

Schroders

Schroder Japan Growth  
Fund plc

Half Year Report and Accounts  
for the six months ended  
31 January 2020



## Investment objective

The Company's principal investment objective is to achieve capital growth from an actively managed portfolio principally comprising securities listed on the Japanese stock markets, with the aim of achieving growth in excess of the TSE First Section Total Return Index in sterling over the longer term.

## Investment policy

The Manager utilises an active stock driven investment approach, drawing on Schrodgers' extensive research resources in Japan. The portfolio is principally invested in a broad range of companies quoted on the Tokyo Stock Exchange, the regional stock markets of Fukuoka, Hiroshima, Kyoto, Nagoya, Niigata, Osaka and Sapporo and the Japanese over the counter (OTC) market. Investments may also be made in companies listed elsewhere but controlled from Japan or with a material exposure to the Japanese economy. There are no constraints on size of company or sector allocation. This flexibility will allow the Manager to take advantage of changes in market sentiment and in the domestic economic cycle as it develops.

The portfolio is mainly invested in equities but may also be invested in warrants, convertibles and other derivative instruments where appropriate. The Company may invest up to 5% of its assets in securities which are not listed on any stock exchange, but would not normally make such investment except where the Manager expects that the securities will shortly become listed on a Japanese stock market.





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# Financial Highlights

## Total returns for the six months ended 31 January 2020<sup>1</sup>



**Net asset value  
("NAV") per share<sup>2</sup>**



**Share price<sup>2</sup>**



**Benchmark<sup>3</sup>**

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

<sup>2</sup>Source: Morningstar.

<sup>3</sup>Source: Thomson Reuters. The Company's benchmark is the TSE First Section Total Return Index in sterling terms.

## Other financial information

	31 January 2020	31 July 2019	% Change
Shareholders' funds (£'000)	272,832	273,812	(0.4)
Shares in issue	125,008,200	125,008,200	-
NAV per share (pence)	218.25	219.04	(0.4)
Share price (pence)	190.00	190.50	(0.3)
Share price discount to NAV per share (%)	12.9	13.0	
Gearing (%) <sup>1</sup>	11.6	12.3	

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

# Interim Management Report – Chairman’s Statement



## Performance

During the six-month period to 31 January 2020 the net asset value (“NAV”) and share price total returns in sterling were 1.8% and 2.3% respectively. This compares to a Benchmark total return of 1.3%.

Since the end of January, global markets have experienced sharp drops as a result of COVID-19,

and as at 15 April 2020, the Company’s published NAV had dropped to 189.53p per share and the Company’s share price had dropped to 163.0p per share.

Further performance details are set out in the Manager’s Review on page 4.

It is difficult to predict how soon this situation will be resolved. I am also conscious that our Manager is facing investment judgements in a context that is relatively novel. However, our presumption is that the holdings in the portfolio – chosen to a large extent for the quality of the management and franchises – will emerge from this with even stronger market positions. We also expect the current market volatility to produce new buying opportunities.

It would be reassuring to see evidence that companies’ and governments’ reactions to the challenge are working, but in the meantime the Company’s share price is back to the levels of 2015-16. While corporate profits in Japan will be severely impacted in the short term, any future recovery would make most of the shares in the portfolio look very appealing.

**Anja Balfour**  
Chairman

16 April 2020

## Term loan and revolving credit facility

The Company has in place a 6 billion yen fixed term loan with Sumitomo Mitsui Banking Corporation Europe Limited (“SMBC”). This term loan is in place until January 2022. In addition, the Company has a 2 billion yen revolving credit facility, also with SMBC. The Company intends to renew this in May 2020.

## Board refreshment

As announced on 31 March 2020, Richard Greer retired from the board after serving for 10 years. The board is grateful for his counsel and contributions during his tenure. As previously announced, and as part of the board’s ongoing refreshment, Angus Macpherson joined as a non-executive director on 1 February 2020.

