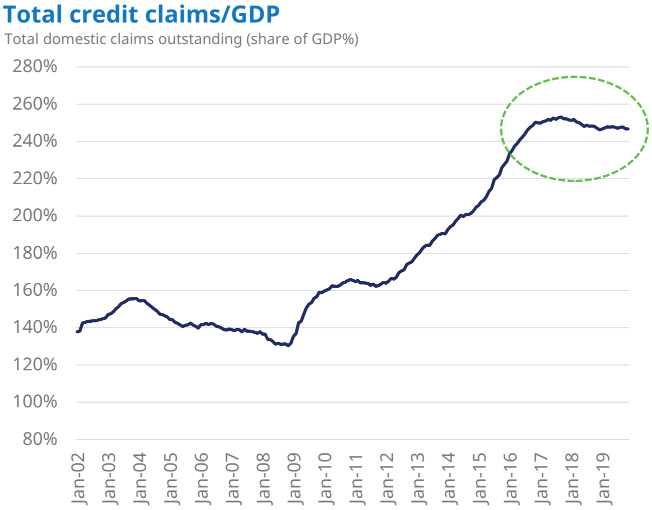
1. China outlook – slower but better growth?

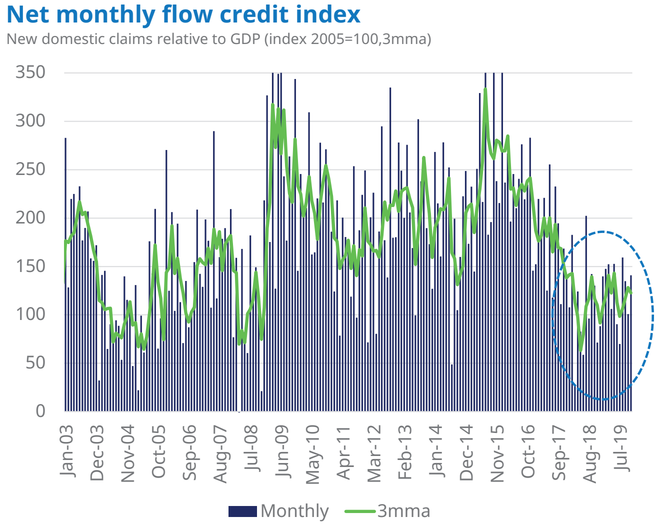
Our views on the China economy are, broadly speaking, for more of the same (assuming COVID-19 impact is limited). We do not see the economy accelerating and expect no major stimulus measures. This is based on the assumption that the People's Bank of China (PBOC) keeps the upper hand and continues to work on dealing with the excesses of the past – the huge credit bubble and subsequent bad debts created by the monetary largesse following the Global Financial Crisis (GFC).

As Chart 4 highlights, China now appears to have contained the credit bubble and credit is growing at a more sustainable level. To give credit to the authorities, they have also started to deal with bankrupt banks and bad debts, and we are also seeing some defaults, as well as smaller bad banks being merged with larger banks. In our view this process is likely to be gradual and ongoing. While we would, perhaps, prefer a shorter, sharper shock (which might throw up volatility and opportunities), this is clearly not the way of the world in China, or elsewhere, these days. The PBOC clearly wants to deal with the mess gradually without risking panic, deposit flight, and a potential capital account and/or currency crisis. With the better banks likely to remain part of the solution, and interest rates likely to stay very low as the workout continues, we continue to avoid Chinese financials despite their apparent low valuations.

Portfolio Managers' Review

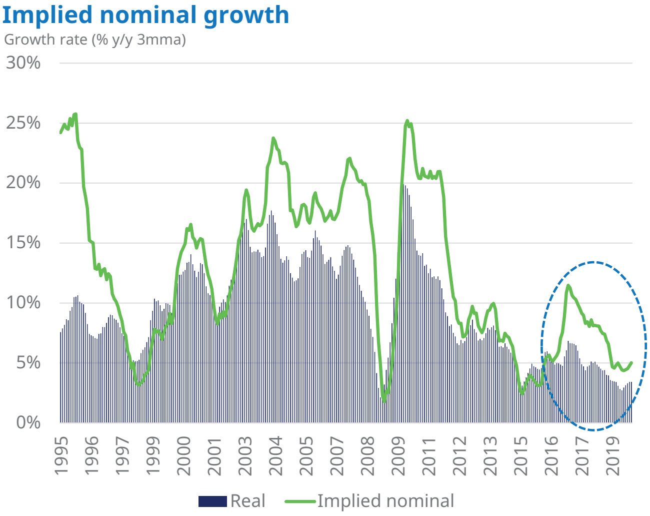
Chart 4: The China credit bubble is contained for the moment – we expect any post virus fiscal stimulus to be constrained by high debt levels

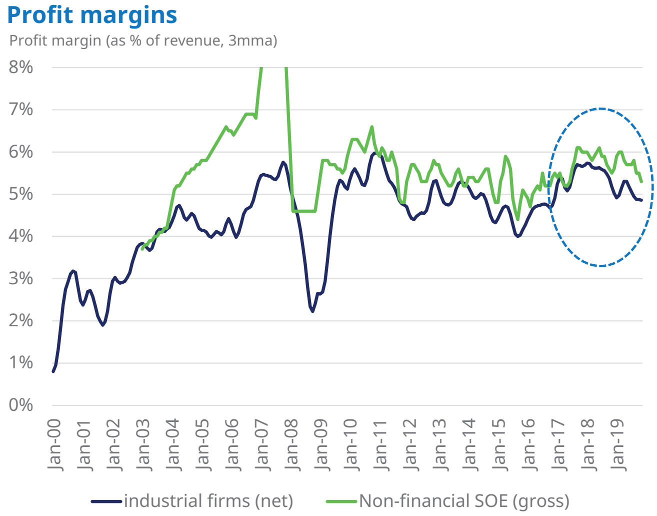




Source: CEIC and EMA Advisors Group, January 2020.

Chart 5: What to expect in China in 2020 – even prior to the COVID-19 pandemic the outlook was for sluggish nominal GDP growth and profitability in China





Source: CEIC and Emerging Advisors Group, January 2020.

So, what does this mean for the Chinese economy and profitability? Deleveraging and excessive debt levels are disinflationary (i.e. lowering inflation) and this, combined with ageing demographics and current trends in industrial disruption (which we believe are also disinflationary), are likely to mean that growth in China will slow further (Chart 5).

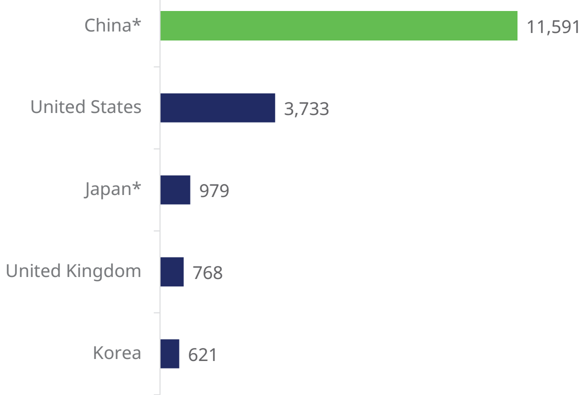
We see no reason to expect a pick-up in growth over the medium term and, despite the optimism in the stock market, we do not expect to see a rapid improvement in profitability; instead, we expect the trend in Chart 5 to continue, albeit with a material variation across sectors in China.

Portfolio Managers' Review

Chart 6: Why we are bullish on the right parts of the Chinese market – 'bright new things' will drive growth

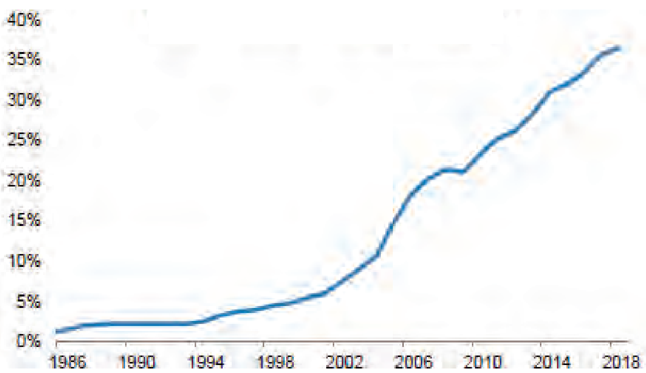
China's number of new graduates per year far exceeds that of key developed countries[1]

Annual Average No. of Graduates from Tertiary Education (Thousand People)



More and more young people are graduating from college[2]

Tertiary Graduates / Births 22 Years Ago



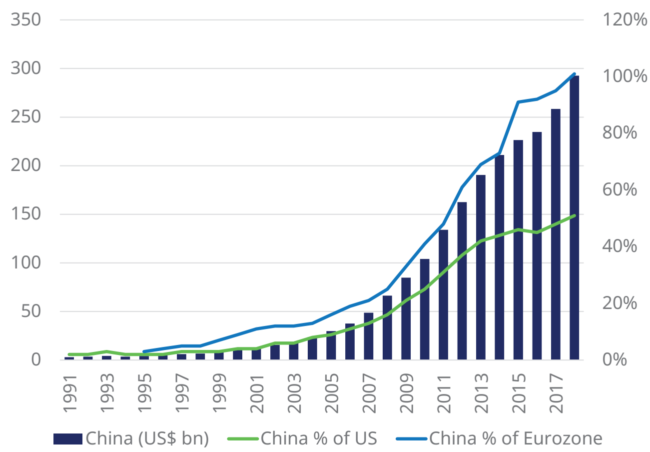
[1]Note: 2013-2017 data for China and 2012-2016 data for other countries. 2013-2016 average data for Japan because of missing data for 2012, October 2019. Source: Morgan Stanley Research and World Bank.
[2]Source: Ministry of Education, Morgan Stanley Research, and NBS, October 2019.

Why then is about half the portfolio still in China stocks? As Chart 6 highlights, there are some structural trends in China which we think are very supportive of growth; as a result, while old China – the banking, property, heavy industrial, oil, and cyclical sectors – may struggle, new China can still grow. While we are often critical of the Chinese authorities, sometimes command economies can quickly get good outcomes. The education system has rapidly improved over the last 20 years – whether measured by university rankings or the numbers of well-qualified graduates (Chart 6). A smaller but better educated and hungry workforce should mean productivity growth continues and entrepreneurship remains strong in China.

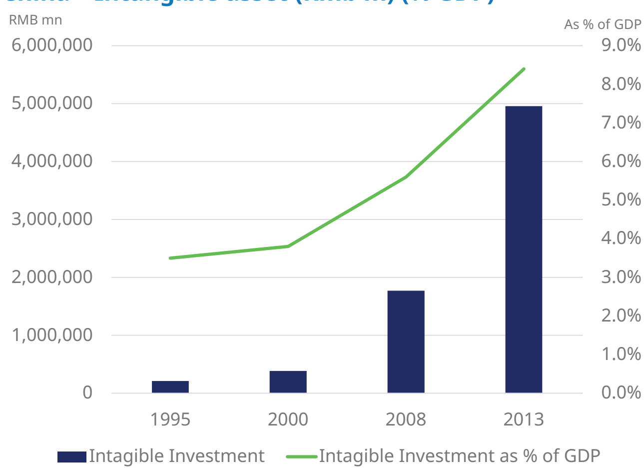
This, when combined with infrastructure that is super-efficient and a rapid move to a more efficient, mobile-based economy, provides a further boost to productivity growth in China in both the industrial and service sectors. On our trips to China, we continue to be amazed by how rapidly key parts of the economy are progressing – large Chinese cities look and feel much more like first world cities than a typical city in a middle income Asian country.

Chart 7: Why we are still positive on the Chinese upgrading of consumption and products

China – R&D Spending (US$ bn) (% of US & Euro)[1]



China – Intangible asset (Rmb m) (% GDP)[2]



[1]1Source: Macquarie Research and OECD, September 2019.
[2]Source: Wu, Hao (2018) "Intangible Investment By Industry In China"; CEIC and Macquarie Research, September 2019.

Portfolio Managers' Review

The other facet of China we continue to be surprised by is the upgrading of product quality in the industrial and service sectors. China now spends as much as the Eurozone on research and development ("R&D") (Chart 7) and is increasingly a leader in many technologies; the days of China just being the low-cost factory of the world are passing. We believe Chinese companies to be key players/leaders in areas such as telecoms infrastructure, electric vehicles, white goods, electronic products, renewable power, internet gaming, and e-commerce (where Amazon is rapidly losing out in most Asian markets to competitors backed by Alibaba and Tencent). Our focus within the portfolio is, therefore, not to fixate on Chinese growth and politics but to focus on the major structural changes and the companies that are likely to benefit from this.

2. Why we have little exposure to ASEAN and India

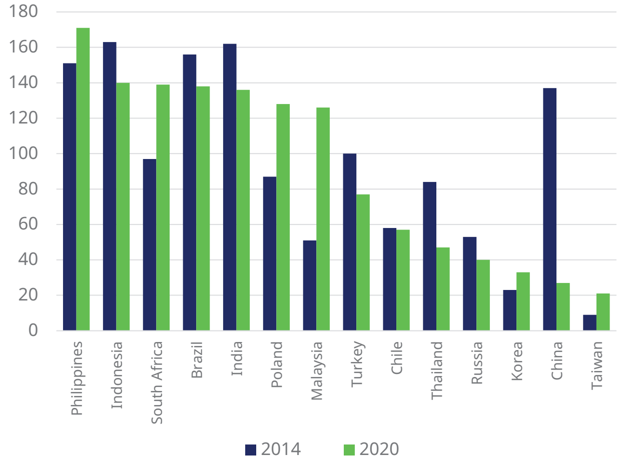
Despite the main stock markets in ASEAN – Malaysia, Thailand, Indonesia, and the Philippines – posting relatively poor performance over the last 12 months, the portfolio continues to have effectively zero exposure to ASEAN (except for Singapore). The portfolio also has only 6% exposure to India as we struggle to justify the high valuations that Indian blue chip stocks trade on. Why is this? Charts 8 and 9 below perhaps explain why.

Charts 8 and 9: Why many ASEAN countries are stuck in a middle income trap

Corruption Perception Index (higher score is better)[1]

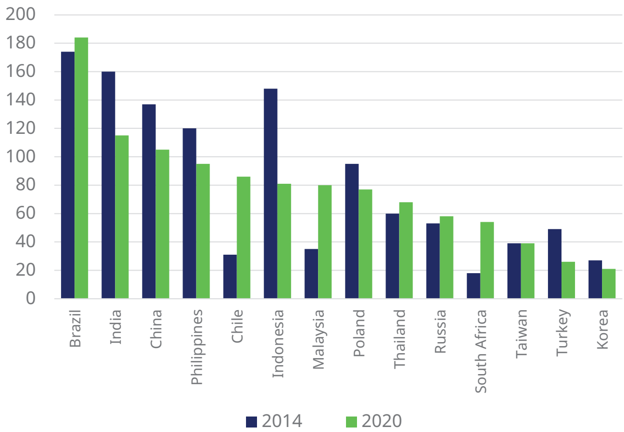
	2012	2014	2016	2018
Germany	79	79	81	80
UK	74	78	81	80
Japan	74	76	72	73
France	71	69	69	72
US	73	74	74	71
Taiwan	61	61	61	63
Korea	56	55	53	57
Malaysia	**49**	**52**	**49**	**47**
South Africa	43	44	45	43
India	36	38	40	41
Turkey	49	45	41	41
China	39	36	40	39
Indonesia	**32**	**44**	**37**	**38**
Thailand	**37**	**38**	**35**	**36**
Philippines	**34**	**38**	**35**	**36**
Brazil	43	43	40	35
Vietnam	31	31	33	33
Russia	28	27	29	28

Ease of Starting Business rank – remains very tough to start new business in ASEAN countries but easier in China[2]

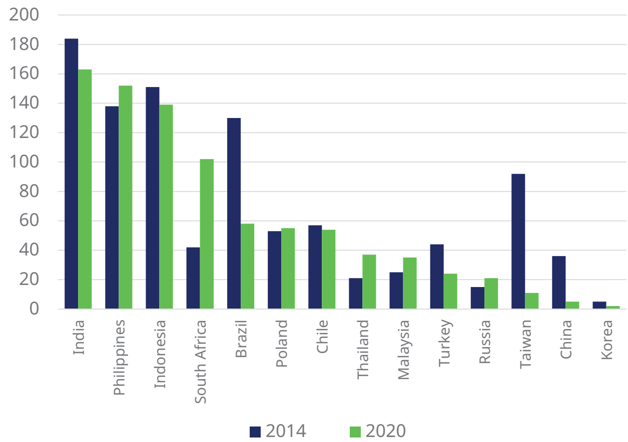


[1]Source: Macquarie Research and TI, Sept 2019.
[2]Source: Macquarie Research, World Bank, January 2020.

