

# Schroders

# Schroder Oriental Income Fund Limited

Half Year Report and Accounts  
for the six months ended  
28 February 2019



investors  
CHRONICLE

Top 100 Funds 2015  
Schroder Oriental Income

investors  
CHRONICLE

Top 100 Funds 2016  
Schroder Oriental Income

CITYWIRE

INVESTMENT TRUST  
AWARDS '17

WINNER  
International Income

## Investment objective

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

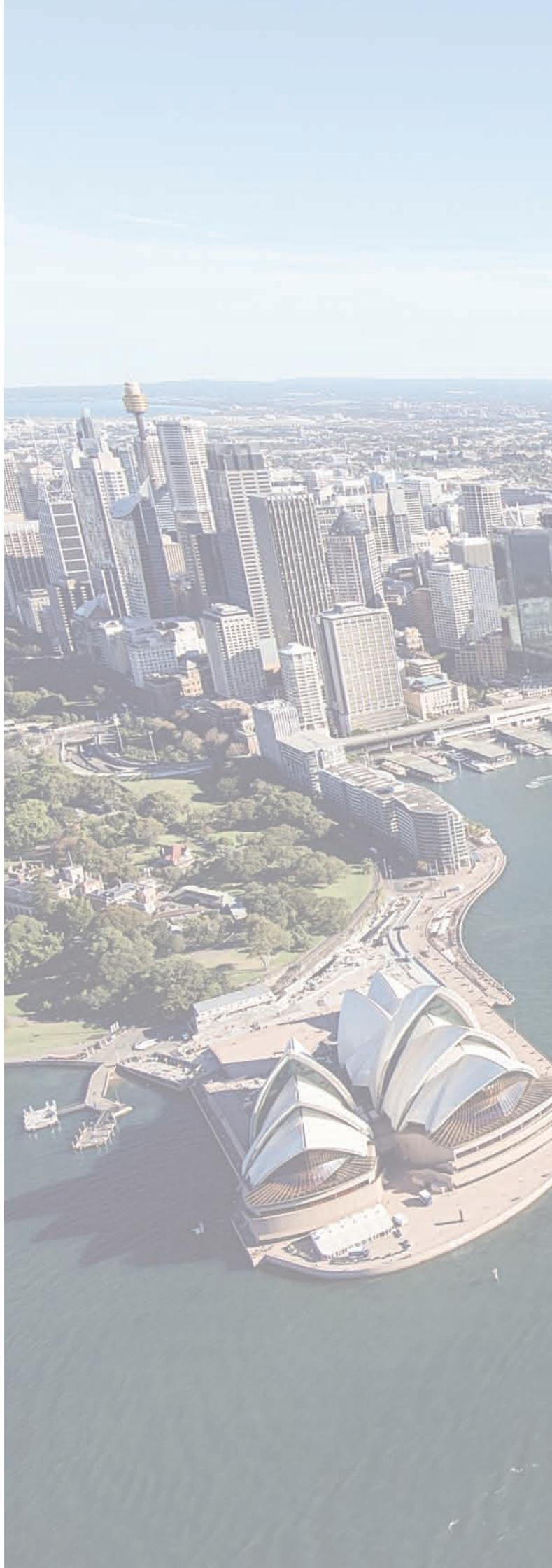
## Investment policy

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

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

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

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





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# Financial Highlights

## Total returns for the six months ended 28 February 2019<sup>1</sup>



**Net asset value (“NAV”) per share  
total return**



**Share price  
total return**

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

## Other financial information

	28 February 2019	31 August 2018	% Change
Shareholders' funds (£'000)	628,954	642,711	(2.1)
NAV per share (pence)	242.62	252.94	(4.1)
Share price (pence)	247.00	250.00	(1.2)
Share price premium/(discount) to NAV per share (%)	1.8	(1.2)	
Gearing (%) <sup>1</sup>	5.5	4.5	

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

# Interim Management Report – Chairman’s Statement



“Demand for the Company’s shares has remained strong and your board has, during the period under review, issued 5,135,000 ordinary shares...”

## Performance

This is my first report to shareholders as Chairman, following Robert Sinclair’s retirement at the Annual General Meeting. During the six-month period to 28 February 2019 the Company’s NAV produced a total return of -1.5%, against a volatile period for regional markets. During the same period, the share price produced a total return of 1.4% as the discount narrowed from 1.2% at the start of the period to a premium of 1.8% at its close.