## Outlook

Almost everything that happened in the six months under review has since been dwarfed by the reaction to the coronavirus pandemic. So far Japan is not in as severe a lockdown as in the UK, but companies have suffered from China’s problems as supply chains are so interlinked, and stock market sentiment has inevitably been as shocked as elsewhere. The most obvious impact – beyond the human cost – has been a fall in the Company’s net asset value of 13.2% since the end of January (as at 15 April), with even a fall of that magnitude offset partly by the decline in sterling relative to the yen.

# Interim Management Report – Manager’s Review

## Market background

The Japanese market was strong for most of the period under review, recording a total return of 8.9%. The yen/sterling exchange rate was volatile, especially from July to October, driven primarily by the UK's domestic political agenda. Across the period however, there was a significant net weakening of the yen, which restricted the total market return in sterling to just 1.3% (Source: Morningstar, 31 January 2020).

Sentiment towards Japanese equities generally fluctuated in line with geopolitical tensions but was ultimately helped by signs of some easing in relations between the US and China and expectations for the signing of a Phase 1 trade agreement. Foreigners returned as net buyers of Japanese equities from September onwards, which also influenced the type of shares being sought and sector performance. In reaction to the market strength, the Bank of Japan stepped back from its ongoing ETF purchases in the fourth quarter of 2019 and therefore undershot its own target for the calendar year.

Japan's economic data continued to show a significant divergence between the strength in service sectors and the weakness in manufacturing. There were also signs that the long-running trend towards an ever-tighter labour market had finally reached its natural limit as Japan has effectively been operating at full employment for some time.

The main domestic events were the Upper House election in July, which was won comfortably by Mr Abe's Liberal Democratic Party, and the increase in consumption tax on 1 October. Some evidence of front-loading of demand ahead of the tax increase was visible, but it is now clear that the subsequent downturn has been greater than consensus expectations, even if allowance is made for the devastating typhoon that hit central Japan in October. In response to the weaker data the government announced a significant supplementary budget, with a particular focus on reconstruction. Investors generally responded positively to this planned fiscal stimulus but towards the end of the period, the COVID-19 outbreak and associated supply-chain disruption raised fears of a second consecutive quarter of economic contraction.

At the individual stock level there have recently been several positive examples of corporate activity, which we see as a direct consequence of Japan's drive towards better corporate governance. Some of the contested situations have again focused attention on the rights of minority shareholders and the ways in which value may be realised from within Japanese companies.

The Company's NAV rose 1.8% over the six months, ahead of the 1.3% increase in the Benchmark. Although the market environment did not particularly suit the portfolio, there was a positive impact from the gearing in

a rising market. There was also a strong positive contribution from TDK, a global supplier of electronic components, which outperformed consistently throughout the period. Conversely, Sankyu, a specialist in logistics and plant engineering, was relatively weak in the last six months, reversing some of the outperformance seen in the previous three years.

## Stock selection attribution – 6 months to 31 January 2020

### Largest positive contributions to performance

Security	Fund (%)	Load difference (%)	Absolute return (%)	Impact
TDK	2.5	2.3	31.4	0.6
SoftBank Group	0.0	-1.5	-24.9	0.5
Disco	2.3	2.2	19.3	0.4
Hitachi Capital	1.3	1.3	28.8	0.3
Mitsubishi Tanabe	0.4	0.3	54.6	0.3
<b>Total</b>				<b>2.1</b>

### Largest negative contributions to performance

Security	Fund (%)	Load difference (%)	Absolute return (%)	Impact
Sankyu	2.5	2.5	-12.9	-0.4
Koito Manufacturing	1.6	1.5	-17.7	-0.3
Sony	0.0	-1.9	16.7	-0.3
Hitachi Transort Sys	1.4	1.4	-13.3	-0.2
SK Kaken	1.2	1.2	-11.1	-0.2
<b>Total</b>				<b>-1.4</b>

Source: FactSet. Contributions are purely indicative as FactSet uses unaudited data.