Ease of Paying Taxes rank – remains complex in most of ASEAN and particularly India



Ease of Enforcing Contracts rank – remains complex in India, Philippines & Indonesia



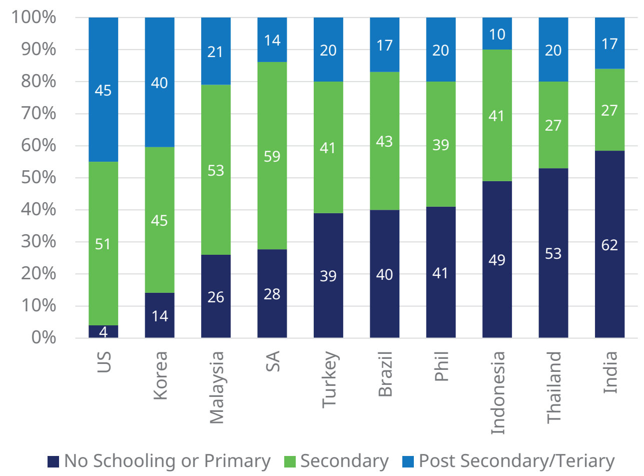
Source: Macquarie Research and World Bank, January 2020.

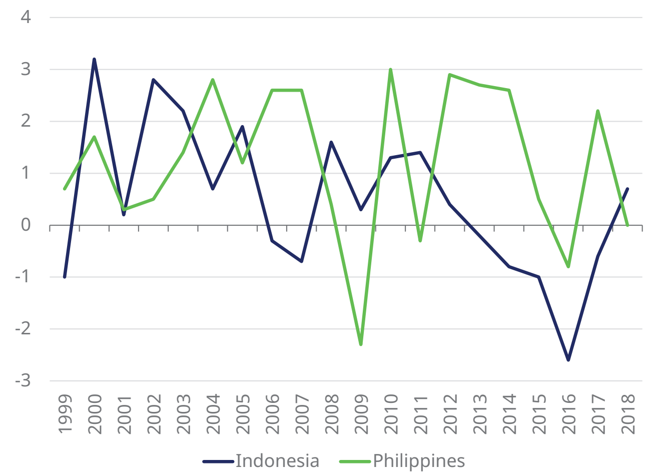
Portfolio Managers' Review

The more we look at ASEAN, the more we believe the region is stuck in a classic middle-income trap. Measures of corruption and the ease of doing business remain poor across ASEAN and India (see Chart 8). Politics appears to be deteriorating, with vested interests and questionable elements increasingly prevalent in Thailand, Indonesia and the Philippines. Populism in ASEAN is on the rise, as in much of the world. As shown in Chart 9, the rule of commercial law, whether it be the ease of paying taxes or enforcing property rights, is poor in much of ASEAN (especially the Philippines and Indonesia); India however comes right at the bottom of the heap, particularly in terms of the ease of paying taxes.

The consequences are disappointing investment rates, poor productivity growth and sluggish economic growth (Chart 10).

Chart 10: The consequences of serious educational failings are both poor productivity and income growth





[1]Source: ILO and Macquarie Research, September 2019. 2Source: Macquarie Research and TED, September 2019.

Our conclusion, therefore, is that, without change, the middle-income ASEAN countries and India will continue to experience disappointing growth and will end up in middle-income traps similar to those of much of Latin America. The current sluggishness of many Asian economies is in our view primarily due to structural factors, not cyclical issues.

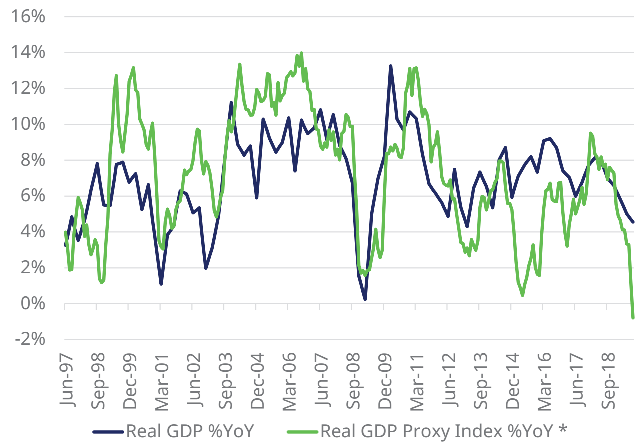
What does this mean for ASEAN stock markets? Given that most markets have been weak, are these issues at least partly reflected in prices? We are not convinced. Markets in ASEAN are heavily weighted towards banks, property and energy stocks and have almost no exposure to new economy or growth stocks such as technology and internet stocks, that is, the disruptors. Given the subdued growth outlook, and the structurally poor positioning of many companies to disruption and technological change, we find ASEAN markets expensive. We are not saying that we will not invest in ASEAN – there are some very well run companies there – but we need stock prices to reflect the more challenging domestic outlook.

India raises more debate. Ignoring the increasingly questionable 'edge' to Mr Modi's policies, we would accept that he has undertaken some sensible policy initiatives and that India is at a different, and earlier, stage of development to ASEAN. The country should, therefore, be able to produce reasonable growth. As Chart 11 highlights, however, we are not seeing this at the moment.

Portfolio Managers' Review

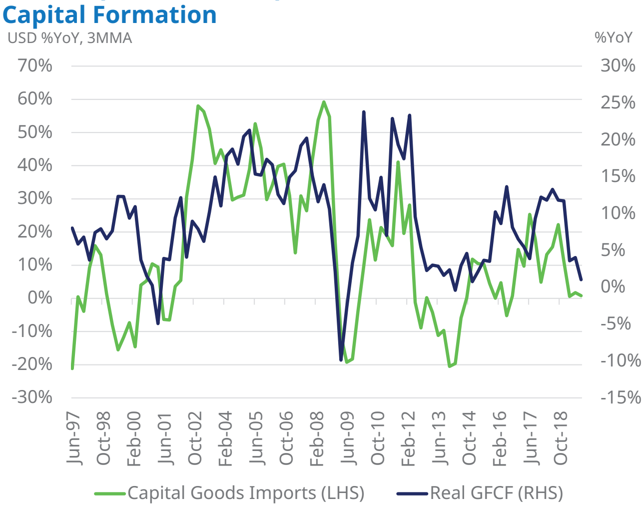
Chart 11: The Indian economy is even weaker than official numbers suggest – a rebound is possible but Modi's policies are currently failing

India Real GDP and Proxy Index Growth



*Includes agricultural and industrial production, electricity, steel and cement supply, vehicle sales, and real credit, exports and government revenues

India Capital Goods Imports and Real Gross Fixed Capital Formation

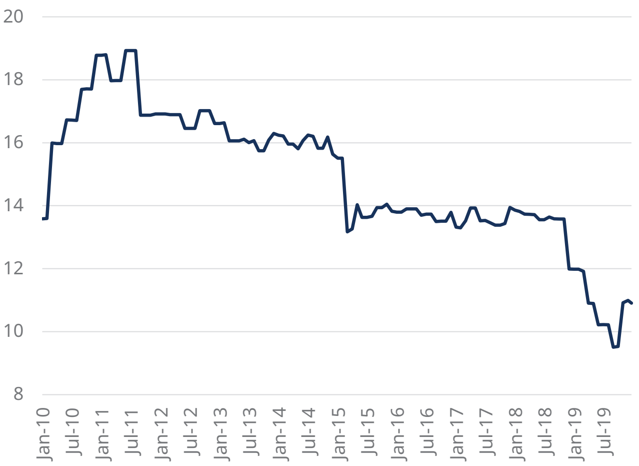


Source: DSGAsia, January 2020.

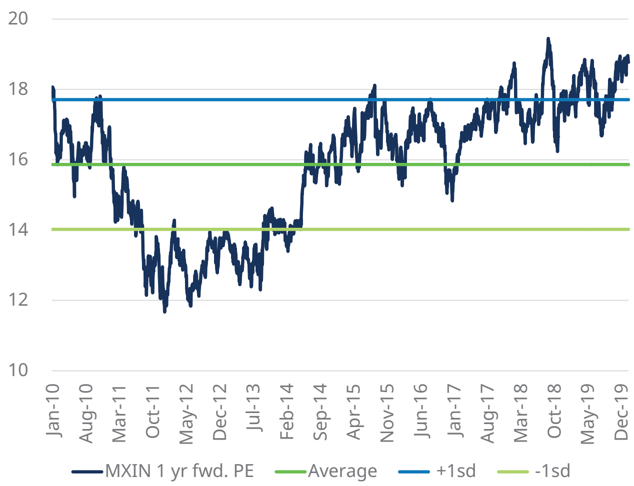
We are not sure if the weakness in the economy is all cyclical (given the problems in the banking system) or partly structural. The consensus, especially among the Indian stockbroking community, is it is primarily cyclical and we will see a strong rebound this year. We are less convinced – playing nationalist cards and controlling the press does not engender business confidence – and it is clear from Charts 8, 9 and 10 that, while the Prime Minister may be doing some things right (increasing infrastructure spending, cutting taxes and reducing red tape), he has not addressed many of the key issues to create a vibrant economy.

Chart 12: Indian valuations, we think, already reflect a lot of hope – and earnings have disappointed

MSCI India – ROE (%)[1]



MSCI India – 1Y forward PE[2]



[1]Source: Bloomberg, January 2020.
[2]Source: Bank of America Merrill Lynch, January 2020.

Portfolio Managers' Review

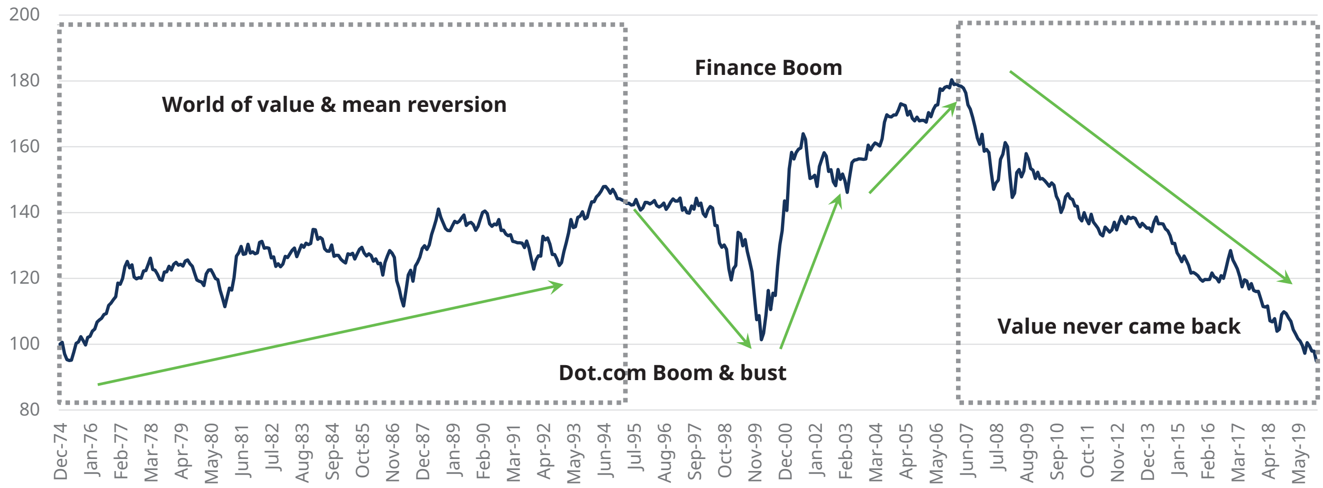
The market, however, has made decision-making easier. India is the most expensive market in Asia despite the challenging backdrop and the deterioration in returns on equity. Profits have, in the main, consistently disappointed over the last five years and we see little prospect of a sustained turnaround. Unless we see a significant correction in our favoured blue-chip stocks, exposure to India is likely to remain below 10%.

3. Value stocks, internet stocks and disruption

Prior to the COVID-19 pandemic the biggest point of debate among the Asian investors at Schroders was whether 2020 would be the year when value investing finally came back after a decade of underperformance?

Chart 13: Will value ever come back?

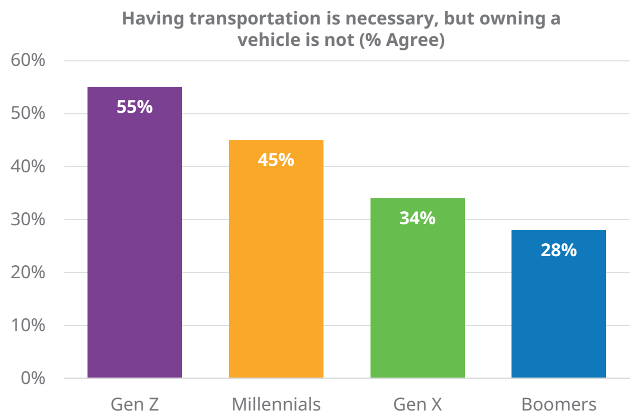
MSCI World – Value vs growth performance – Value doldrums for more than a decade

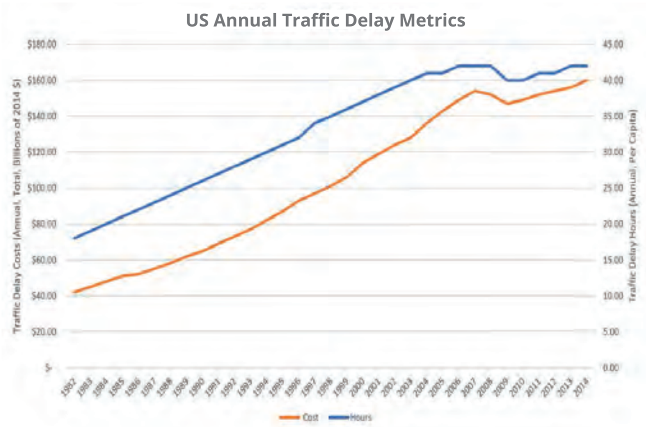


Source: Bloomberg and Macquarie Research, January 2020. Value: stock that trade at a lower valuation; Growth: stocks anticipated to grow at a rate above the average.

We do not expect the trends around disruption to reverse; indeed, we think quite the opposite in many areas of Asia, particularly finance and retail, where we forecast an acceleration in disruptive trends. Hence, we worry much of the value universe is a 'trap'. In particular, we are cautious on traditional automobile companies in Asia. When we visit them, the perception remains that car ownership will follow historic trends (Chart 14) despite evidence to the contrary and dreadful traffic jams. We would not be surprised if we are close to peak car ownership globally. Also, we struggle to see how most of the manufacturers will make money from electric vehicles and we expect margins on traditional internal combustion engine cars to remain under severe pressure. This is a sector we continue to avoid.

Chart 14: Dangerous assumptions – "Everyone loves driving and wants to own a car" – Gen Z has clearly a different attitude to transport from Baby Boomers





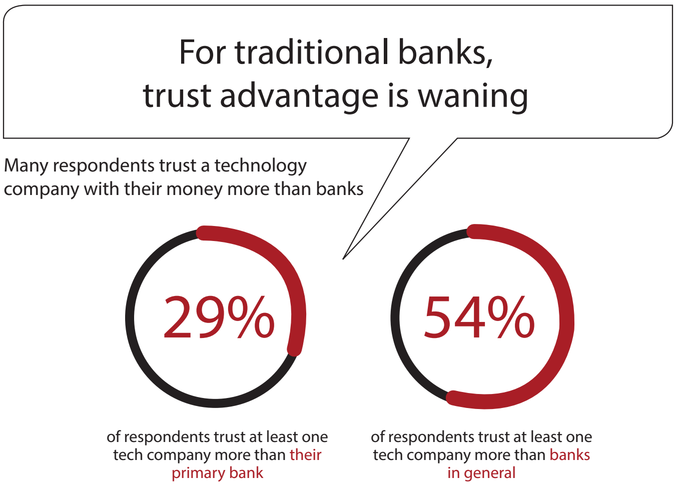
Source: Cox Automotive, https://investorplace.com/2019/04/4-charts-car-ownership-over/, 2019.
Source: Texas A&M Transportation Institute, https://investorplace.com/2019/04/4-charts-car-ownership-over/, 2019.