Further details of investment performance, as well as portfolio activity, policy and outlook, may be found in the Manager’s Review on pages 4 to 5.

## Dividends

During the period, the Company declared two interim dividends for the year ending 31 August 2019, amounting to 3.60 pence per share (2018: 3.40 pence per share). The board is proud of its track record of dividends which have increased every year since the Company was launched. This has been recognised by the Association of Investment Companies identifying the Company as a ‘next generation dividend hero’.

## Share capital

Demand for the Company’s shares has remained strong and your board has, during the period under review, issued 5,135,000 ordinary shares at a small premium to the prevailing net asset value in order to provide liquidity to the market. At the period end, the Company’s share capital comprised 259,233,024 ordinary shares. No shares were held in treasury. 752,000 further shares have been issued at a premium since the period end.

## Gearing

The Company continues to have in place a multi-currency revolving credit facility of £100 million, which was partly drawn in US dollars and Japanese yen during the period. Gearing stood at 4.5% at the beginning of the period and had increased to 5.5% as at 28 February 2019. Average gearing during the period was 5.4%. The level of gearing continues to be monitored closely by the board, in conjunction with the Manager.

## Board refreshment

The board continues to review its composition and its plans for succession and refreshment.

Robert Sinclair retired from the board at the last Annual General Meeting, which was held during the period. As a result of this change, and my appointment to the role of chairman, the Nomination and Remuneration Committee conducted an analysis of the board’s composition. A search process was then undertaken facilitated by two external agencies and as a result Kate Cornish-Bowden was appointed as a director on 20 December 2018. Kate brings significant investment management experience and expertise to the board.

## Outlook

As in previous years, the majority of companies in our portfolio have continued to increase their dividends in local currency terms. Such consistency is reassuring as these increases are a key metric for us. We believe that we have the investment strategy – and the income reserve – to meet our goals provided the portfolio companies continue to maintain or increase distributions. There will always be macro-economic uncertainties, but overall I believe the economies of the Asian region continue to provide a dynamic environment which is supportive of the Company’s objectives and I look forward with confidence to the second half of the financial year.

**Peter Rigg**  
Chairman

29 May 2019

# Interim Management Report – Manager’s Review

## “Indonesia and Hong Kong have been the outstanding performers.”

The net asset value per share of the Company recorded a total return of -1.5% over the six months to end February 2019. The income from investments rose 7.1%.

### Market movements over the period

#### Performance of the MSCI AC Pacific ex Japan (net dividends reinvested) Index return in GBP and USD – 31 August 2018 to 28 February 2019

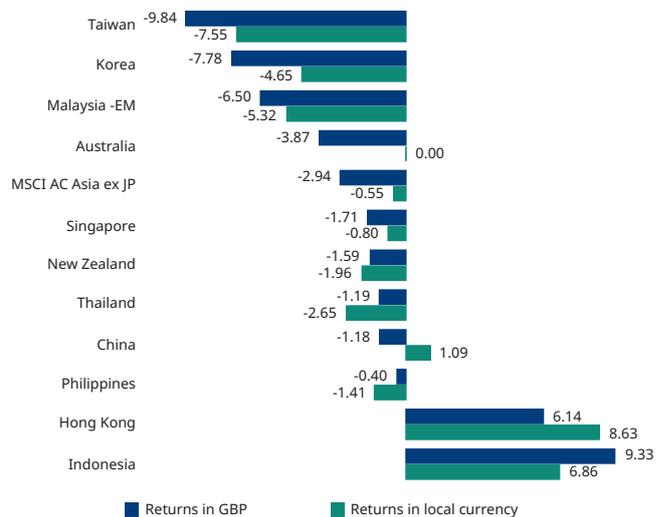


Source: Thomson Datastream as at 28 February 2019. Rebased to 100 at 31 August 2018.

The MSCI AC Pacific ex Japan (net dividends reinvested) Index ended slightly down over the period as a whole, but this disguises a high level of share price volatility. Unlike previous reports, the impact of foreign exchange rates on the value of the portfolio has been minimal. Concerns over tightening global liquidity, a stronger dollar, slower growth across developed markets outside the United States, slowing data from China, rising trade tensions and weaker trade trends weighed on regional markets in the latter months of 2018.