## Activity

Several positions were initiated in small cap stocks after some correction in valuations in this area of the market over the previous 12 months. These included Fukushima Galilei, which produces commercial refrigerators, and Trusco Nakayama, an industrial machinery trader, which is improving its logistics operations to benefit from current trends in capital expenditure. Other new holdings were added in Hosokawa Micron, a specialist manufacturer of precision powders with a wide-range of applications across electronic components, lithium batteries, drugs and cosmetics, and Rheon Automatic Machinery, which supplies food production equipment used to automate processes and provide consistent

# Interim Management Report – Manager’s Review

quality. Among larger companies, Taisei was also added to the portfolio. This represents a contrarian view on a stock that has underperformed for more than two years, where we see some signs of a turnaround. We also appreciate the company’s progress in increasing shareholder remuneration through both dividends and share buy-backs.

These purchases were funded from sales where we felt the stock-specific drivers had weakened, including Sumitomo Electric, a major supplier of cables and automobile wire harnesses, and Mitsubishi Electric, which produces electrical machinery and industrial products. We also sold the position in Nomura Holdings, the parent company of Nomura Securities. Our conviction in this position had gradually been declining as management repeatedly failed to deliver the anticipated improvements, especially in their overseas businesses.

There was a significant reduction in the weighting of Japan Tobacco. The company is struggling to regain the market share lost to overseas competitors in recent years, especially in new tobacco products. While we initially felt this problem would be rectified once production problems were ironed out, we increasingly feel there is more of a structural problem.

The position in Mitsubishi Tanabe, a pharmaceutical maker, was sold out of the portfolio. Rather unexpectedly, its parent company, Mitsubishi Chemical, which already owned 56% of the shares, announced a full takeover bid for the company in November at a premium of 50% to the previous share price. The stock immediately moved up to that level and, as we saw no possibility for a higher bid, we sold the Company’s holding in the market at the take-over bid price.

## Outlook

Although there could be additional downside from a more extended global slowdown, a significant earnings downturn was already priced into Japanese equities by mid-March. Although short-term earnings remain under pressure, market valuations have also adjusted quickly and the prospective PE ratio of 10.2x for 2021 and the Price-to-Book ratio of 0.85x continue to look attractive against Japan’s recent ranges, and compared to other developed markets. While we are unsure of the exact path for earnings revisions in 2020, the most important point will be when investors move their forecast horizon to a more normal period in fiscal year 2021. On a relative basis, there should be a greater potential upside for small companies, given their recent sharp correction against large caps.

For now however, we need to be aware of persistent volatility around the news flow on COVID-19 and the associated policy responses. In the very near term the most likely impact on sentiment in Japan could come from additional restrictions on domestic travel and activity within Tokyo and the current situation provides multiple reasons for companies to be extremely cautious in their forecasts for the fiscal year just starting.

There could be an additional risk for Japan from any persistent yen appreciation, although there has been no evidence of this yet. Despite the current volatility in exchange rates the yen has remained broadly in a range that should have limited incremental impact on corporate earnings.

We should also remember that the long-term structural improvements we were seeing in Japan are unlikely to be permanently reversed, even if they seem to be overwhelmed by short-term news flow. Corporate activity continued to surprise positively in the early part of 2020, with individual cases of contested takeovers breaking new ground for Japan in the past few months. We continue to see this as a natural extension of stronger corporate governance and the drive towards better capital allocation that ultimately has the potential to close the valuation gap between Japan and other developed markets.

We are particularly interested to see the near-term path for share buybacks, which hit a new record high in March. The strength of Japanese balance sheets provides a competitive advantage for Japan in the current environment and would allow companies to continue to buy back their shares at depressed levels more easily than their global peers. Although we may see some companies cutting dividends this year, we would also expect the aggregate reduction to be less severe in Japan, as was the case in the aftermath of the global financial crisis.

Of course, we understand the risk of a more serious economic impact in the near future, especially in Japan, given a high level of risk aversion and the integration with supply chains throughout Asia. Nevertheless, on any long-term time horizon, we should view sharp sell-offs as opportunities to build positions in our highest conviction ideas: the investment process focuses on strong balance sheets, quality management and improving corporate governance, which should mean the companies we own will emerge in even stronger market positions than before.