Portfolio Managers' Review

Asian banks are more interesting. Yields are attractive and the better banks are trying to adapt and roll out digital banks while addressing legacy cost issues. We have some exposure to banks in India (namely, the best private sector banks) and Singapore (which will benefit from Hong Kong's woes); however, in general, we think banking in Asia will be a tough place. We expect margins to remain under pressure as interest rates stay low and digital banks take market share (as Chart 15 shows, consumers are perhaps more open and trusting of digital banks than incumbents think). In much of emerging Asia, we think consumers who are often unbanked will skip directly to digital banks, foregoing traditional banking which often offers a poor legacy service. Therefore, we are not giving up on traditional banks but seemingly cheap valuations cannot be the only criteria to own them – they also need a niche and the ability to adapt. Well-funded digital banks and fintech start-ups may not make much money but they have the potential to be very disruptive.

Chart 15: Dangerous assumptions – "Consumers won't move to digital banks as they don't trust them"

Trust is not a barrier to start up banks – perhaps quite the opposite……..

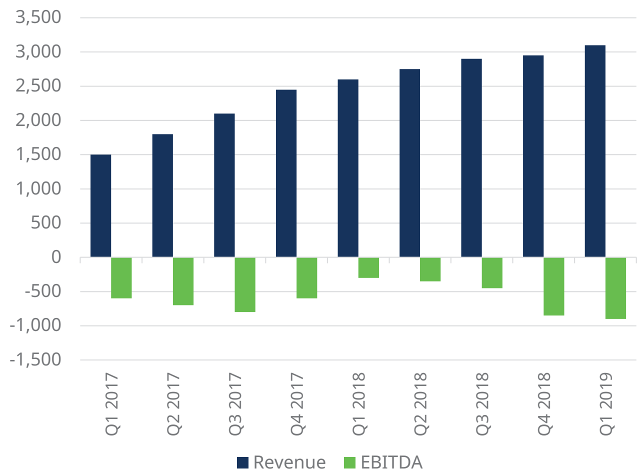


Source: Bain & Company and The Financial Brand, January 2019.

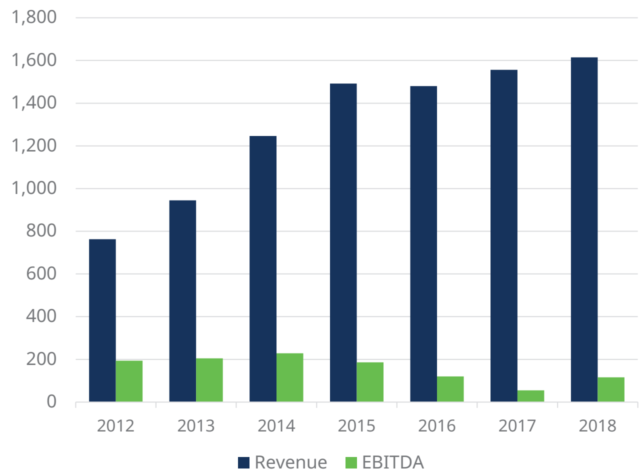
Does this mean the portfolio is just full of 'sexy' internet stocks? Definitely not, as it is becoming clear that not all internet stocks are winners. As Chart 16 shows, some internet stocks – such as Uber, Trip Advisor and WeWork) have not yet seen the benefits of scale drop to the bottom line.

Chart 16: Not all internet models are created equal – did taxis and travel agents ever make much money in a bricks-and-mortar world?

Uber revenue and EBITDA (US$m)[1]



Trip Advisor revenue and EBITDA (US$m)[2]



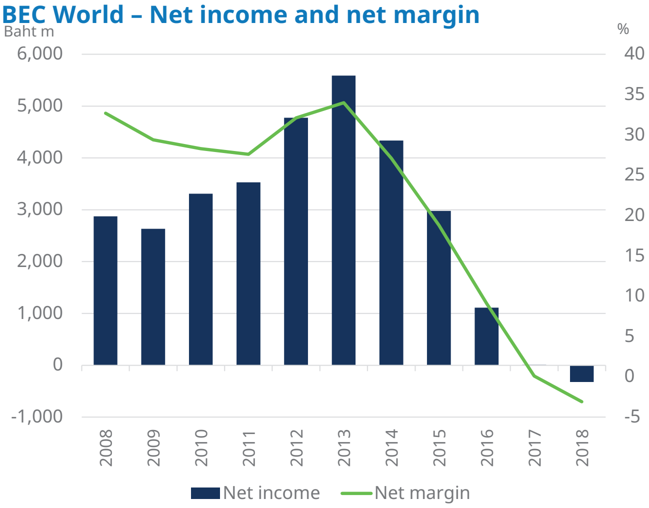
[1]Source: https://www.zerohedge.com, January 2020.
[2]Source: Bloomberg, January 2020. EBITDA: Earnings before interest, tax, depreciation and amortization is a measure of a company's operating performance.

Portfolio Managers’ Review

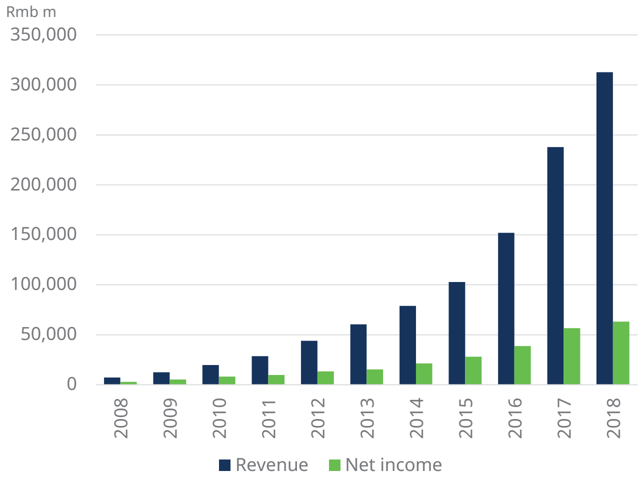
Perhaps this is not surprising; as Chart 16 says, “did travel agents and taxis ever make great returns?” Could low barrier-to-entry industries in the bricks-and-mortar world remain low barrier to entry in the internet universe? This means we want to focus on internet stocks that can get scale and high user stickiness. For the moment, the Company is sticking with its core positions in Tencent Holdings (Chart 17), whose social media and gaming platforms have high, and sticky, market shares and, like terrestrial TV in the old days, being the industry leader, garners all the revenue share; and Alibaba which has done well, and is well positioned given its stakes in key growth assets such as Alibaba Web Services (in cloud computing) and Ant Financial.

Chart 17: Can we learn from history? Internet stocks in industries that traditionally had high margins may have the best models – unless they get disrupted too!

BEC World – Net income and net margin



Tencent – Revenue and net income



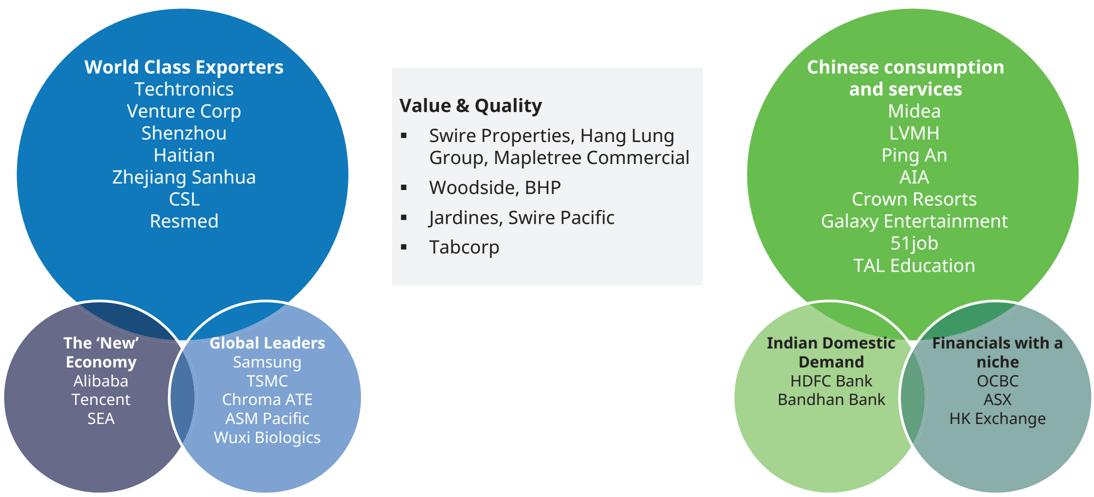
Source: Bloomberg, January 2020.

4. Where we see the best opportunities and ESG in Asia

Where do we see the best investment opportunities in the region?

Chart 18: What do we like? Key investment themes:

Tech leadership and innovation, Chinese upgrading, Indian finance, Sensible Capital Management



Source: Schroders. February 2020. The companies shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Portfolio Managers' Review

Chart 18 has a summary of the key holdings. There is a mix of stocks using their comparative advantages to gain market share – stocks such as Resmed, one of the world's leading sleep apnea companies that has used new technologies to improve product effectiveness and grow revenues. Another example is Techtronics, a key holding for many years, which has benefited from rapid improvements in motor, and particularly battery technology, enabling the company to hugely expand its product range and the quality of its power tools. Techtronics' latest battery advances have enabled the company to move into the heavy industrial segment, introducing battery-power saws, jackhammers and pile drivers which can replace dirty, unreliable petrol tools (Chart 19). A visit to the company's main R&D and manufacturing hub in Guangdong is always one of the year's most insightful visits.

Chart 19: Sticking with Techtronics – expanding the addressable market for battery tools as technology changes

New Heavy Duty Tools Replace Pneumatic and Petrol Solutions – they are cleaner, lighter and more portable – initial feedback is very positive

Reviews are good: https://www.protoolreviews.com/news/milwaukee-mx-fuel-equipment-batteries/50750/

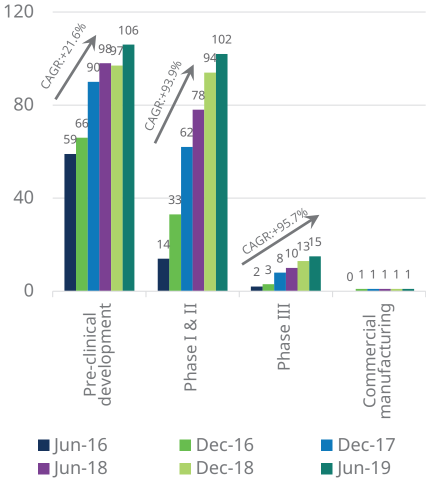
Source: https://www.protoolreviews.com/news/milwaukee-mx-fuel-equipment-batteries/50750/ , December 2019.

Other areas of focus are Asian companies with strong entrenched niches in areas of growth. These includes companies such as Chroma ATE, which has a strong niche in specialised semiconductor inspection and testing equipment. It should benefit from the capital equipment upgrade required for 5G chip fabrication, as well as higher capital expenditure as China tries to develop its semiconductor industry. In China, we like companies such as Wuxi Biologics which has proved it can be a global leader in a very high barrier-to-entry, high-growth industry (Chart 20). With Chinese pharmaceutical companies massively increasing R&D spending, we think the biologics industry will grow rapidly.

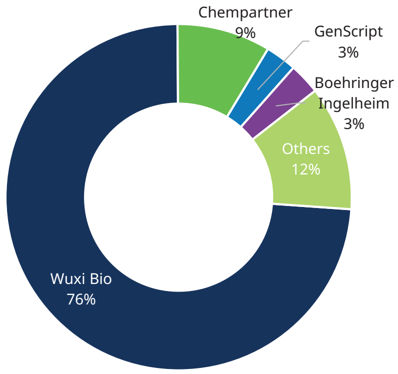
We expect Wuxi Biologics to be the partner of choice in China and one of the three largest global players in biologics outsourcing.

Chart 20: Wuxi Biologics – Expensive but very well positioned in China's fastest-growing industry

Wuxi Bio's ongoing integrated project by phase[1]

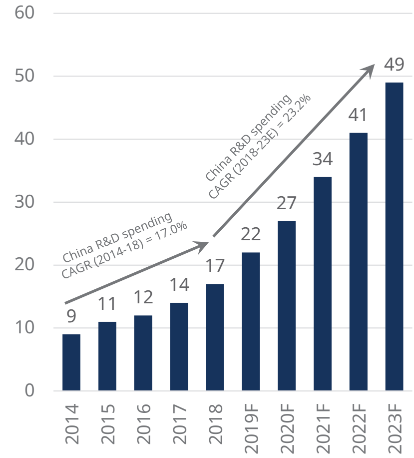


Wuxi Bio's China biologics outsourcing market share in 2018[1]



Note: We use Wuxi Bio's total revenue to calculate its market share in China

China pharma's R&D spending (2014-23F)[2]



[1]Source: Company data and UBS, January 2020.
[2]Source: F&S and UBS, January 2020. Securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

The portfolio's other focus is the green circles in Chart 18 – stocks that play off domestic demand growth in Asia. This primarily revolves around domestic demand and upgrading in China. As highlighted in the China section earlier, we are confident the Chinese economy can continue to grow at a modest rate. We expect much of this to come from productivity gains, which should fuel consumer wealth growth via salary gains. We see recent structural trends continuing so have kept the long-term holdings in stocks such as Midea (which operates in the white goods industry), Ping An Insurance and AIA (health insurance and savings plans), Galaxy Entertainment (Macau gaming), and TAL Education (tutoring and online education).

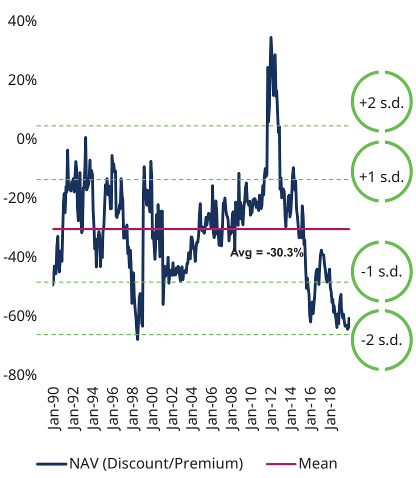
Holdings in the growth areas of the Company are balanced by more 'value'-based stocks, and stocks where we anticipate the bulk of returns will come from dividends (assuming COVID-19's impact on corporate cash flows is not prolonged). This includes the two remaining Hong Kong-listed property companies – Hang Lung and Swire Properties. As shown in Chart 21, both are trading close to their all-time low discounts to NAV and offer attractive yields. The stocks are deeply out of favour due to worries about their Hong Kong retail exposure. We think the market is missing the fact that both have assets in China that are doing very well; in Hang Lung's case, its properties there are now over half of NAV. Moreover, for Swire Properties, the key Hong Kong office portfolio is proving resilient, particularly the new non-central business district development in Island East.

Portfolio Managers' Review

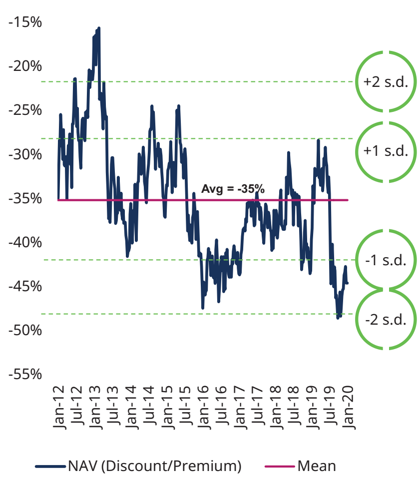
Chart 21: Swire Properties and Hang Lung Group – good commercial assets going cheap

High exposure to office sector and China, large discount to NAV, good yield support

Hang Lung Group



Swire Properties



Split of GAV

	HL Prop % of GAV*	Swire Prop % of GAV
Hong Kong		
HK office	***17%***	***48%***
HK luxury retail	***--***	***8%***
HK non-luxury retail	***24%***	***8%***
HK DP, rental apartments, hotel	***9%***	***10%***
China		
China IP/DP	***50%***	***22%***
Others – non HK/China DP/IP, other listed co investment	***--***	***4%***
GAV	100%	100%

Source:: JP Morgan, January 2020. Source: Bank of America Merrill Lynch and Bloomberg, January 2020.
*Hang Lung Properties accounts for the majority of Hang Lung Group's value. Source: Schroders, January 2020.