Come the turn of the year, there was a sharp rebound despite little economic recovery being immediately evident and continued downward revisions in corporate earnings. However, valuations had fallen to historically attractive levels which underpinned the case for modest recovery and a shift to a less hawkish stance by the US Federal Reserve (Fed) undoubtedly helped sentiment. Some signs of a loosening in credit conditions in China, alongside other measures including tax cuts and targeted infrastructure spending, also affected sentiment.

#### Country returns of the MSCI AC Pacific ex Japan (net dividends reinvested) Index in GBP and local currency – 31 August 2018 to 28 February 2019



Source: Schroders, Factset.

Indonesia and Hong Kong have been the outstanding performers. In the former, growing confidence over the presidential election (which the more market friendly Jokowi indeed won) and stability in the currency supported returns. A more dovish outlook for interest rates and liquidity aided the asset heavy Hong Kong market. Weak performances in Korea and Taiwan reflected their trade sensitivity and, more specifically, the downturn in the semiconductor cycle.

### Positioning and performance

The Company’s net asset value total return of -1.5% was better than the 2.9% decline in the MSCI AC Pacific ex Japan (net dividends reinvested) Index in sterling terms. Stock selection was more resilient, particularly in Australia, China, Korea, Thailand and Singapore, partly offset by shortfalls in New Zealand and Taiwan. Country positioning overall was also positive, primarily thanks to our overweighting in Hong Kong. The position in Japan and underweighting in China detracted.

Hong Kong, Australia, Taiwan and Singapore remain significant exposures in the Company’s portfolio, and have been joined by Korea where we added to the holdings over the period. We somewhat reduced the China exposure (although it remains just above 10% of the Company’s portfolio). Although it remains a small exposure in absolute terms, we added to Japan to continue to take advantage of stock opportunities. We closed the period with gearing of 5.5%, slightly above the level six months ago.

### Investment outlook

As mentioned above, a shift in policy stance from the Fed and the Chinese authorities towards more accommodative positions have marked a significant

# Interim Management Report – Manager’s Review

“Our preferred areas of investment remain in select blue chip names in Australia, Hong Kong and Taiwan...”

reversal in sentiment coming into 2019. A more dovish Fed commentary has significantly lowered market expectations for future interest rate increases, and long bond yields have come down from their November highs. A flattening yield curve (where interest rates are closer to long-term bond yields) points to slower global growth, but as the US dollar remains the key reserve currency, it allows Asian monetary authorities scope to adjust their own policy stances given that inflationary pressures are uniformly subdued.

We have also seen an important shift in China’s policy stance in the last few months. Reserve requirement ratios have been cut and banks have been encouraged to lend more aggressively to small and medium-sized enterprises (SMEs) and the private sector. The sharp pick-up in total social financing in year-to-date data suggests that local financial institutions are responding to this top-down guidance. Fiscal spending also appears to be picking up to support growth, with lower taxes for consumers and SMEs being announced and an acceleration of some infrastructure spending coming through.

Having appeared to be progressing relatively smoothly, at the time of writing the trade negotiations have clearly hit something of an impasse. Conspiracy theories abound, and the one thing we can be sure of is that the various parties are putting the best spin possible to their own actions. It remains very unclear whether China has stepped back from what the US took to be firm promises, or whether strong domestic equity markets and a strong economy emboldened Trump to seek more concessions. Irrespective of the causes, while regional markets do not look expensive, severe trade disruption has the capacity to lead markets substantially lower, particularly as prospects for a reversal in negative earnings revisions recedes.

We believe that the case for equity income in Asia remains robust, supported by generally stronger governance. The portfolio bias towards quality businesses with sound capital structures and strong cash flow generation remains relevant as the nearer term growth outlook remains uncertain, and hopefully compensates for the lower flexibility to buy high growth (but high priced) stocks.

Low gearing by historic standards and burgeoning free cash flows present good conditions for dividends to surprise on the upside as pay-out ratios are in line with historic (modest) averages. The propensity for dividends to surprise in Asia is further helped by improving corporate governance and regulatory changes in the region. On a medium-term view, structural deflation suggests that bond yields will remain lower for longer. The demographic trend of an ageing global population will be supportive of dividend investing in the longer term.

Given these short-term uncertainties, we continue to tread carefully in equity markets. However the shares of some of the lower-growth/higher yielding companies with predictable dividends have performed well and look fairly valued. Our preferred areas of investment remain in

select blue chip names in Australia, Hong Kong and Taiwan, with smaller but significant exposures in China and Korea. The main sector exposures include real estate, banks, technology, communications, and consumer discretionary.