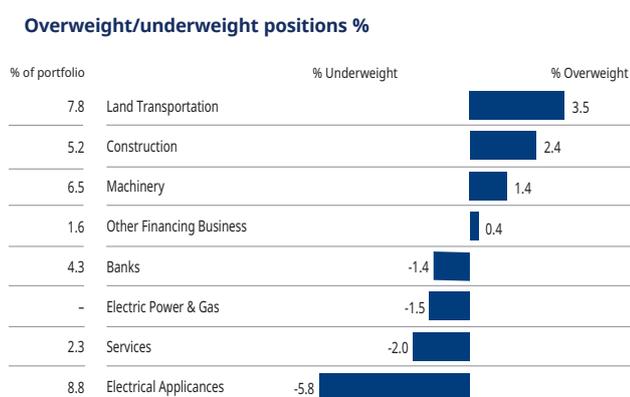
# Interim Management Report – Manager’s Review

## Policy

Market dynamics have tended to favour a relatively narrow range of stocks, reflecting global political and macro issues, rather than stock-specific factors that we would normally expect to drive performance. The impact of the COVID-19 outbreak has obviously clouded the short-term outlook but has not led us to change our longer-term views on Japan. Even without any sharp changes in factor leadership from here, we should ultimately expect a return to a more normal environment in which individual stock factors are the primary driver of long-term stock price returns, and the Company is well placed to benefit from this.

The Company remains underweight in the Electric Appliance sector, although this is balanced by the overweight positions in specific stocks in the Machinery sector that have the same underlying drivers. The Company is neutrally weighted in financials overall but, within this, we have a strong preference for insurance and leasing companies, while underweighting banks. Net gearing at the end of January 2020 was 11.6%.

## Active sector positions – as at 31 January 2020



Source: Schroders FactSet. Fund position less benchmark weight. Based on unaudited data.

We continue to expect that the most likely way for Japan's relative undervaluation to be narrowed will be through better corporate governance, rather than any step-change in trend growth. The most pervasive element for change is the stronger pressure being applied to company managements from institutional investors to deliver a higher return on equity and better shareholder remuneration. We expect these factors to have a strong positive influence on the Company.

## Schroder Investment Management Limited

16 April 2020

*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 31 January 2020

Stocks in bold are the 20 largest investments, which by value account for 50.2% (31 July 2019: 50.6% and 31 January 2019: 48.0%) of total investments.

	£'000	%
<b>Electrical Appliances</b>		
<b>TDK</b>	<b>8,113</b>	<b>2.7</b>
<b>Hitachi</b>	<b>7,200</b>	<b>2.4</b>
Koito Manufacturing	4,457	1.5
Nidec	3,497	1.2
Ibiden	3,111	1.0
<b>Total Electrical Appliances</b>	<b>26,378</b>	<b>8.8</b>
<b>Transportation Equipment</b>		
<b>Toyota Motor</b>	<b>15,537</b>	<b>5.1</b>
Hi-Lex	2,693	0.9
Isuzu Motors	2,346	0.8
Toyota Industries	2,029	0.7
Yamaha Motor	1,222	0.4
<b>Total Transportation Equipment</b>	<b>23,827</b>	<b>7.9</b>
<b>Land Transportation</b>		
<b>Sankyu</b>	<b>7,580</b>	<b>2.5</b>
<b>East Japan Railway</b>	<b>6,884</b>	<b>2.3</b>
Central Japan Railway	4,713	1.6
Hitachi Transport System	4,227	1.4
<b>Total Land Transportation</b>	<b>23,404</b>	<b>7.8</b>
<b>Information and Communication</b>		
<b>Nippon Telegraph and Telephone</b>	<b>10,288</b>	<b>3.4</b>
<b>KDDI</b>	<b>9,068</b>	<b>3.0</b>
Otsuka	3,246	1.1
Chubu Nippon Broadcasting	41	0.0
<b>Total Information and Communication</b>	<b>22,643</b>	<b>7.5</b>
<b>Chemicals</b>		
<b>Sekisui Chemical</b>	<b>5,122</b>	<b>1.7</b>
JSR	3,515	1.2
Nippon Soda	3,388	1.1
Fujifilm	3,128	1.0
Kureha Chemical	2,764	0.9
SK Kaken	2,317	0.8
Daicel	923	0.3
<b>Total Chemicals</b>	<b>21,157</b>	<b>7.0</b>