Portfolio Managers' Review

Governance, in particular, has always been at the heart of our research process: in Asia, we are nearly always minority investors, either to governments or founding families, and the protection of minority investors' rights in most countries is poor.

Environmental factors, and the sustainability of business models have also long been considered in our investment thinking and are now getting increasing prominence, particularly as we expect political and policy pressure on emissions standards to ratchet up in Asia. The portfolio has never had much exposure to carbon-intensive industries and given rising risks of an even greater backlash, we are unlikely to invest in them. However, the Company is not an ESG fund so we do not have specific exclusions to sectors such as oil & gas and mining. Chart 22 provides detail on exposure to sensitive sectors and how we approach investment in these areas.

Chart 22: ESG and sustainability in action – the practical reality for the Company

Sector	Reasons for Caution	Our Approach	Approx. Fund Exposure
Agribusinesses	Environmental, Social, Governance, (low barriers of entry, widespread questionable practices)	Avoid	0%
Tobacco	Social, Governance	Avoid	0%
Gaming	Social, Governance	Limited exposure to best-in-class players in well-regulated markets (Macau, Australia)	6.8% (3 stocks)
Utilities	Environmental, Governance, (national service obligations, uncertain regulations/risks of backlash against coal plants, mostly state-owned enterprises)	Avoid carbon heavy energy providers, focus on hydro and sustainable energy providers in well-regulated markets (if such a thing exists?)	0%
Auto	Environmental (regulations against the sector – too much hot money in EVs and multiple players will mean poor returns for all)	Avoid OEMs, minimise exposure to supply chains	1.0% (1 stock)
Resources	Environmental, Social, Governance (questionable practices such as bribery and poor environmental and safety controls widespread in Asia ex Australia)	Avoid except for Australia blue chips	3.0% (1 stock)
Oil and Gas	Environmental, Governance (regulations, unfavourable taxes, mostly state-owned)	Limited exposure to best-in-class companies ideally with an LNG/gas focus	1.8% (1 stock)
Property	Environmental, Social, Governance (bribery issues, flooding, land clearance compensation)	Exposure principally to Hong Kong and Singapore where there are better practices and cities that "work". Outside HK/SG, only invest in management teams we 100% trust (this is a small number of companies)	10.0% (5 stocks)

Source: Schroders, January 2020.

Robin Parbrook, Lee King Fuei

For Schroder Investment Management Limited

14 April 2020

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

Investment Portfolio as at 31 December 2019

Investments are classified by the investment manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 61.1% (2018: 58.5%) of total investments and derivative financial instruments.

	£'000	%
Hong Kong (SAR)		
AIA	**13,260**	**3.6**
Jardine Strategic[1]	**11,277**	**3.1**
Galaxy Entertainment	**11,151**	**3.0**
Techtronic Industries	**11,063**	**3.0**
Swire Properties	**9,742**	**2.6**
ASM Pacific Technology	**6,987**	**1.9**
Swire Pacific	6,221	1.7
Stella International	5,414	1.5
Hang Lung	4,971	1.3
Kerry Logistics Network	4,755	1.3
Hong Kong Exchanges and Clearing	4,433	1.2
Convenience Retail Asia	4,362	1.2
Johnson Electric Holdings	2,810	0.8
Dah Sing Banking	2,667	0.7
Pacific Textiles Holding	2,141	0.6
Total Hong Kong (SAR)	**101,254**	**27.5**
Mainland China		
Alibaba[2] **(including ADR**[3]**)**	**20,923**	**5.7**
Tencent Holdings[2]	**15,836**	**4.3**
Ping An Insurance[2]	**8,124**	**2.2**
Shenzhou International Group[2]	**6,694**	**1.8**
Midea Group (UBS) 19/06/19[4]	6,459	1.8
WuXi Biologics[2]	5,454	1.5
Hutchison China MediTech[5] (including ADR[3])	5,312	1.4
51 Jobs (ADR)[3]	4,548	1.2
Haitian International Holdings[2]	3,795	1.0
TAL Education (ADR)[3]	3,421	0.9
WuXi AppTec[2]	2,888	0.8
Nexteer Automotive[2]	463	0.1
Total Mainland China	**83,917**	**22.7**

	£'000	%
Australia		
BHP Billiton	**9,675**	**2.6**
Medibank Private	**7,851**	**2.1**
CSL	**7,473**	**2.0**
Resmed	**7,349**	**2.0**
Crown	**6,833**	**1.9**
Woodside Petroleum	6,009	1.6
Tabcorp	5,151	1.4
Brambles	4,629	1.3
Incitec Pivot	4,325	1.2
ASX	3,458	0.9
Total Australia	**62,753**	**17.0**
Taiwan		
Taiwan Semiconductor Manufacturing	**20,062**	**5.5**
Voltronic Power Technology	5,913	1.6
Chroma ATE	5,331	1.4
Getac Technology	4,135	1.1
Total Taiwan	**35,441**	**9.6**
India		
HDFC Bank (ADR)[3]	**15,361**	**4.2**
Schroder International Selection Fund – Indian Opportunities[6]	4,949	1.3
Infosys (ADR)[3]	4,565	1.2
Total India	**24,875**	**6.7**
Singapore		
Mapletree Commercial Trust	**8,515**	**2.3**
Oversea-Chinese Banking	**6,511**	**1.8**
Venture	4,826	1.3
CapitaLand Mall Trust	3,603	1.0
Total Singapore	**23,455**	**6.4**
South Korea		
Samsung Electronics	**20,249**	**5.5**
Total South Korea	**20,249**	**5.5**
Thailand		
Aeon Thana Sinsap	5,106	1.4
Total Thailand	**5,106**	**1.4**

Investment Portfolio as at 31 December 2019

	£'000	%
Germany		
Adidas	4,680	1.3
Total Germany	**4,680**	**1.3**
France		
LVMH	4,582	1.2
Total France	**4,582**	**1.2**
Philippines		
International Container Terminal Services	2,225	0.6
Total Philippines	**2,225**	**0.6**
Total Investments[7]	**368,537**	**99.9**
Derivative Financial Instruments		
Index Put Options		
Hong Kong Stock Exchange Put Option 11000 February 2020	176	0.1
Hong Kong Stock Exchange Put Option 10800 February 2020	121	–
Hong Kong Hang Seng Index Put Option 27000 January 2020	111	–
Hong Kong Hang Seng Index Put Option 27000 February 2020	69	–
Total Index Put Options[8]	**477**	**0.1**
Total Investments and Derivative Financial Instruments	**369,014**	**100.0**

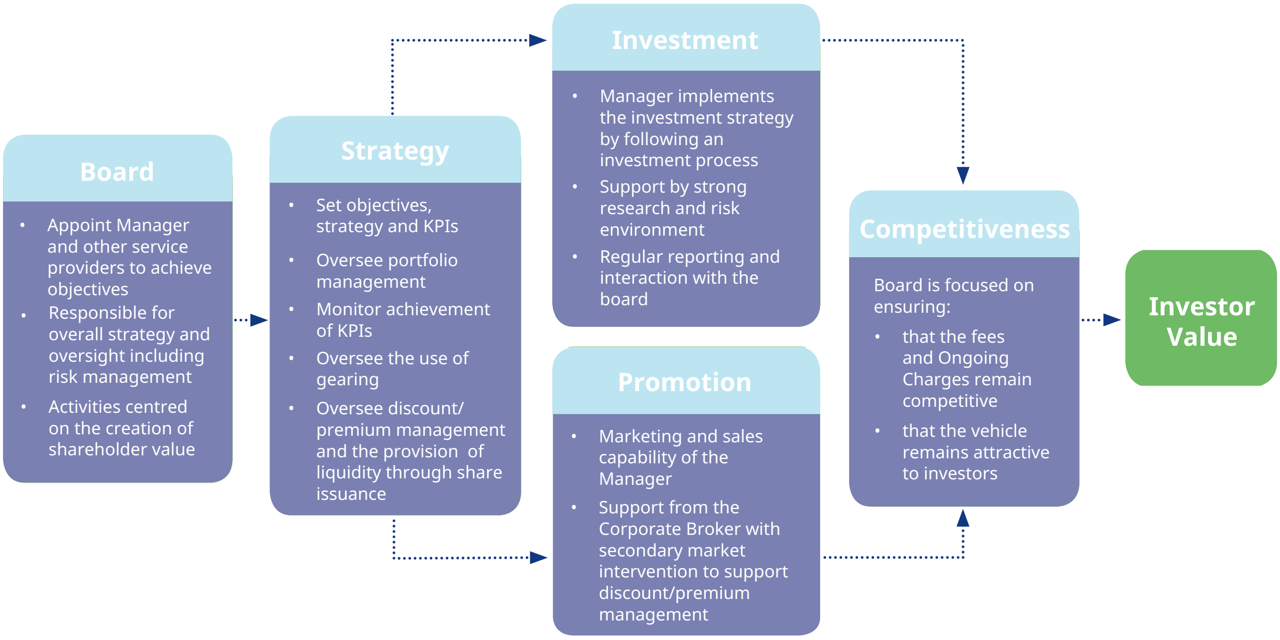
[1]Listed in Singapore.
[2]Listed in Hong Kong (SAR).
[3]Listed in the USA.
[4]Participatory notes.
[5]Listed in the UK.
[6]Open-ended collective investment fund.
[7]Total investments comprise the following:

	£'000
Equities	308,754
American Depositary Receipts (ADR)	48,375
Participatory notes	6,459
Collective investment funds	4,949
Total investments	368,537

[8]The combined effect of the options gives downside protection to 3.7% of total investments.

Strategic Report

The Strategic Report sets out the Company's strategy for delivering the investment objective (set out on the inside front cover), the business model, the risks involved and how the board manages and mitigates those risks. It also details the Company's purpose, values and culture, and how it interacts with stakeholders.



Business model

The board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate. The terms of the appointment are described more completely in the Directors' Report. The Manager also promotes the Company using its sales and marketing teams. The board and Manager work together to deliver the Company's investment objective, as demonstrated in the diagram above. The investment and promotion processes set out in the diagram are described in more detail below.

Investment

Investment approach

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

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

Investment process – an overview

Key attributes of the investment process are as follows:

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

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

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

The Portfolio Managers are supported by an experienced team of 38 research analysts, based in Asia, with an average of 16 years of experience. They also have access to the management of Asian companies – with over 2,200 meetings taking place throughout the Asia Pacific ex Japan region (in 2019); the thoroughness and depth of local investment research resources provides valuable insight into companies and their key issues, a competitive advantage in conducting fundamental bottom-up analysis.

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

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

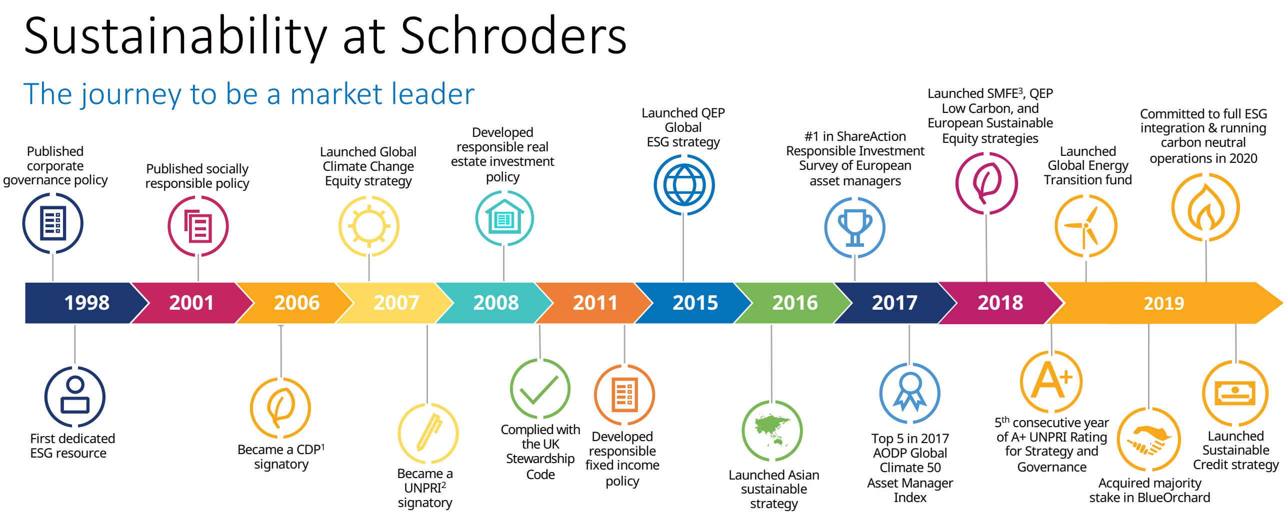
The Company's strategy also aims to reduce volatility and offer a degree of capital preservation, and this is implemented through the strategic and tactical use of derivatives (principally futures and options on market indices and forward foreign currency contracts) to hedge market risks inherent in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

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

Integration of ESG into the investment process

Schroders has been considering Environmental, Social and Governance ("ESG") issues, and sustainability generally, for over 20 years, as detailed in the timeline below.

Schroders has a team of 20 dedicated ESG analysts in London. They analyse long-term trends and implications around sustainability and how this is likely to affect different industries and stakeholders. The team operates as a central resource to both disseminate trends and analysis to the rest of the group and also provides training and input to the Manager's Asian analysts when they are undertaking their



'Issues such as climate change, resource scarcity, population growth and corporate failure have put responsible investment at the forefront of investors' minds. We believe that companies with a strong environmental, social and governance ethos tend to deliver better results for our clients.'

Peter Harrison, Group Chief Executive, Schroders plc

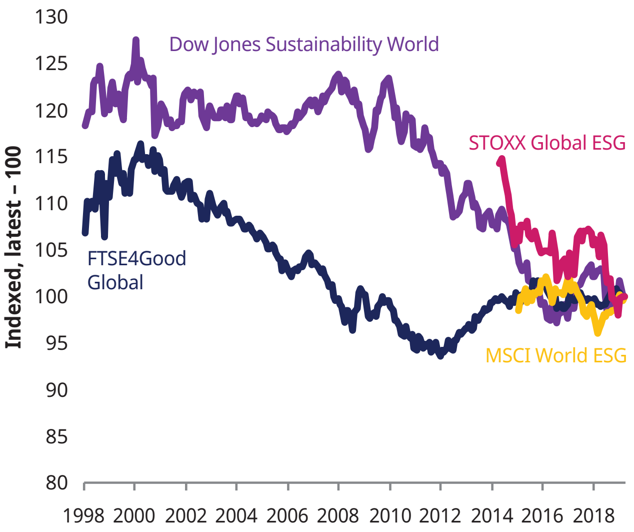
- Source: Schroders, January 2020.
- [1]Carbon Disclosure Project. [2]UN Principles for Responsible Investing. [3]Sustainable Multi-Factor Equity

sustainability work as part of their industry and company research. Schroders uses research on sustainability to make more complete and informed investment decisions.

The reason Schroders places such a high importance on its own research is that "passive ESG", which relies on third-party ratings, which are backward-looking, opaque and inconsistent has a poor track record, as demonstrated by the chart below:

Passive ESG has a poor track record:

Performance of common ESG indices relative to conventional equivalent



Source: Thomson Datastream, 31 March 2019

The Manager's Asian analysts aim to embed thinking on sustainability and ESG into all research. This is detailed in the diagram on page 23.