## Sector and country weights

### Portfolio by sector

	Portfolio weight (%)
Real Estate	22.4
Banks	16.3
Information Technology	16.1
Communication Services	10.1
Consumer Discretionary	9.8
Materials	8.5
Industrials	5.0
Energy	4.5
Other Financials	4.1
Utilities	1.7
Consumer Staples	1.5
Health Care	-
<b>Total</b>	<b>100.0</b>

Source: Schroders as at February 28, 2019.

### Portfolio by country

	Portfolio weight (%)
Hong Kong	25.1
Australia	18.5
South Korea	11.9
Taiwan	11.7
China	11.5
Singapore	9.5
Thailand	6.8
Japan	3.7
New Zealand	0.8
Malaysia	0.5
India	-
Indonesia	-
Philippines	-
<b>Total</b>	<b>100.0</b>

Source: Schroders as at February 28, 2019

### Schroder Unit Trusts Limited

29 May 2019

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

# Interim Management Report

## Investment Portfolio at 28 February 2019

Investments are classified by the Manager in the country of their main business operations. Stocks in bold are the 20 largest investments, which by value account for 56.1% (28 February 2018: 52.4% and 31 August 2018: 55.7%) of total investments and derivative financial instruments.

	£'000	%
<b>Hong Kong</b>		
<b>Swire Pacific A and B</b>	<b>31,258</b>	<b>4.7</b>
<b>Fortune Real Estate Investment Trust</b>	<b>26,418</b>	<b>4.0</b>
<b>HSBC</b>	<b>19,272</b>	<b>3.0</b>
<b>Kerry Properties</b>	<b>16,270</b>	<b>2.5</b>
<b>BOC Hong Kong</b>	<b>14,520</b>	<b>2.2</b>
<b>Hang Lung Properties</b>	<b>13,770</b>	<b>2.1</b>
HKT Trust and HKT	9,502	1.5
Standard Chartered	8,527	1.3
PCCW	7,981	1.2
Xinyi Glass	5,791	0.9
Pacific Textiles	4,110	0.6
Jardine Strategic <sup>1</sup>	3,486	0.5
Prada	1,981	0.3
Hang Lung Group	1,866	0.3
Giordano	937	0.1
<b>Total Hong Kong</b>	<b>165,689</b>	<b>25.2</b>
<b>Australia</b>		
<b>National Australia Bank</b>	<b>18,774</b>	<b>2.8</b>
<b>BHP Billiton<sup>2</sup></b>	<b>17,241</b>	<b>2.6</b>
<b>Transurban</b>	<b>12,509</b>	<b>1.9</b>
<b>Mirvac</b>	<b>12,092</b>	<b>1.8</b>
Westpac Banking	8,482	1.3
Woolworths	8,337	1.3
Telstra Corporation	7,690	1.2
Australia & NZ Banking	7,667	1.2
Iluka Resources	6,910	1.0
Orica	5,525	0.8
Brambles	5,275	0.8
Incitec Pivot	4,284	0.6
Suncorp	4,272	0.6
Sydney Airport	2,118	0.3
James Hardie Industries	2,001	0.3
<b>Total Australia</b>	<b>123,177</b>	<b>18.5</b>

	£'000	%
<b>South Korea</b>		
<b>Samsung Electronics preference shares</b>	<b>32,452</b>	<b>4.9</b>
LG Chemical preference shares	9,720	1.5
SK Innovation (including preference shares)	9,614	1.4
ING Life Insurance Korea	9,370	1.4
Hyundai Motor preference shares	7,315	1.1
Hyosung Chemical	3,850	0.6
Hyosung TNC	2,990	0.5
Amorepacific preference shares	1,562	0.2
Hyosung Advanced Materials	1,501	0.2
SK Holdings preference shares	714	0.1
<b>Total South Korea</b>	<b>79,088</b>	<b>11.9</b>
<b>Taiwan</b>		
<b>Taiwan Semiconductor Manufacturing</b>	<b>38,780</b>	<b>5.9</b>
<b>Hon Hai Precision Industry</b>	<b>12,290</b>	<b>1.9</b>
Far EasTone Telecommunications (including GDR)	9,148	1.4
Mega Financial	8,580	1.3
Asustek Computer	6,445	1.0
FIH Mobile <sup>3</sup>	1,375	0.2
<b>Total Taiwan</b>	<b>76,618</b>	<b>11.7</b>
<b>China</b>		
<b>China Petroleum &amp; Chemical<sup>3</sup> H</b>	<b>20,742</b>	<b>3.1</b>
<b>Midea Group, including LEPO 19/6/2019<sup>4</sup> and A shares</b>	<b>18,275</b>	<b>2.7</b>
<b>Sands China<sup>3</sup></b>	<b>13,025</b>	<b>2.0</b>
China Mobile <sup>3</sup>	9,066	1.4
China Yangtze Power A	8,251	1.2
Qingdao Haier A	5,427	0.8
Focus Media Information Technology A	1,815	0.3
<b>Total China</b>	<b>76,601</b>	<b>11.5</b>