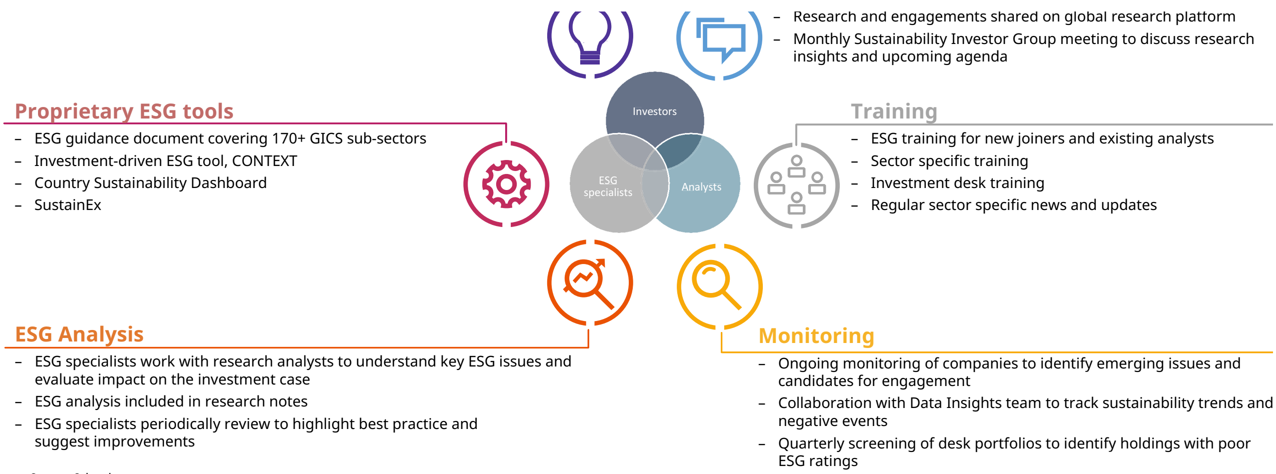
Sustainability and ESG analysis in Asia is in Schroders' view of greater importance when making investment decisions than perhaps any other region in the world. Firstly, there are risks of poor corporate governance and fraud owing to family and/or state shareholder structures and poor minority investor protection. Secondly, Asia is the biggest greenhouse gas emitter in the world and the region that faces the biggest environmental and economic costs of global warming. Finally, environmental degradation and the social costs of industrialisation and malpractice is widespread in Asia. The region therefore gets a very significant amount of attention within the Schroders ESG team.

The first part in all research reports covers governance – the management, their background and track record, whether they treated minority shareholders poorly in the past, and if they are credible and professional. The Manager only invests in companies where it is believed management is trustworthy, where interests are aligned and where there is no historic record of misdemeanours. This screens out a very large part of the Asian universe. The Manager only covers around 60% of the MSCI AC Asia ex Japan index (by market capitalisation) as it has proactively screened out many companies for ESG reasons (although the Manager also covers additional companies with a market cap of around US$2.4 trillion that are not in the index).

The other work the analysts undertake in all major research notes is red flag analysis. This analysis uses a forensic accounting model that looks across 70 metrics which flags up risk of fake cash flows, financial manipulation, suspect margins, questionable working capital management etc. Analysts look through this and comment, following up on any red flags as part of their research. In summary, the Manager looks for companies with sustainable business models that are doing the right thing to generate the best performance for the Company. Further details of how the Portfolio Managers have considered ESG factors with respect to the portfolio is detailed in the Portfolio Managers' Review.

ESG integration

Embedded in our culture and investment process



• Source: Schroders.

Investment restrictions and spread of risk

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

The key restrictions imposed on the Manager are that:

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

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

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

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

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

The Investment Portfolio on pages 24 and 25 demonstrates that, as at 31 December 2019, the Company held 57 investments spread over a range of industry sectors. The largest investment, Alibaba, represented 5.7% of total investments. The board therefore believes that the objective of spreading investment risk has been achieved.

Promotion

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

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

Details of the board's approach to discount/premium management and share issuance may be found in the Chairman's Statement on page 4 and in the Annual General Meeting – Recommendations on page 74.

Key performance indicator – the investment objective

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

The performance objective is also reflected in the Manager's fee which rewards performance above an absolute hurdle. Further details of the fees paid to the Manager may be found in the Directors' Report on page 38.

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

Purpose, Values and Culture

The Company's purpose is to create long-term shareholder value.

The Company's culture is driven by its values: Transparency, Engagement and Rigour, with collegial behaviour and constructive, robust challenge. The values are all centred on achieving returns for shareholders in line with the Company's investment objective. The board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the board and third parties to which it delegates. The board aims to fulfill the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The board is responsible for embedding the Company's culture in the Company's operations.

The board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers to safeguard the Company's interests. As part of this ongoing monitoring, the board receives reporting from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting.

Corporate and Social Responsibility

Diversity

As at 31 December 2019, the board comprised three men and two women. The board has adopted a diversity and inclusion policy. With respect to recruitment of non-executive directors, the Company will not discriminate on the grounds of gender, social and ethnic backgrounds or cognitive and personal strengths. It will encourage any recruitment agencies it engages to find a diverse range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit alone. Candidates for board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall board taking into account the criteria for the role being offered.

Bribery and corruption

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery and corruption policy, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

Greenhouse gas emissions and energy usage

As the Company outsources its operations to third parties, it has no significant greenhouse gas emissions and energy usage to report.

Relations with shareholders

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

In addition to the engagement and meetings held during the year described on page 29, the chairs of the board and committees, as well as the senior independent director and the other directors, attend the AGM and are available to respond to queries and concerns from shareholders.

Responsible investment

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

In addition to the description of the Manager's integration of ESG into the investment process and the details in the Managers' Review, a description of the Manager's policy on these matters can be found on the Schroders website at www.schroders.com/ri.

The board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

The board has received reporting from the Manager on the application of its policy.

The board's commitment to stakeholders – section 172 Companies Act 2006 statement

The board has identified its key stakeholders as the Company's shareholders and service providers. The board notes the Company has no employees and the impact of its own operations on the environment and local community is through the impact its service providers have.

Engagement with key stakeholders assists the board in meeting the obligation for directors to act in a way that promotes the success of the Company, taking into account their interests. This statement outlines this engagement and the impact on decision making where appropriate, and cross-refers to the decisions made by the board during the year, detailed elsewhere in this report.

As detailed in "Promotion" on page 29 and Relations with Shareholders on page 30, the Company engages with its shareholders. The board considered feedback by shareholders when making decisions relating to share issuance, dividend decisions and review of board composition.

As detailed in "Purpose, Values and Culture" on page 29, the board engages with service providers, and receives regular reporting, either directly, or through the Manager or Company Secretary, on performance and other matters. The effect of such engagement, if relevant, is detailed in the Chairman's Statement, Managers' Review and Management Engagement Committee Report.

Principal risks and uncertainties

The board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit and risk committee on an ongoing basis. This system assists the board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to regular, robust review. The last review took place in March 2020.

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

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

Emerging risks and uncertainties

During the year, the board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk and climate change risk. The board has determined they are not currently material for the Company. The board receives updates from the Manager, Company Secretary and other service providers on potential other risks that could affect the Company.

Political risk includes Brexit, trade wars and regional tensions. The board continues to monitor developments for the UK's departure from the European Union and to assess the potential consequences for the Company's future activities. However, currency rates and borrowings drawn down by the Company may be affected by geopolitical developments. The board is also mindful that changes to public policy in the UK, or in the Asia Pacific region, could impact the Company in the future.

Climate change risk includes how climate change could affect the Company's investments, and potentially shareholder returns. The board notes the Manager has integrated ESG considerations, including climate change, into the investment process. The board will continue to monitor this.

The board also reviewed the risks arising from the COVID-19 pandemic. It will continue to affect the value of the Company's investments due to the disruption of supply chains and demand for products and services, increased costs and cash flow problems, and changed legal and regulatory requirements for companies. The pandemic has triggered a sharp fall in global stock markets and created uncertainty around future dividend income. The fall in the Company's NAV per share and share price after the balance sheet date has been highlighted as a post-balance sheet event in Note 23 to the Accounts on page 73. The board notes the Portfolio Managers' investment process is unaffected by the COVID-19 pandemic and they continue to focus on long-term company fundamentals and detailed analysis of current and future investments. COVID-19 also affected the Company's service providers, who have implemented business continuity plans and are working almost entirely remotely. The board continues to receive regular reporting on operations from the Company's major service providers and does not anticipate a fall in the level of service.

Risk	Mitigation and management
Strategic The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.	The appropriateness of the Company's investment remit is periodically reviewed and the success of the Company in meeting its stated objectives is monitored. The share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis. The marketing and distribution activity is actively reviewed. Proactive engagement with shareholders.
The Company's cost base could become uncompetitive, particularly in light of open ended alternatives.	The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against their competitors. Annual consideration of management fee levels.

Risk	Mitigation and management
Investment management The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of: the Manager's compliance with its agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager is undertaken.
Financial and currency The Company is exposed to the effect of market and currency fluctuations due to the nature of its business. A significant fall in regional equity markets or substantial currency fluctuation could have an adverse impact on the market value of the Company's underlying investments.	The risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets are discussed with the Manager. The derivative strategy employed by the Manager is subject to review by the board. The board considers the overall hedging policy on a regular basis.
Custody Safe custody of the Company's assets may be compromised through control failures by the depositary.	The depositary reports on safe custody of the Company's assets, including cash, and portfolio holdings independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements. An annual report from the depositary on its activities, including matters arising from custody operations is received.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 30% of net asset value. The board oversees the Manager's use of derivatives.
Accounting, legal and regulatory In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010. Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Service providers give regular confirmation of compliance with relevant laws and regulations. Shareholder documents and announcements, including the Company's published annual report, are subject to stringent review processes. Procedures established to safeguard against disclosure of inside information.

Risk	Mitigation and management
Service provider The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, depositary and registrar. Failure of controls, and poor performance of any service provider, could lead to disruption, reputational damage or loss.	Service providers are appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reports are provided by key service providers and the quality of their services is monitored. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls, and follow up of remedial actions as required.
Cyber The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information or disrupt operations.	Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyber attack.

Risk assessment and internal controls review by the board

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

No significant control failings or weaknesses were identified from the audit and risk committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report. The board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company is set out in note 21 to the accounts on pages 68 to 73.

Viability statement

The directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 31 December 2019 and the potential impact of the principal risks and uncertainties it faces for the review period. They have also reviewed the impact of the COVID-19 pandemic on the Company as further detailed in the Chairman's Statement, Portfolio Managers' Review and Emerging Risks sections of this report. The directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively, following the implementation of their business continuity plans as required by COVID-19.

The board believes that a period of five years reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding. In its assessment of the viability of the Company, the directors have considered each of the Company's principal risks and uncertainties detailed on pages 31 and 33 and in particular the impact of a significant fall in regional equity markets on the value of the Company's investment portfolio.

The directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary. Based on the Company's processes for monitoring operating costs, the board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

Having assessed the principal risks, the impact of the COVID-19 pandemic and the other matters discussed in connection with the viability statement set out above, and the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the FRC in 2014, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

By order of the board

Schroder Investment Management Limited
Company Secretary

14 April 2020

Board of Directors

David Brief

Status: independent non-executive Chairman

Length of service: 12 years – appointed a director in November 2007 and Chairman in April 2015
Experience: Mr Brief has worked in investment management since 1979. He was Chief Investment Officer of BAE Systems Pension Fund Investment Management Limited from 2001 to 2011, having previously been Chief Investment Officer at both TRW (Lucas) and Courtaulds Pension Scheme. He was formerly an independent adviser to the British Coal Staff Superannuation Scheme, Rio Tinto Pension Schemes, and J Sainsbury Pension Scheme.
Committee membership: management engagement and nominations committees (Chairman)
Current remuneration: £45,000 per annum (from 1 January 2020)
Number of shares held: 47,171*

Andrew Cainey

Status: independent non-executive director

Length of service: 1 year – appointed a director on 7 March 2019
Experience: Mr Cainey is an experienced business consultant, public policy adviser, speaker and writer. He is currently a Senior Partner of Asiability, an Associate Fellow of Chatham House, a Senior Fellow of the Shanghai Academy of Social Sciences, and a Senior Advisor of Lumen Capital Investors. He previously held roles with the Boston Consulting Group, Booz & Company and Tony Blair Associates. During the course of his career he spent over 15 years in Asia, including China, Korea and Singapore.
Committee membership: audit and risk, management engagement and nominations committees
Current remuneration: £35,000 per annum (from 1 January 2020)
Number of shares held: 15,050*

Caroline Hitch

Status: senior independent non-executive director

Length of service: 5 years – appointed a director in February 2015 and senior independent director in May 2018
Experience: Ms Hitch has worked in the financial services industry since the early 1980s, mostly with the HSBC group. Her experience includes Head of Wealth Portfolio Management at HSBC Global Asset Management (UK) Ltd. with investment management responsibility for their flagship multi asset retail funds. Prior roles took her to various locations including Hong Kong. Ms Hitch is a non-executive director of Aberdeen Standard Equity Income Trust plc and Chairman of CQS New City High Yield Ltd.
Committee membership: audit and risk, management engagement and nominations committees
Current remuneration: £35,000 per annum (from 1 January 2020)
Number of shares held: 10,000*.

Board of Directors

Mike Holt

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

Length of service: 5 years – appointed a director in July 2014 and chairman of the audit and risk committee in October 2014
Experience: Mr Holt was CFO of Low & Bonar PLC, an international performance materials group, from 2010 until 2017 and was Group Finance Director of Vp plc from 2004 to 2010. Prior to 2004, he held a number of senior financial positions with Rolls-Royce Group plc in the UK, the USA and Hong Kong. He is a Fellow of The Institute of Chartered Accountants in England & Wales and an associate member of The Association of Corporate Treasurers. Mr Holt is a non-executive director of nmcn PLC and Real Good Food plc.
Committee membership: audit and risk (chairman), management engagement and nominations committees
Current remuneration: £40,000 per annum (from 1 January 2020)
Number of shares held: 10,000*

Sarah MacAulay

Status: independent non-executive director

Length of service: 2 years – appointed a director in March 2018
Experience: Ms MacAulay is a non-executive director of JPMorgan Multi-Asset Trust plc, Fidelity Japan Trust plc and Aberdeen New Thai Investment Trust plc. She is also a Trustee of Glendower School Trust, an educational charitable Trust. She was formerly a director of Baring Asset Management (Asia) Ltd, head of Asian equities at Kleinwort Benson Investment Management and Eagle Star Investment Management.
Committee membership: audit and risk, management engagement and nominations committees
Current remuneration: £35,000 per annum (from 1 January 2020)
Number of shares held: 53,975*

*Shareholdings are as at 7 April 2020, full details of directors' shareholdings are set out in the Remuneration Report on page 47.

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2019.

Directors and officers

Chairman

The Chairman is an independent non-executive director who is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 35. He has no conflicting relationships.

Senior Independent Director ("SID")

The SID is responsible for the evaluation of the Chairman, and also serves as a secondary point of contact for shareholders.

Company Secretary

Schroder Investment Management Limited provides company secretarial support to the board and is responsible for assisting the Chairman with board meetings and advising the board with respect to governance. The Company Secretary also manages the relationship with the Company's service providers, except for the Manager. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover.

Role and operation of the board

The board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The board also ensures that the Manager adheres to the investment restrictions set by the board and acts within the parameters set by it in respect of any gearing. The Strategic Report on pages 26 to 34 sets out further detail of how the board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

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

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

Four board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance, the level of discount of the Company's shares to NAV per share and promotion of the Company and services provided by third parties. Additional meetings of the board are arranged as required.

The board has approved a policy on directors' conflicts of interest. Under this policy, directors are required to disclose all actual and potential conflicts of interest to the board as they arise for consideration and approval. The board may impose restrictions or refuse to authorise such conflicts if deemed appropriate. No directors have any connections with the Manager, shared directorships with other directors or material interests in any contract which is significant to the Company's business.

Key service providers

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

Manager

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

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

The Schroders Group manages £500.2 billion (as at 31 December 2019) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

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

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

Directors' Report

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

The management fee payable in respect of the year ended 31 December 2019 amounted to £2,236,000 (2018: £1,985,000). A performance fee of £2,838,000 is payable for the year (2018: £nil). The Manager is also entitled to a fee for providing administrative, accounting and company secretarial services to the Company. For these services in the year ended 31 December 2019, the Manager received a fee of £76,000 (2018: £75,000).

Details of all amounts payable to the Manager are set out in note 18 to the accounts on page 67.

The board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth of resource to deliver above average returns over the longer term.

That the continuing appointment of the Manager on the terms agreed remains in the best interests of shareholders.

Depositary

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

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

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

Compliance with the UK Corporate Governance Code

The board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code (the "Code"). The disclosures in this statement report against the provisions of the Code, as revised in July 2018. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 48 and 34, respectively, indicates how the Company has complied with the principles of good governance of the Code and its requirements on internal control.

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

Revenue, final dividend and dividend policy

The net revenue return for the year, after finance costs and taxation, was £7,653,000 (2018: £6,303,000), equivalent to a revenue return per ordinary share of 8.10 pence (2018: 7.18 pence).

The board has recommended the payment of a final dividend for the year ended 31 December 2019 of 6.50 pence per share (2018: 6.20 pence) payable on 22 May 2020 to shareholders on the register on 14 April 2020, subject to approval by shareholders at the AGM on 19 May 2020.

The board's policy is to pay out substantially all the Company's revenue.

Committees

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

The reports of the audit and risk committee, management engagement committee and nominations committee are incorporated into and form part of the Directors' Report.

Other required Directors' Report disclosures under laws, regulations, and the Code

Status

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. It has been approved by HM Revenue & Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

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

It is not intended that the Company should have a limited life but the directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the articles of association contain provisions requiring the directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting ("AGM") in 2024 and thereafter at five yearly intervals.

Share capital and substantial share interests

As at 7 April 2020, the Company had 97,882,659 ordinary shares of 10p in issue. 12,500 Shares were held in treasury. Accordingly, the total number of voting rights in the Company at the date of this report is 97,882,659. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 65.

The board noted that the Company's shareholders appreciated the board's discount and premium management control. The board agreed to request renewal of the authorities to issue and buyback shares as described on page 74.

The Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Ordinary shares held as at 31 December 2019	% of total voting rights
Old Mutual	11,341,474	13.67
F&C Asset Management plc	3,547,705	4.28
Investec Wealth & Investment Limited	2,743,593	3.31

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

Provision of information to the auditor

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

Directors' attendance at meetings

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

Director	Board	Nomination Committee	Audit and Risk Committee	Management Engagement Committee	Ad hoc
David Brief	5/5	2/2	N/A	1/1	1/1
Andrew Cainey[1]	5/5	1/1	4/4	1/1	–
Caroline Hitch	5/5	2/2	4/4	1/1	1/1
Mike Holt	5/5	2/2	4/4	1/1	1/1
Sarah MacAulay	5/5	2/2	4/4	1/1	1/1

[1]Appointed as a director on 7 March 2019.

Directors' and officers' liability insurance and indemnities

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

By order of the board

Schroder Investment Management Limited
Company Secretary

14 April 2020

Audit and Risk Committee Report

The responsibilities and work carried out by the audit and risk committee during the year under review are set out in the following report. The duties and responsibilities of the committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/satric. Membership of the committee is as set out on pages 35 and 36. The board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and that the committee as a whole has competence.

The committee met four times during the year ended 31 December 2019. The committee discharged its responsibilities by:

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

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 December 2019, the audit and risk committee, having deliberated on the Company's principal risk and uncertainties, considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the auditors during its reporting:

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

Recommendations made to, and approved by, the board:

As a result of the work performed, the committee has concluded that the annual report for the year ended 31 December 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the board. The board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 48.

Audit and Risk Committee Report

Effectiveness of the independent audit process

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

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

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

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

Change of Auditor

As announced during the year, Ernst & Young LLP were appointed by the board as the Company's auditor. This follows completion of a tender process carried out as a consequence of EU audit regulations, which required the Company to replace the previous auditor, PricewaterhouseCoopers LLP as its statutory audit firm due to length of tenure.

Three firms were invited to complete requests for proposals based on key criteria set by the audit and risk committee. Two firms were invited to present to the committee members. The committee recommended Ernst & Young LLP based on, amongst other factors, its depth of resource, technological competencies and experienced senior statutory auditors, and in particular, the engagement team.

The board agreed with the audit and risk committee's recommendation.

Independent auditor

Ernst & Young LLP have indicated their willingness to continue to act as auditor. Accordingly, resolutions to re-appoint Ernst & Young LLP as auditor to the Company, and to authorise the directors to determine their remuneration will be proposed at the AGM.

Provision of non-audit services

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

The auditors have not provided any non-audit services to the Company during the year (2018: nil).

Internal audit

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

Mike Holt
Audit and risk committee chairman

14 April 2020

Recommendations made to, and approved by, the board:

- That Ernst & Young LLP be appointed as auditor.
- That the auditor be recommended for re-appointment at the AGM.

Management Engagement Committee Report

The management engagement committee is responsible for (1) the monitoring and oversight of the Manager's performance and fees, and confirming the Manager's ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All directors are members of the committee. David Brief is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/satric.

Approach

Oversight of the Manager

The committee:

- reviews the Manager's performance, over the short and long term, against the Reference Index, peer group and the market.
- considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders.
- assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees.
- reviews the appropriateness of the Manager's contract, including terms such as notice period.
- assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager.

Oversight of other service providers

The committee reviews the performance and competitiveness of the following service providers on at least an annual basis:

- Depositary and custodian
- Corporate broker
- Registrar
- Lender

The committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.

The committee notes the audit and risk committee's review of the auditor.

Application during the year

The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.

The committee also reviewed the terms of the AIFM agreement, including the fee structure, and agreed they remained fit for purpose.

The committee reviewed the other services provided by the Manager and agreed they were satisfactory.

The annual review of each of the service providers was satisfactory.

The committee noted that the audit and risk committee had undertaken a detailed evaluation of the Manager, registrar, and depositary and custodian's internal controls.

The committee noted that the previous auditor had resigned following a tender process initiated by the audit and risk committee, where the previous auditor was barred from participating due to length of service.

Recommendations made to, and approved by, the board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement, including the fee, was in the best interests of shareholders as a whole.
- That the Company's service providers' performance remained satisfactory.

Nomination Committee Report

The nomination committee is responsible for (1) the recruitment, selection and induction of directors, (2) their assessment during their tenure, and (3) the board's succession. All directors are members of the committee. David Brief is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/satric.

Oversight of directors

Selection → Induction → Annual evaluation → Annual review of succession policy → Application of succession policy

Approach

Selection and induction

- Committee prepares a job specification for each role, and an independent recruitment firm is appointed. For the Chairman and the chairs of committees, the committee considers current board members too.
- Job specification outlines the knowledge, professional skills, personal qualities and experience requirements.
- Potential candidates assessed against the Company's diversity policy.
- Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the board.
- Committee reviews the induction and training of new directors.

Board evaluation and directors' fees

- Committee assesses each director annually.
- Evaluation focuses on whether each director continues to demonstrate commitment to their role and provides a valuable contribution to the board during the year, taking into account time commitment, independence, conflicts and training needs.
- Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of directors at the AGM.
- All directors retire at the AGM and their re-election is subject to shareholder approval.
- Committee reviews directors' fees, taking into account comparative data and reports to shareholders.
- Any proposed changes to the remuneration policy for directors discussed and reported to shareholders.

Succession

- The board's succession policy is that directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each director will be subject to annual re-election at the AGM.
- Committee reviews the board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process.
- Committee oversees the handover process for retiring directors.

For application see page 44

Nomination Committee Report

Application during the year		
Selection and induction	**Board evaluation and directors' fees**	**Succession**
• The committee discussed the need to appoint a new non-executive director during the prior year. • A job specification was agreed for the role. • The committee appointed Cornforth Consulting to run the search process. Cornforth Consulting is independent of the Company and directors. • The committee interviewed candidates in the early part of 2019 and recommended Andrew Cainey for appointment to the board in March 2019.	• The board evaluation was undertaken in February 2019 and a further one is scheduled later in 2020, after the retirement of the Chairman. • The committee also reviewed each director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All directors were considered to be independent in character and judgement. • Based on its assessment, the committee provided individual recommendations for each director's re-election. • The committee reviewed directors' fees, using external benchmarking, and recommended an increase in directors' fees, as detailed in the remuneration report.	• The committee reviewed the succession policy and agreed it was still fit for purpose. • The committee noted that David Brief would be retiring at the AGM in 2020, and the selection process to choose the new Chairman was initiated by the SID. • Following the selection process, the committee recommended that Sarah MacAulay be appointed as Chairman after the 2020 AGM.

Recommendations made to, and approved by, the board:

- That Andrew Cainey be appointed to the board.
- That all directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the board and remain free from conflicts with the Company and its directors, so should all be recommended for re-election by shareholders at the AGM.
- That Sarah MacAulay be appointed as Chairman of the board following David Brief's retirement at the AGM.
- That directors' fees be increased, as detailed in the Directors' Remuneration Report on page 45.

Directors' Remuneration Report

Introduction

The remuneration policy below is currently in force and is subject to a binding vote every three years. The next vote will take place at the forthcoming AGM and the current policy provisions will apply until that date. An ordinary resolution to approve the directors' remuneration policy will be put to Shareholders at the AGM (no changes are proposed). The below directors' annual report on remuneration is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

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

At the AGM held on 10 May 2019, 99.76% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the annual report on remuneration for the year ended 31 December 2018 were in favour, while 0.24% were against. 74,055 votes were withheld.

Directors' remuneration policy

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

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

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

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

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

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

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

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

Directors' remuneration report

This report sets out how the remuneration policy was implemented during the year ended 31 December 2019.

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the board in December 2019. The members of the board at the time that remuneration levels were considered were as set out on pages 35 and 36. Although no external advice was sought in considering the levels of directors' fees, information on fees paid to directors of other investment companies managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration as was independent third party research.

Following the annual review, it was determined that directors' fees be increased, with non-executive directors fees set at £35,000 per annum, the audit and risk committee chairman's fee increasing to £40,000 and the Chairman's fee increasing to £45,000. The changes took effect from 1 January 2020. The last change to directors' fees was effective from 1 January 2017. The board is minded to consider fee increases on a three-year cycle. Fees will however continue to be reviewed on an annual basis.

Directors' Remuneration Report

Fees paid to directors

The following amounts were payable by the Company to the directors for services as non-executive directors in respect of the year ended 31 December 2019 and the previous financial year:

	Fees		Taxable benefits[1]		Total	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
David Brief (Chairman)	40,000	40,000	2,494	2,967	42,494	42,967
Andrew Cainey[2]	24,555	N/A	–	N/A	24,555	N/A
Caroline Hitch	30,000	30,000	558	493	30,558	30,493
Mike Holt	35,000	35,000	1,562	3,357	36,562	38,357
Christopher Keljik[3]	N/A	10,740	N/A	200	N/A	10,940
Sarah MacAulay[4]	30,000	24,965	–	136	30,000	25,101
Alexandra Mackesy[5]	N/A	10,740	N/A	136	N/A	10,876
Total	159,555	151,445	4,614	7,289	164,169	158,734

[1]Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up, to include PAYE and NI contributions.
[2]Appointed as a director on 7 March 2019.
[3]Retired as a director on 9 May 2018.
[4]Appointed as a director on 2 March 2018.
[5]Retired as a director on 9 May 2018.

The information in the above table has been audited (see Independent Auditor's Report on pages 49 to 54).

Expenditure by the Company on remuneration and distributions to shareholders

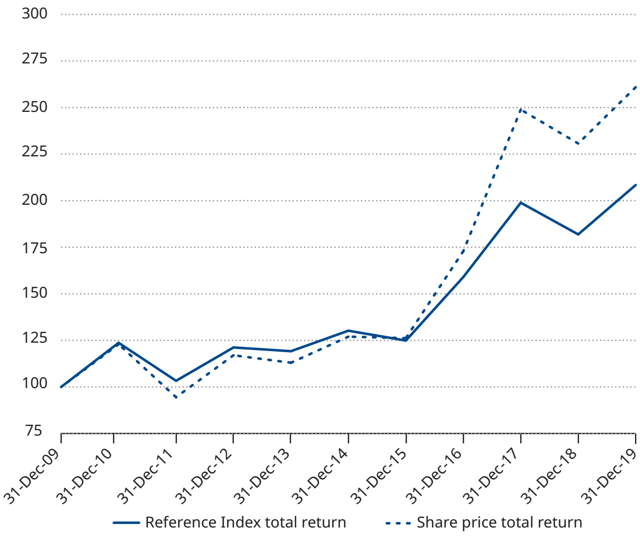
The table below compares the remuneration payable to directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000	Change (%)
Remuneration payable to directors	164	159	3.1
Distributions paid to shareholders: –Dividends	5,758	4,064	41.7
Total distributions paid to shareholders	5,758	4,064	41.7

Performance graph

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

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



[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 December 2009. Definitions of terms and performance measures are given on page 78.

Directors’ Remuneration Report

Directors’ share interests

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

	At 31 December 2019[1]	At 31 December 2018[1]
David Brief	**47,171**	36,171
Andrew Cainey[2]	**15,050**	N/A
Caroline Hitch	**10,000**	10,000
Mike Holt	**10,000**	10,000
Sarah MacAulay[3]	**53,975**	–

[1]Ordinary shares of 5p each.
[2]Appointed as a director on 7 March 2019.
[3]Appointed as a director on 2 March 2018.

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

The information in the above table has been audited (see Independent Auditor’s Report on pages 49 to 54).

The Portfolio Managers and connected persons’ interests in the Company were approximately 415,000 ordinary shares as at the date of this report.

On behalf of the board

David Brief
Chairman

14 April 2020

Statement of Directors' Responsibilities

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

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

– select suitable accounting policies and then apply them consistently;

– make judgements and accounting estimates that are reasonable and prudent;

– state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;

– notify the Company's shareholders in writing about the use of disclosure exemptions in FRS 102, used in the preparation of the financial statements; and

– prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Each of the directors, whose names and functions are listed on pages 35 and 36, confirm that to the best of their knowledge:

– the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;

– the Strategic Report contained in the report and accounts includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and

– the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the board

David Brief
Chairman

14 April 2020

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

Opinion

We have audited the financial statements of Schroder Asian Total Return Investment Company plc (the 'Company') for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 31-33 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 33 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 34 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 34 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	–	Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement
	–	Incorrect valuation and defective title of the investment portfolio
Materiality	–	Overall materiality of £3.58m which represents 1% of shareholders' funds

Key audit matters

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

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

Risk	Our response to the risk	Key observations communicated to the audit and risk committee
Incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement (as described on page 40 in the Audit and Risk Committee Report and as per the accounting policy set out on page 59). The total revenue received for the year to 31 December 2019 was £9.45m (2018: £7.92m), consisting primarily of dividend income from listed investments. Special dividends for the year totalled £0.87m of which £0.20m were classified as revenue and £0.67m as capital. The income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete and/or inaccurate recognition of revenue through the failure to recognise proper income entitlements or applying appropriate accounting treatment. In addition to the above, the directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'.	**We have performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and the classification of special dividends by reviewing their internal controls reports and performing walkthrough procedures. For the classification of special dividends, we also evaluated the design and implementation of controls. We agreed all dividends received as noted in the income report to the corresponding announcement made by the investee company. We recalculated the dividend income by multiplying the investment holdings at the XD date by the dividend per share as agreed to an external source. Where applicable, we also agreed the exchange rates to an external source and we agreed a sample of dividends received to bank statements. We agreed a sample of investee company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded. For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the obligation arose prior to 31 December 2019. We agreed the dividend rate to corresponding announcements made by the investee company. We recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements if paid post year end. We performed a review of the income and capital reports to identify dividends received and accrued during the period that were above our testing threshold. We identified which of the dividends above our testing threshold were special dividends with reference to an external source. There was one special dividend above our testing threshold with a value of £0.38m which was classified as capital. We recalculated and assessed the appropriateness of management's classification between revenue and capital for the special dividend identified for testing with reference to information available from the underlying company which set out the rationale for paying the special dividend.	**The results of our procedures are:** We have no issues to report to the audit and risk committee with respect to our procedures performed over the risk of incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement.

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

Risk	Our response to the risk	Key observations communicated to the audit and risk committee
Risk of incorrect valuation and/or defective title of the investment portfolio (as described on page 40 in the Audit and Risk Committee Report and as per the accounting policy set out on page 59). The valuation of the portfolio at 31 December 2019 was £369.01m (2018: £291.4m) mainly consisting of listed equity investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined by reference to stock exchange quoted market bid prices at close of business on the reporting date.	**We performed the following procedures:** Obtained an understanding of the Administrator's processes and controls surrounding investment pricing by reviewing the internal controls reports and by performing walkthrough procedures. For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end. We obtained and reviewed the Manager's liquidity assessment and performed an independent evaluation of the portfolio's liquidity using trading volumes obtained from an external data vendor, where available. We agreed the Company's investments to the independent confirmation received from the Company's Custodian and Depositary at 31 December 2019. We assessed the impact of COVID-19 on the valuation of the Company's portfolio and considered the nature of this post balance sheet event as disclosed in the financial statements; We reviewed the disclosure included in Note 23 to the Financial Statements to ensure that the events occurring after the year end had been appropriately considered and disclosed.	**The results of our procedures are:** We have no issues to report to the audit and risk committee with respect to our procedures performed over the risk of incorrect valuation and/or defective title to the investment portfolio. We concluded that the impact of COVID-19 on the Company's investment performance was that of a non-adjusting post balance sheet event and that this has been adequately disclosed in the Financial Statements.