# Interim Management Report

## Investment Portfolio at 28 February 2019

	£'000	%
<b>Singapore</b>		
Venture	13,011	2.0
Oversea-Chinese Banking	11,791	1.8
CapitaLand Mall Trust (REIT)	7,715	1.2
Keppel	7,353	1.1
Mapletree Commercial Trust (REIT)	6,343	1.0
Frasers Commercial Trust (REIT)	5,836	0.9
Mapletree North Asia Commercial Trust (REIT)	4,224	0.6
Soilbuild Business Space (REIT)	3,948	0.6
Far East Hospitality Trust (REIT)	2,270	0.3
<b>Total Singapore</b>	<b>62,491</b>	<b>9.5</b>
<b>Thailand</b>		
Intouch (including NVDR)	16,254	2.5
CPN Retail Growth Leasehold (REIT)	11,231	1.7
BTS Rail Mass Transit Growth Infrastructure	6,933	1.0
Bangkok Bank (including NVDR)	4,953	0.7
Glow Energy	3,164	0.5
Supalai	2,702	0.4
<b>Total Thailand</b>	<b>45,237</b>	<b>6.8</b>
<b>Japan</b>		
Jafco	5,055	0.8
Tokyo Broadcasting System	4,945	0.7
Tokai Tokyo Securities	3,369	0.5
Toyota Industries	2,683	0.4
Fuji Media	2,560	0.4
Sumitomo Forestry	2,081	0.3
MCUBS MidCity Investment (REIT)	1,877	0.3
Toshiba Machine	1,778	0.3
<b>Total Japan</b>	<b>24,348</b>	<b>3.7</b>

	£'000	%
<b>New Zealand</b>		
Fletcher Building	5,206	0.8
<b>Total New Zealand</b>	<b>5,206</b>	<b>0.8</b>
<b>Malaysia</b>		
Bursa Malaysia	3,514	0.5
<b>Total Malaysia</b>	<b>3,514</b>	<b>0.5</b>
<b>Total Investments</b>	<b>661,969</b>	<b>100.1</b>
<b>Derivative Financial Instrument</b>		
Forward Currency Contract <sup>5</sup>	(989)	(0.1)
<b>Total Investments and Derivative Financial Instruments<sup>6</sup></b>	<b>660,980</b>	<b>100.0</b>

<sup>1</sup>Listed in Singapore

<sup>2</sup>Listed in the UK

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

<sup>4</sup>Listed in USA

<sup>5</sup>Comprises a single contract to purchase USD40.89 million for CNY282.35 million, for settlement on 14 March 2019. The contract is valued at fair value, being the cost of closing out the contract at 28 February 2019.

<sup>6</sup>Total investments and derivative financial instruments comprise:

	£'000	%
Equities, including low exercise price options ("LEPO"), global depository receipts ("GDR") and non-voting depository receipts ("NVDR")	603,277	91.2
Preference shares	58,692	8.9
Forward currency contracts	(989)	(0.1)
<b>Total</b>	<b>660,980</b>	<b>100.0</b>

# Interim Management Report

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: strategy and competitiveness risk; investment management risk; financial and currency risks; accounting, legal and regulatory risk; custodian and depositary risk; service provider risk and political risk.

A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 13 and 14 of the Company's published annual report and accounts for the year ended 31 August 2018, save for political risk which had previously been monitored as part of the board's wider consideration of operating risks and which has been identified as a principal risk subsequent to the publication of the Company's latest published annual report and accounts. Political risk has been identified by the board as the risk that political developments, either in the United Kingdom, Guernsey, or Asia might materially affect the ability of the Company to achieve its investment objective. Save for the introduction of a distinct political risk, these risks and uncertainties have not materially changed during the six months ended 28 February 2019.

## Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 15 of the published Annual Report and Accounts for the year ended 31 August 2018, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

## Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 28 February 2019.

## Directors' responsibility statement

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

# Statement of Comprehensive Income

	(Unaudited) For the six months ended 28 February 2019			(Unaudited) For the six months ended 28 February 2018			(Audited) For the year ended 31 August 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	-	(18,146)	(18,146)	-	(2,951)	(2,951)	-	(13,193)	(13,193)
Net foreign currency gains/(losses)	-	238	238	-	2,314	2,314	-	(895)	(895)
Income from investments	10,803	1,050	11,853	10,084	16	10,100	31,257	1,033	32,290
Other income	34	-	34	-	-	-	22	-	22
<b>Total income/(loss)</b>	<b>10,837</b>	<b>(16,858)</b>	<b>(6,021)</b>	10,084	(621)	9,463	31,279	(13,055)	18,224
Management fee	(653)	(1,524)	(2,177)	(670)	(1,563)	(2,233)	(1,365)	(3,184)	(4,549)
Administrative expenses	(471)	(2)	(473)	(421)	(2)	(423)	(813)	(4)	(817)
<b>Profit/(loss) before finance costs and taxation</b>	<b>9,713</b>	<b>(18,384)</b>	<b>(8,671)</b>	8,993	(2,186)	6,807	29,101	(16,243)	12,858
Finance costs	(163)	(378)	(541)	(135)	(312)	(447)	(334)	(777)	(1,111)
<b>Profit/(loss) before taxation</b>	<b>9,550</b>	<b>(18,762)</b>	<b>(9,212)</b>	8,858	(2,498)	6,360	28,767	(17,020)	11,747
Taxation (note 4)	(688)	-	(688)	(581)	8	(573)	(2,346)	(29)	(2,375)
<b>Net profit/(loss) and total comprehensive income</b>	<b>8,862</b>	<b>(18,762)</b>	<b>(9,900)</b>	8,277	(2,490)	5,787	26,421	(17,049)	9,372
<b>Earnings/(losses) per share (note 5)</b>	<b>3.46p</b>	<b>(7.33)p</b>	<b>(3.87)p</b>	3.33p	(1.00)p	2.33p	10.52p	(6.79)p	3.73p

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net profit/(loss) for the period is also the total comprehensive income for the period.

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

# Statement of Changes in Equity

## For the six months ended 28 February 2019 (unaudited)

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2018	191,538	39	150,374	270,959	29,801	642,711
Issue of shares	12,301	-	-	-	-	12,301
Net (loss)/profit	-	-	-	(18,762)	8,862	(9,900)
Dividends paid in the period (note 6)	-	-	-	-	(16,158)	(16,158)
<b>At 28 February 2019</b>	<b>203,839</b>	<b>39</b>	<b>150,374</b>	<b>252,197</b>	<b>22,505</b>	<b>628,954</b>

## For the six months ended 28 February 2018 (unaudited)

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2017	170,076	39	150,374	288,008	26,969	635,466
Issue of shares	12,655	-	-	-	-	12,655
Net (loss)/profit	-	-	-	(2,490)	8,277	5,787
Dividends paid in the period (note 6)	-	-	-	-	(14,731)	(14,731)
<b>At 28 February 2018</b>	<b>182,731</b>	<b>39</b>	<b>150,374</b>	<b>285,518</b>	<b>20,515</b>	<b>639,177</b>

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

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2017	170,076	39	150,374	288,008	26,969	635,466
Issue of shares	21,462	-	-	-	-	21,462
Net (loss)/profit	-	-	-	(17,049)	26,421	9,372
Dividends paid in the year (note 6)	-	-	-	-	(23,589)	(23,589)
<b>At 31 August 2018</b>	<b>191,538</b>	<b>39</b>	<b>150,374</b>	<b>270,959</b>	<b>29,801</b>	<b>642,711</b>