Emphasis of matter – effects of COVID-19

We draw attention to Note 23 (Post Balance Sheet Event) of the Financial statements, which describes the economic impact the Company is facing as a result of Covid-19 and the potential impact on the Company's financial performance and business continuity protocols. Our opinion is not modified in respect of this matter.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

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

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £3.58m which is 1% of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £1.79m. We set the performance materiality at 50% of our planning materiality as it is our first year as auditor of the Company.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Income Statement of £0.41m being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the audit and risk committee that we would report to them all uncorrected audit differences in excess of £0.18m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1-48 and 74-78, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 48** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and risk committee reporting set out on page 40** – the section describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit and risk committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 38** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

– the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

– adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

– the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

– We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010, and The Companies (Miscellaneous Reporting) Regulations 2018.

– We understood how the Company is complying with those frameworks through discussions with the audit and risk committee and Company Secretary and review of the Company's documented policies and procedures.

– We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete and/or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.

– Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

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

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

Other matters we are required to address

– Following the recommendation of the audit and risk committee, we were appointed by the Company on 6 September 2019 to audit the financial statements of the Company for the year ending 31 December 2019 and subsequent financial periods.

  Our total uninterrupted period of engagement is one year, covering the period from our appointment through to the period ending 31 December 2019.

– The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

– The audit opinion is consistent with the additional report to the audit and risk committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Caroline Mercer (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
Edinburgh

14 April 2020

Income Statement
for the year ended 31 December 2019

	Note	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	–	**47,073**	**47,073**	–	(29,709)	(29,709)
Net losses on derivative contracts		–	**(4,390)**	**(4,390)**	–	(72)	(72)
Net foreign currency gains/(losses)		–	**319**	**319**	–	(869)	(869)
Income from investments	3	**9,417**	**666**	**10,083**	7,883	32	7,915
Other interest receivable and similar income	3	**32**	–	**32**	33	–	33
Gross return/(loss)		**9,449**	**43,668**	**53,117**	7,916	(30,618)	(22,702)
Investment management fee	4	**(559)**	**(1,677)**	**(2,236)**	(496)	(1,489)	(1,985)
Performance fee	4	–	**(2,838)**	**(2,838)**	–	–	–
Administrative expenses	5	**(646)**	–	**(646)**	(630)	–	(630)
Net return/(loss) before finance costs and taxation		**8,244**	**39,153**	**47,397**	6,790	(32,107)	(25,317)
Finance costs	6	**(113)**	**(339)**	**(452)**	(106)	(317)	(423)
Net return/(loss) on ordinary activities before taxation		**8,131**	**38,814**	**46,945**	6,684	(32,424)	(25,740)
Taxation on ordinary activities	7	**(478)**	–	**(478)**	(381)	–	(381)
Net return/(loss) on ordinary activities after taxation		**7,653**	**38,814**	**46,467**	6,303	(32,424)	(26,121)
Return/(loss) per share	9	**8.10p**	**41.10p**	**49.20p**	7.18p	(36.91)p	(29.73)p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the year.

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

The notes on pages 59 to 73 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 December 2019

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2017		4,260	12,345	11,646	29,182	223,942	13,051	294,426
Repurchase of the Company's own shares into treasury – prior year stamp duty		–	–	–	–	(2)	–	(2)
Issue of shares		310	21,387	–	–	–	–	21,697
Reissue of shares out of treasury		–	3,349	–	–	4,498	–	7,847
Net (loss)/return on ordinary activities		–	–	–	–	(32,424)	6,303	(26,121)
Dividend paid in the year	8	–	–	–	–	–	(4,064)	(4,064)
At 31 December 2018		4,570	37,081	11,646	29,182	196,014	15,290	293,783
Issue of shares		325	23,054	–	–	–	–	23,379
Net return on ordinary activities		–	–	–	–	38,814	7,653	46,467
Dividend paid in the year	8	–	–	–	–	–	(5,758)	(5,758)
At 31 December 2019		**4,895**	**60,135**	**11,646**	**29,182**	**234,828**	**17,185**	**357,871**

The notes on pages 59 to 73 form an integral part of these accounts.

Statement of Financial Position at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**368,537**	291,427
Current assets	11		
Debtors		**454**	323
Cash at bank and in hand		**4,202**	14,709
Derivative financial instruments held at fair value through profit or loss		**477**	596
		5,133	15,628
Current liabilities	12		
Creditors: amounts falling due within one year		**(15,799)**	(12,657)
Derivative financial instruments held at fair value through profit or loss		**–**	(615)
		(15,799)	(13,272)
Net current (liabilities)/assets		**(10,666)**	2,356
Total assets less current liabilities		**357,871**	293,783
Net assets		**357,871**	293,783
Capital and reserves			
Called-up share capital	13	**4,895**	4,570
Share premium	14	**60,135**	37,081
Capital redemption reserve	14	**11,646**	11,646
Special reserve	14	**29,182**	29,182
Capital reserves	14	**234,828**	196,014
Revenue reserve	14	**17,185**	15,290
Total equity shareholders' funds		**357,871**	293,783
Net asset value per share	15	**365.57p**	321.43p

The accounts were approved and authorised for issue by the board of directors on 14 April 2020 and signed on its behalf by:

David Brief
Chairman

The notes on pages 59 to 73 form an integral part of these accounts.

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

Company registration number: 02153093

Cash Flow Statement for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net cash inflow from operating activities	16	**6,697**	652
Investing activities			
Purchases of investments		**(127,719)**	(115,706)
Sales of investments		**97,782**	106,368
Net cash flows on derivative instruments		**(4,886)**	321
Net cash outflow from investing activities		**(34,823)**	(9,017)
Net cash outflow before financing		**(28,126)**	(8,365)
Financing activities			
Dividends paid		**(5,758)**	(4,064)
Interest paid		**(461)**	(413)
Net bank loans drawn down/(repaid)		**695**	(4,345)
Issue of new shares		**23,379**	21,697
Reissue of shares out of treasury		**–**	7,847
Repurchase of the Company's own shares into treasury		**–**	(2)
Net cash inflow from financing activities		**17,855**	20,720
Net cash (outflow)/inflow in the year	17	**(10,271)**	12,355
Cash at bank and in hand at the beginning of the year		**14,709**	2,315
Net cash (outflow)/inflow in the year		**(10,271)**	12,355
Exchange movements		**(236)**	39
Cash at bank and in hand at the end of the year		**4,202**	14,709

Dividends received during the year amounted to £9,913,000 (2018: £7,842,000) and deposit interest receipts amounted to £30,000 (2018: £29,000).

The notes on pages 59 to 73 form an integral part of these accounts.

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

Schroder Asian Total Return Investment Company plc ("the Company") is registered in England and Wales as a public company limited by shares. The Company's registered office is 1 London Wall Place, London EC2Y 5AU.

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in November 2014 and updated in October 2019. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments held at fair value through profit or loss. The directors believe that the Company has adequate resources to continue operating for at least 12 months from the date of approval of these accounts. In forming this opinion, the directors have taken into consideration: the controls and monitoring processes in place; the Company's low level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; and that the Company's assets comprise cash and readily realisable securities quoted in active markets. In forming this opinion the directors have also considered any potential impact of the COVID-19 pandemic on the viability of the Company. Further details of directors' considerations regarding this are given in the Chairman's Statement, Portfolio Managers' Review, Going Concern Statement, Viability Statement and under the Emerging Risks heading on page 31.

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

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

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

(b) Valuation of investments

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

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

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

(c) Accounting for reserves

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

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

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

(d) Income

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

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

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

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

(e) Expenses

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

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

– Any performance fee is allocated 100% to capital.

(f) Finance costs

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

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

(g) Other financial instruments

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

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

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

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

(h) Taxation

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

Deferred tax is accounted for in accordance with FRS 102.

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

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

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

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

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of any related irrecoverable VAT.

(j) Foreign currency

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

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

(k) Dividends payable

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

(l) Repurchases of shares into treasury and subsequent reissues

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

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

2. Gains/(losses) on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Gains on sales of investments based on historic cost	6,406	24,837
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(2,847)	(30,322)
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	3,559	(5,485)
Net movement in investment holding gains and losses	43,514	(24,224)
Gains/(losses) on investments held at fair value through profit or loss	**47,073**	(29,709)

3. Income

	2019 £'000	2018 £'000
Income from investments:		
Overseas dividends	9,292	7,863
Overseas special dividends	122	20
Stock dividend	3	–
	9,417	7,883
Other interest receivable and similar income		
Deposit interest	32	33
	9,449	7,916
Capital:		
Special dividend allocated to capital	666	32

4. Investment management fee

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Investment management fee	559	1,677	2,236	496	1,489	1,985
Performance fee	–	2,838	2,838	–	–	–
	559	4,515	5,074	496	1,489	1,985

The basis for calculating the investment management and performance fees are set out in the Directors' Report on page 38 and details of all amounts payable to the Manager are given in note 18 on page 67.

Notes to the Accounts

5. Administrative expenses

	2019 £'000	2018 £'000
Administration expenses	**296**	311
Directors' fees[1]	**160**	151
Custody fees	**89**	66
Secretarial fee	**76**	75
Auditor's remuneration for audit services	**25**	27
	646	630

[1]Details of all amounts payable to directors are given in the Directors' Remuneration Report on page 46.

6. Finance costs

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Interest on bank loans and overdrafts	**113**	**339**	**452**	106	317	423

7. Taxation

(a) Analysis of charge in the year

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Irrecoverable overseas tax	**478**	**–**	**478**	381	–	381
Taxation on ordinary activities	**478**	**–**	**478**	381	–	381

The Company has no corporation tax liability for the year ended 31 December 2019 (2018: nil).

(b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK was 19%, effective from 1 April 2017. Accordingly, the Company's profits for this accounting year would be taxed at a rate of 19.0% (2018: 19.0%). However the corporation tax charge for the year is nil (2018: nil), as dividends and capital gains are not subject to corporation tax. The tax charge comprises irrecoverable withholding tax deducted at source from dividends receivable.

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

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Net return/(loss) on ordinary activities before taxation	**8,131**	**38,814**	**46,945**	6,684	(32,424)	(25,740)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2018: 19.0%)	**1,545**	**7,375**	**8,920**	1,270	(6,161)	(4,891)
Effects of:						
Capital (gains)/losses on investments	**–**	**(8,170)**	**(8,170)**	–	5,824	5,824
Income not subject to taxation	**(1,689)**	**(127)**	**(1,816)**	(1,449)	(6)	(1,455)
Irrecoverable overseas tax	**478**	**–**	**478**	381	–	381
Relief for overseas tax expensed	**(10)**	**–**	**(10)**	(5)	–	(5)
Unrelieved expenses	**154**	**922**	**1,076**	184	343	527
Taxation on ordinary activities	**478**	**–**	**478**	381	–	381

Notes to the Accounts

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £7,962,000 (2018: £6,998,000) based on a prospective corporation tax rate of 17% (2018: 17%). The reduction in the standard rate of corporation tax was substantively enacted in September 2016 and is effective from 1 April 2020.

The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

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

8. Dividends

Dividends paid and declared

	2019 £'000	2018 £'000
2018 final dividend of 6.2p (2017: 4.8p), paid out of revenue profits[1]	**5,758**	4,064

	2019 £'000	2018 £'000
2019 final dividend proposed of 6.5p (2018: 6.2p), to be paid out of revenue profits[2]	**6,363**	5,667

[1]The 2018 final dividend amounted to £5,667,000. However the amount actually paid was £5,758,000 as new shares were issued, after the accounting date but prior to the dividend Record Date.
[2]The proposed final dividend amounting to £6,363,000 (2018: £5,667,000) is the amount used for the basis of determining whether the Company has satisfied the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £7,653,000 (2018: £6,303,000).

9. Return/(loss) per share

	2019 £'000	2018 £'000
Revenue return	**7,653**	6,303
Capital return/(loss)	**38,814**	(32,424)
Total return/(loss)	**46,467**	(26,121)
Weighted average number of shares in issue during the year	**94,433,447**	87,843,677
Revenue return per share	**8.10p**	7.18p
Capital return/(loss) per share	**41.10p**	(36.91)p
Total return/(loss) per share	**49.20p**	(29.73)p

Financial

Notes to the Accounts

10. Investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Opening book cost	241,676	207,501
Opening investment holding gains	49,751	104,297
Opening valuation	291,427	311,798
Purchases at cost	127,819	115,706
Sales proceeds	(97,782)	(106,368)
Gains/(losses) on investments held at fair value through profit or loss	47,073	(29,709)
Closing valuation	368,537	291,427
Closing book cost	278,119	241,676
Closing investment holding gains	90,418	49,751
Total investments held at fair value through profit or loss	368,537	291,427

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

	2019 £'000	2018 £'000
On acquisitions	173	142
On disposals	156	137
	329	279

11. Current assets

Debtors

	2019 £'000	2018 £'000
Dividends and interest receivable	306	170
Taxation recoverable	129	132
Other debtors	19	21
	454	323

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

Cash at bank and in hand

The carrying amount of cash, amounting to £4,202,000 (2018: £14,709,000), represents its fair value.

	2019 £'000	2018 £'000
Derivative financial instruments held at fair value through profit or loss		
Index put options	477	557
Index futures	–	39
	477	596

Details of index put options and index futures held at the year end are given on page 25.

Details of the Company's strategy for managing currency risk are given in note 21(a)(i) on page 69.

Notes to the Accounts

12. Current liabilities

Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loan	**12,153**	12,013
Purchases awaiting settlement	**97**	–
Other creditors and accruals	**3,549**	644
	15,799	12,657

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

The bank loan comprises US$16.1 million (2018: US$15.3 million) drawn down on the Company's £25 million, 364 day multi-currency credit facility with Scotiabank Europe plc. The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with during the year. Further details of this facility are given in note 21(a)(ii) on page 70.

Derivative financial instruments held at fair value through profit or loss

	2019 £'000	2018 £'000
Index futures	**–**	137
Forward foreign currency contracts	**–**	478
	–	615

13. Called-up share capital

	2019 £'000	2018 £'000
Allotted, called-up and fully paid:		
Ordinary shares of 5p each:		
Opening balance of 91,400,159 (2018: 82,987,055) shares	**4,570**	4,149
Issue of 6,495,000 (2018: 6,195,347) new shares	**325**	310
Reissue of nil (2018: 2,217,757) shares out of treasury	**–**	111
Total of 97,895,159 (2018: 91,400,159) shares	**4,895**	4,570

During the year, 6,495,000 new shares, nominal value £324,750, were issued to the market at a premium to NAV per share to satisfy demand. These shares were issued at an average price of 359.95p per share and the total consideration received amounted to £23,379,000.

Notes to the Accounts

14. Reserves

				Capital reserves		
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Special reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	37,081	11,646	29,182	147,186	48,828	15,290
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	3,559	–	–
Net movement in investment holding gains and losses	–	–	–	–	43,514	–
Transfer on disposal of investments	–	–	–	2,847	(2,847)	–
Realised losses on derivatives	–	–	–	(3,502)	–	–
Unrealised losses on open derivative contracts	–	–	–	–	(888)	–
Realised exchange losses on cash and short-term deposits	–	–	–	(236)	–	–
Exchange (losses)/gains on foreign currency loans	–	–	–	(11)	566	–
Special dividend allocated to capital	–	–	–	666	–	–
Issue of new shares	23,054	–	–	–	–	–
Performance fee allocated to capital	–	–	–	(2,838)	–	–
Management fee and finance costs allocated to capital	–	–	–	(2,016)	–	–
Dividend paid	–	–	–	–	–	(5,758)
Retained revenue for the year	–	–	–	–	–	7,653
Closing balance	60,135	11,646	29,182	145,655	89,173	17,185

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

15. Net asset value per share

	2019	2018
Total equity shareholders' funds (£'000)	357,871	293,783
Shares in issue at the year end	97,895,159	91,400,159
Net asset value per share	365.57p	321.43p

Notes to the Accounts

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

	2019 £'000	2018 £'000
Total return/(loss) on ordinary activities before finance costs and taxation	**47,397**	(25,317)
Less capital (return)/loss on ordinary activities before finance costs and taxation	**(39,153)**	32,107
Increase in prepayments and accrued income	**(166)**	(78)
(Increase)/decrease in other debtors	**(9)**	8
Increase/(decrease) in other creditors	**2,914**	(4,245)
Special dividend allocated to capital	**666**	32
Stock dividend	**(3)**	–
Management fee allocated to capital	**(1,677)**	(1,489)
Performance fee allocated to capital	**(2,838)**	–
Overseas withholding tax deducted at source	**(434)**	(366)
Net cash inflow from operating activities	**6,697**	652

17. Analysis of changes in net cash/(debt)

	2018 £'000	Cash flow £'000	Exchange movements £'000	2019 £'000
Cash at bank and in hand	**14,709**	**(10,271)**	**(236)**	**4,202**
Bank loan	**(12,013)**	**(695)**	**555**	**(12,153)**
Net cash/(debt)	**2,696**	**(10,966)**	**319**	**(7,951)**

18. Transactions with the Manager

Under the terms of the Alternative Investment Fund Manager Agreement, the Manager is entitled to receive management, secretarial and performance fees. Details of the basis of these calculations are given in the Directors' Report on page 38. If the Company invests in funds managed or advised by the Manager, any fees earned by the Manager are rebated to the Company. The management fee payable in respect of the year ended 31 December 2019 amounted to £2,236,000 (2018: £1,985,000) of which £586,000 (2018: £467,000) was outstanding at the year end.