# Balance Sheet

## at 28 February 2019 (unaudited)

	(Unaudited) 28 February 2019 £'000	(Unaudited) 28 February 2018 £'000	(Audited) 31 August 2018 £'000
<b>Non current assets</b>			
Investments at fair value through profit or loss	661,969	676,529	668,985
<b>Current assets</b>			
Receivables	4,056	6,120	3,794
Cash and cash equivalents	12,684	11,977	39,165
	16,740	18,097	42,959
<b>Total assets</b>	<b>678,709</b>	694,626	711,944
<b>Current liabilities</b>			
Bank loans	(47,472)	(54,182)	(67,901)
Payables	(1,294)	(1,267)	(1,332)
Derivative financial instruments held at fair value through profit or loss	(989)	-	-
	(49,755)	(55,449)	(69,233)
<b>Net assets</b>	<b>628,954</b>	639,177	642,711
<b>Equity attributable to equity holders</b>			
Share capital (note 7)	203,839	182,731	191,538
Capital redemption reserve	39	39	39
Special reserve	150,374	150,374	150,374
Capital reserves	252,197	285,518	270,959
Revenue reserve	22,505	20,515	29,801
<b>Total equity shareholders' funds</b>	<b>628,954</b>	639,177	642,711
<b>Net asset value per share (note 8)</b>	<b>242.62p</b>	255.05p	252.94p

Registered in Guernsey  
Company registration number: 43298

# Cash Flow Statement

	(Unaudited) For the six months ended 28 February 2019 £'000	(Unaudited) For the six months ended 28 February 2018 £'000	(Audited) For the year ended 31 August 2018 £'000
<b>Operating activities</b>			
(Loss)/profit before finance costs and taxation	(8,671)	6,807	12,858
Deduct/add back net foreign currency gains/losses	(238)	(2,314)	895
Losses on investments at fair value through profit or loss	18,146	2,951	13,193
Net purchases of investments at fair value through profit or loss	(10,439)	(29,418)	(29,608)
Amortisation of discount on fixed interest securities	-	-	(27)
(Increase)/decrease in receivables	(1,285)	499	571
Decrease in payables	(27)	(7,484)	(7,431)
Overseas taxation paid	(355)	(497)	(2,527)
<b>Net cash outflow from operating activities before interest</b>	<b>(2,869)</b>	<b>(29,456)</b>	<b>(12,076)</b>
Interest paid	(552)	(452)	(1,104)
<b>Net cash outflow from operating activities</b>	<b>(3,421)</b>	<b>(29,908)</b>	<b>(13,180)</b>
Bank loans drawn down	-	14,593	46,415
Bank loans repaid	(19,406)	-	(21,275)
Issue of ordinary shares	12,301	12,655	21,462
Dividends paid	(16,158)	(14,731)	(23,589)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(23,263)</b>	<b>12,517</b>	<b>23,013</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(26,684)</b>	<b>(17,391)</b>	<b>9,833</b>
Cash and cash equivalents at the start of the period	39,165	29,881	29,881
Effect of foreign exchange rate changes on cash and cash equivalents	203	(513)	(549)
<b>Cash and cash equivalents at the end of the period</b>	<b>12,684</b>	<b>11,977</b>	<b>39,165</b>

Dividends received during the period amounted to £10,552,000 (period ended 28 February 2018: £10,477,000 and year ended 31 August 2018: £32,614,000) and bond and deposit interest receipts amounted to £37,000 (period ended 28 February 2018: £106,000 and year ended 31 August 2018: £234,000).

# Notes to the Accounts

## 1. Principal activity

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

## 2. Financial statements

The financial information for the six months ended 28 February 2019 and 28 February 2018 has not been audited or reviewed by the Company's auditor. These financial statements do not include all of the information required to be included in annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 August 2018.

## 3. Accounting policies

The accounts have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies set out in the statutory accounts of the Company for the year ended 31 August 2018. Where presentational guidance set out in the Statement of Recommended Practice (the "SORP") for investment trust companies issued by the Association of Investment Companies in November 2014 and updated in February 2018, is consistent with the requirements of International Financial Reporting Standards, the accounts have been prepared on a basis compliant with the recommendations of the SORP.

## 4. Taxation

The Company has been granted an exemption from Guernsey taxation, under the Income Tax (Exempt Bodies) Guernsey Ordinance for which it is charged an annual exemption fee of £1,200 (2018: same). Taxation comprises irrecoverable overseas withholding tax deducted from dividends receivable.