The secretarial fee payable for the year amounted to £76,000 (2018: £75,000) of which £19,000 (2018: £19,000) was outstanding at the year end. A performance fee amounting to £2,838,000 (2018: nil) is payable in respect of the year, and the whole of this amount was outstanding at the year end.

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

19. Related party transactions

Details of the remuneration payable to directors are given in the Directors' Remuneration Report on page 46 and details of directors' shareholdings are given in the Directors' Remuneration Report on page 47. Details of transactions with the Manager are given in note 18 above. There have been no other transactions with related parties during the year (2018: nil).

20. Disclosures regarding financial instruments measured at fair value

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

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

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

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

Level 3 – valued using inputs that are unobservable.

Details of the Company's policy for valuing investments and derivative instruments are given in note 1(b) on page 59 and 1(g) on page 60.

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

	2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	**362,078**	**–**	**–**	**362,078**
Derivative financial instruments – index put options	**477**	**–**	**–**	**477**
Participatory notes[1]	**–**	**6,459**	**–**	**6,459**
Total	**362,555**	**6,459**	**–**	**369,014**

	2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	285,484	–	–	285,484
Derivative financial instruments – index put options, index futures and forward currency contracts	(19)	–	–	(19)
Participatory notes[1]	–	5,943	–	5,943
Total	285,465	5,943	–	291,408

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

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

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

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

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

(a) Market risk

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

(i) Currency risk

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

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

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

	2019									
	Hong Kong dollars £'000	US dollars £'000	Taiwan-ese dollars £'000	South Korean won £'000	Thai baht £'000	Singaporean dollars £'000	Australian dollars £'000	Chinese yuan £'000	Other £'000	Total £'000
Current assets	27	55	252	2,272	–	1	–	–	124	2,731
Current liabilities	–	(12,165)	–	–	–	–	–	–	(97)	(12,262)
Foreign currency exposure on net monetary items	27	(12,110)	252	2,272	–	1	–	–	27	(9,531)
Investments held at fair value through profit or loss	136,894	66,111	35,441	20,249	5,106	23,455	62,753	–	11,487	361,496
Derivative instruments held at fair value through profit or loss – index put options	477	–	–	–	–	–	–	–	–	477
Total net foreign currency exposure	137,398	54,001	35,693	22,521	5,106	23,456	62,753	–	11,514	352,442

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

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

Notes to the Accounts

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's foreign currency dividend income and on the monetary currency financial instruments held at each balance sheet date and assumes a 10% (2018: 10%) appreciation or depreciation in sterling against the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

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

	2019 £'000	2018 £'000
Income Statement – return after taxation		
Revenue return	883	740
Capital return	(920)	(497)
Total return after taxation	(37)	243
Net assets	(37)	243

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

	2019 £'000	2018 £'000
Income Statement – return after taxation		
Revenue return	(883)	(740)
Capital return	920	497
Total return after taxation	37	(243)
Net assets	37	(243)

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

(ii) Interest rate risk

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

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

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

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

	2019 £'000	2018 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	4,202	14,709
Creditors: amounts falling due within one year – borrowings on the credit facility	(12,153)	(12,013)
Total exposure	(7,951)	2,696

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2018: same).

During the year, the Company extended its £25 million multi-currency credit facility with Scotiabank Europe plc to 7 April 2020. The limit may be further extended to £50 million, subject to credit approval by the lender. Amounts are normally drawn down on the facility for one month periods. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and period, plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 31 December 2019, the Company had drawn down US$16.1 million (£12.2 million) at an interest rate of 2.37%, repayable on 16 January 2020. At 31 December 2018, the Company had drawn down US$15.3 million (£12.0 million) at an interest rate of 3.11%, repayable on 14 January 2019.

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

	2019 £'000	2018 £'000
Maximum debit interest rate exposure during the year – net debt	(11,719)	(16,176)
Maximum credit interest rate exposure during the year – net cash	3,191	2,696

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2018: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2019		2018	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	6	(6)	59	(59)
Capital return	(46)	46	(45)	45
Total return after taxation	(40)	40	14	(14)
Net assets	(40)	40	14	(14)

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

(iii) Market price risk

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

Management of market price risk

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

Market price risk exposure

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

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	368,537	291,427
Derivative financial instruments held at fair value through profit or loss – index put options	477	459
	369,014	291,886

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

An analysis of the Company's investments is given on pages 24 and 25. This shows that the portfolio mainly comprises investments quoted on Asian stock markets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of classification.

Notes to the Accounts

Market price risk sensitivity

The following table illustrates the sensitivity of net return after taxation for the year and net assets to an increase or decrease of 10% (2018: 10%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments, adjusting for the hedging effect of the index put options and including the resulting effect on the management fee, but with all other variables held constant.

	2019		2018	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(59)	52	(42)	41
Capital return	35,976	(31,612)	25,694	(25,125)
	35,917	(31,560)	25,652	(25,084)
Percentage change in net asset value	10.0%	(8.8%)	8.7%	(8.5%)

(b) Liquidity risk

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

Management of the risk

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

Liquidity risk exposure

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

	2019 Three months or less £'000	2018 Three months or less £'000
Creditors: amounts falling due within one year		
Borrowings on the credit facility – including interest	12,178	12,046
Securities purchased awaiting settlement	97	–
Other creditors and accruals	3,537	626
	15,812	12,672

(c) Credit risk

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

This risk is not significant and is managed as follows:

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

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

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

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

There has been no stock lending during the year (2018: nil).

(d) Fair values of financial assets and financial liabilities

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

22. Capital management policies and procedures

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

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

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

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

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

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

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

23. Post balance sheet event

The occurrence of the coronavirus pandemic after the balance sheet date has triggered a sharp fall in global stock markets. At 7 April 2020, the latest practicable date, the Company's published NAV per share had fallen to 323.70p, and the share price to 327.00p. Further details relating to the impact of COVID-19 on the Company are given in the Chairman's Statement, Portfolio Managers' Review, Going Concern Statement, Viability Statement and under the Emerging Risks heading on page 31.

Annual General Meeting – Recommendations

The Annual General Meeting ("AGM") of the Company will be held on Tuesday, 19 May 2020 at 10.00 a.m. The formal Notice of Meeting is set out on page 75.

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

COVID-19 and the AGM

In light of the rapidly evolving situation and recent government guidance regarding the outbreak of COVID-19, the board has taken the decision to alter the format of the Company's AGM.

The safety and security of our shareholders, service providers, officers, and guests is of paramount importance to us. While the Government's "Stay at Home Measures" are in force public gatherings of more than two people are prohibited. **Shareholders are therefore asked not to attend the AGM in person but instead to vote by proxy**. We also ask shareholders to follow the current advice of the Government and Public Health England, noting the current guidance on travel and the limits on numbers at public gatherings.

Ordinary business

Resolutions 1 to 10 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 invites shareholders to approve the final dividend. Resolutions 3 and 4 concern the Directors' Remuneration Policy and the Directors' Remuneration Report, on pages 45 to 47. Resolutions 5 to 8 invite shareholders to re-elect each of the directors for another year, following the recommendations of the nomination committee, set out on pages 43 and 44 (their biographies are set out on pages 35 and 36). Resolutions 9 and 10 concern the re-appointment and remuneration of the Company's auditor, discussed in the Audit and Risk Committee Report on pages 40 and 41.

Special business

Resolution 11 – directors' authority to allot shares (ordinary resolution) and resolution 12 – power to disapply pre-emption rights (special resolution)

The directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the directors to allot shares up to a maximum aggregate nominal amount of £489,413 (being 10% of the issued share capital (excluding any shares held in treasury) as at 7 April 2020).

A special resolution will be proposed to authorise the directors to allot shares up to a maximum aggregate nominal amount of £489,413 (being 10% of the issued share capital as at 7 April 2020) on a non pre-emptive basis. This authority includes shares that the Company sells or transfers that have been held in treasury. The directors do not intend to allot ordinary shares or sell treasury shares, on a non pre-emptive basis, pursuant to this authority other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company as a whole. Shares issued or treasury shares reissued, under this authority, will be at a price that is equal to or greater than the Company's NAV per share, plus any applicable costs, as at the latest practicable date before the allotment of such shares.

If approved, both of these authorities will expire at the conclusion of the AGM in 2021 unless renewed, varied or revoked earlier.

Resolution 13: authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 10 May 2019, the Company was granted authority to make market purchases of up to 13,826,050 ordinary shares of 5p each for cancellation or holding in treasury. 12,500 shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 13,813,550 ordinary shares. This authority will expire at the forthcoming AGM.

The directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to NAV. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at 7 April 2020 (excluding treasury shares). The directors will exercise this authority only if the directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue.

If renewed, this authority will lapse at the conclusion of the AGM in 2021 unless renewed, varied or revoked earlier.

Notice of Annual General Meeting

Notice is hereby given that the thirty-third Annual General Meeting of Schroder Asian Total Return Investment Company plc will be held on Tuesday, 19 May 2020 at 10.00 a.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions, of which resolutions 1 to 11 will be proposed as ordinary resolutions, and resolutions 12 and 13 will be proposed as special resolutions:

1. To receive the Directors' Report and the audited accounts for the year ended 31 December 2019.
2. To approve a final dividend of 6.50 pence per share for the year ended 31 December 2019.
3. To approve the Directors' Remuneration Policy.
4. To approve the Directors' Remuneration Report for the year ended 31 December 2019.
5. To approve the re-election of Andrew Cainey as a director of the Company.
6. To approve the re-election of Caroline Hitch as a director of the Company.
7. To approve the re-election of Mike Holt as a director of the Company.
8. To approve the re-election of Sarah MacAulay as a director of the Company.
9. To re-appoint Ernst & Young LLP as auditor to the Company.
10. To authorise the directors to determine the remuneration of Ernst & Young LLP as auditor to the Company.
11. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

    "THAT in substitution for all existing authorities the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £489,413 (being 10% of the issued ordinary share capital at 7 April 2020) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2021, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the board may allot relevant securities in pursuance of that offer or agreement."
12. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "That, subject to the passing of Resolution 11 set out above, the directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 11 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £489,413 (representing 10% of the aggregate nominal amount of the share capital in issue at 7 April 2020); and where equity securities are issued pursuant to this power they will only be issued at a price which is equal or greater than the Company's NAV per share as at the latest practicable date before the allotment; and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
13. To consider and, if thought fit, to pass the following resolution as a special resolution:

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

    (a) the maximum number of Shares which may be purchased is 14,672,610, representing 14.99% of the Company's issued ordinary share capital as at 7 April 2020 (excluding treasury shares);

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

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

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

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

    (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2021 (unless previously renewed, varied or revoked by the Company prior to such date);

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

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

By order of the board

Schroder Investment Management Limited
Company Secretary

14 April 2020

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

Registered Number: 02153093

Explanatory Notes to the Notice of Meeting

1. Ordinary shareholders are entitled to attend, ask questions and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. Due to COVID-19 shareholders are asked not to attend.

   A proxy form is attached. Due to COVID-19 shareholders are encouraged to appoint the Chairman as proxy. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 389 0306 or +44(0) 121 415 0179 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

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

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

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 10.00 a.m. on 15 May 2020. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 389 0306 (or +44(0) 121 415 0179 for overseas callers).

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

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

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

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 15 May 2020, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 15 May 2020 shall be disregarded in determining the right of any person to attend and vote at the meeting.

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

Explanatory Notes to the Notice of Meeting

so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the terms of appointment of the non-executive directors and a statement of all transactions of each director and of their family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the directors has a contract of service with the Company.

6. The biographies of the directors offering themselves for election and re-election are set out on pages 35 and 36 of the Company's annual report and accounts for the year ended 31 December 2019.

7. As at 7 April 2020, 97,882,659 ordinary shares of 5 pence each were in issue (12,500 shares were held in treasury). Therefore the total number of voting rights of the Company as at 7 April 2020 was 97,882,659.

8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpage, www.schroders.co.uk/satric.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information. Due to COVID-19 shareholders are asked to send their questions by post or by email (amcompanysecretary@schroders.com).

Definitions of Terms and Performance Measures

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

Net asset value ("NAV") per share

The NAV per share of 365.57p (2018: 321.43p) represents the net assets attributable to equity shareholders of £357,871,000 (2018: £293,783,000) divided by the number of shares in issue, excluding any shares held in treasury, of 97,895,159 (2018: 91,400,159).

The change in the NAV per share amounted to +13.7% (2018: -9.4%) over the year. However this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are factored into the calculation, the resulting performance measure is termed the "total return". Total return calculations and definitions are given below.

Total return

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

The NAV total return for the year ended 31 December 2019 is calculated as follows:

Opening NAV at 31/12/18				321.43p
Closing NAV at 31/12/19				365.57p
Dividend received	XD date	NAV on XD date	Factor	
6.20p	11/4/2019	357.63p	1.0173	
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV:				+15.7%

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

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

The share price total return for the year ended 31 December 2019 is calculated as follows:

Opening share price at 31/12/18				331.00p
Closing share price at 31/12/19				368.00p
Dividend received	XD date	Share price on XD date	Factor	
6.20p	11/4/2019	363.00p	1.0171	
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price:				+13.1%

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

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

Reference Index

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

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The premium at the year end amounted to 0.7% (2018: premium of 3.0%), as the closing share price at 368.0p (2018: 331.0p) was 0.7% higher (2018: 3.0% higher) than the closing NAV of 365.57p (2018: 321.43p).

Definitions of Terms and Performance Measures

Gearing

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

	2019 £'000	2018 £'000
Borrowings used for investment purposes, less cash	7,951	(2,696)
Net assets	357,871	293,783
Gearing/(net cash)	2.2%	(0.9)%

Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, transaction costs and any performance fee payable. This amounts to £2,882,000 (2018: £2,615,000), expressed as a percentage of the average daily net asset values during the year of £334.7 million (2018: £302.3 million).

Leverage

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

Puts

An option to sell assets at an agreed price.

Futures

Futures are derivative financial contracts that obligate the parties to transact an asset at a predetermined future date and price. Long refers to the person committed to buying the underlying asset from the person known as the Short.

Hedging

Investment to reduce the risk of adverse price movements in an asset.

Shareholder Information

Webpages and share price information

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

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

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

Association of Investment Companies

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

ISA status

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

Non-Mainstream Pooled Investments Status

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

Financial calendar

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

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

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

Leverage

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

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.0	1.1
Commitment method	2.5	1.1

Illiquid assets

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

Remuneration disclosures

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

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

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

Complaints

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

www.schroders.co.uk/satric

Directors

David Brief
Andrew Cainey
Caroline Hitch
Mike Holt
Sarah MacAulay

Advisers

Alternative Investment Fund Manager (the "Manager")

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

Investment Manager and Company Secretary

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

Registered Office

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London EC2Y 5AU

Depositary and Custodian

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8 Canada Square
London E14 5HQ

Lending Bank

Scotiabank Europe PLC
201 Bishopsgate
6th Floor
London EC2M 3NS

Corporate Broker

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Independent Auditors

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144 Morrison Street
Edinburgh EH3 8EX

Registrars

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

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

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

Shareholder enquiries

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

Dealing Codes

ISIN:	GB0008710799
SEDOL:	0871079
Ticker:	ATR

Global Intermediary Identification Number (GIIN)

TRPJG6.99999.SL.826

Legal Entity Identifier (LEI)

549300TQNNGZ0JHO2L78

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

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