## 5. Earnings/(losses) per share

	(Unaudited) Six months ended 28 February 2019 £'000	(Unaudited) Six months ended 28 February 2018 £'000	(Audited) Year ended 31 August 2018 £'000
Net revenue profit	8,862	8,277	26,421
Net capital loss	(18,762)	(2,490)	(17,049)
<b>Net total (loss)/profit</b>	<b>(9,900)</b>	5,787	9,372
Weighted average number of shares in issue during the period	<b>256,014,875</b>	248,734,488	250,958,435
Revenue earnings per share	<b>3.46p</b>	3.33p	10.52p
Capital loss per share	<b>(7.33)p</b>	(1.00)p	(6.79)p
<b>Total (loss)/earnings per share</b>	<b>(3.87)p</b>	2.33p	3.73p

# Notes to the Accounts

## 6. Dividends paid

	(Unaudited) Six months ended 28 February 2019 £'000	(Unaudited) Six months ended 28 February 2018 £'000	(Audited) Year ended 31 August 2018 £'000
2018 fourth interim dividend of 4.50 (2017: 4.20p)	11,505	10,477	10,477
First interim dividend of 1.80p (2018: 1.70p)	4,653	4,254	4,254
Second interim dividend of 1.70p	-	-	4,284
Third interim dividend of 1.80p	-	-	4,574
	<b>16,158</b>	14,731	23,589

A second interim dividend of 1.80p (2018: 1.70p) per share, amounting to £4,666,000 (2018: £4,284,000) has been declared payable in respect of the year ending 31 August 2019.

## 7. Share capital

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

	(Unaudited) Six months ended 28 February 2019	(Unaudited) Six months ended 28 February 2018	(Audited) Year ended 31 August 2018
Ordinary shares of 1p each, allotted, called-up and fully paid			
Opening balance of shares in issue	254,098,024	245,703,024	245,703,024
Issue of shares	5,135,000	4,905,000	8,395,000
Closing balance of shares in issue	<b>259,233,024</b>	250,608,024	254,098,024

## 8. Net asset value per share

	(Unaudited) 28 February 2019	(Unaudited) 28 February 2018	(Audited) 31 August 2018
Net assets attributable to shareholders (£'000)	628,954	639,177	642,711
Shares in issue at the period end	259,233,024	250,608,024	254,098,024
Net asset value per share	<b>242.62p</b>	255.05p	252.94p

# Notes to the Accounts

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

The Company's portfolio of investments, comprising investments in companies and any derivatives, are carried in the balance sheet at fair value. Other financial instruments held by the Company comprise amounts due to or from brokers, dividends and interest receivable, accruals, cash and drawings on the credit facility. For these instruments, the balance sheet amount is a reasonable approximation of fair value. The recognition and measurement policies for financial instruments measured at fair value have not changed from those set out in the statutory accounts of the Company for the year ended 31 August 2018.

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

Level 1 – valued using quoted prices in active markets.

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

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

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

At 28 February 2019, the Company's investment portfolio and derivative financial instrument were categorised as follows:

	(Unaudited) 28 February 2019 £'000	(Unaudited) 28 February 2018 £'000	(Audited) 31 August 2018 £'000
Level 1	661,969	676,529	654,213
Level 2	(989)	-	-
Level 3	-	-	-
Total	660,980	676,529	654,213

There have been no transfers between Levels 1, 2 or 3 during the period (period ended 28 February 2018 and year ended 31 August 2018: nil).

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

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

# Notes



## Directors

Peter Rigg (Chairman)  
Alexa Coates  
Kate Cornish-Bowden  
Paul Meader

## Advisers

### Alternative Investment Fund Manager (the "Manager")

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

### Company secretary and administrator

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

### Registered office

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

### Lending bank

Scotiabank Europe plc  
201 Bishopsgate  
London EC2M 3NS  
United Kingdom

### Safekeeping and cashflow monitoring agent

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

### Recognised auditors

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

## Registrar

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

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment, should be directed to Computershare Investor Services (Guernsey) Limited at the address set out above.

## Corporate broker

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London EC4M 7LT  
United Kingdom

## Designated manager

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

## Shareholder enquiries

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

## AIFM Directive disclosures

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found on the website [www.schroders.co.uk/its](http://www.schroders.co.uk/its).

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the website at [www.schroders.co.uk/its](http://www.schroders.co.uk/its).

## Dealing codes

ISIN: GB00B0CRWN59  
SEDOL: B0CRWN5  
Ticker: SOI

## Global Intermediary Identification Number (GIIN)

1TVP6A.99999.SL.83

## Legal Entity Identifier (LEI)

5493001U9X6P8SS0PK40

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