	£'000	%
<b>Wholesale Trade</b>		
<b>Mitsui &amp; Co.</b>	<b>8,226</b>	<b>2.7</b>
<b>Itochu</b>	<b>5,115</b>	<b>1.7</b>
Trusco Nakayama	2,870	0.9
Fuji Oil	2,724	0.9
Fukushima Galilei	868	0.3
<b>Total Wholesale Trade</b>	<b>19,803</b>	<b>6.5</b>
<b>Machinery</b>		
<b>Disco</b>	<b>7,876</b>	<b>2.6</b>
Nichias	2,965	1.0
Nabtesco	2,271	0.7
IHI	1,999	0.7
Glory	1,901	0.6
NGK Spark Plug	1,512	0.5
Tsubakimoto Chain	569	0.2
Hosokawa Micron	351	0.1
Rheon Automatic Machinery	336	0.1
<b>Total Machinery</b>	<b>19,780</b>	<b>6.5</b>
<b>Pharmaceutical</b>		
<b>Santen Pharmaceutical</b>	<b>6,097</b>	<b>2.0</b>
<b>Takeda Pharmaceutical</b>	<b>6,065</b>	<b>2.0</b>
Otsuka	4,049	1.3
Ship Healthcare	3,099	1.0
<b>Total Pharmaceutical</b>	<b>19,310</b>	<b>6.3</b>
<b>Retail Trade</b>		
Seven & I Holdings	4,570	1.5
Pan Pacific	3,684	1.2
Paltac	2,957	1.0
AT Group	2,724	0.9
Izumi	2,012	0.6
H2O Retailing	1,185	0.4
Nafco	1,173	0.4
SRA Holdings	626	0.2
<b>Total Retail Trade</b>	<b>18,931</b>	<b>6.2</b>

# Interim Management Report

## Investment Portfolio at 31 January 2020

	£'000	%
<b>Precision Instruments</b>		
<b>SMC</b>	<b>7,118</b>	<b>2.3</b>
<b>Murata Manufacturing</b>	<b>5,243</b>	<b>1.7</b>
Shimadzu	3,722	1.2
Enplas	1,807	0.6
<b>Total Precision Instruments</b>	<b>17,890</b>	<b>5.8</b>
<b>Construction</b>		
Daiwa House	3,676	1.2
Taisei	3,654	1.2
JGC	2,812	0.9
Haseko	2,161	0.7
Nippon Densetsu Kogyo	1,893	0.6
Sanki Engineering	1,621	0.6
<b>Total Construction</b>	<b>15,817</b>	<b>5.2</b>
<b>Banks</b>		
<b>Sumitomo Mitsui Financial</b>	<b>11,083</b>	<b>3.6</b>
Fukuoka Financial	2,060	0.7
<b>Total Banks</b>	<b>13,143</b>	<b>4.3</b>
<b>Insurance</b>		
<b>Tokio Marine Holdings</b>	<b>7,933</b>	<b>2.6</b>
T&D Holdings	3,962	1.3
<b>Total Insurance</b>	<b>11,895</b>	<b>3.9</b>
<b>Securities and Commodity</b>		
<b>Orix</b>	<b>6,186</b>	<b>2.0</b>
Nomura Research Institute	3,453	1.1
Tokai Tokyo Securities	597	0.2
<b>Total Securities and Commodity</b>	<b>10,236</b>	<b>3.3</b>
<b>Services</b>		
<b>Recruit Holdings</b>	<b>4,968</b>	<b>1.6</b>
Japan Post Holdings	2,171	0.7
<b>Total Services</b>	<b>7,139</b>	<b>2.3</b>
<b>Real Estate</b>		
<b>Mitsui Fudosan</b>	<b>7,064</b>	<b>2.3</b>
<b>Total Real Estate</b>	<b>7,064</b>	<b>2.3</b>
<b>Other Financing Business</b>		
Hitachi Capital	4,932	1.6
<b>Total Other Financing Business</b>	<b>4,932</b>	<b>1.6</b>
<b>Foods</b>		
Asahi Breweries	4,762	1.6
<b>Total Foods</b>	<b>4,762</b>	<b>1.6</b>

	£'000	%
<b>Rubber Products</b>		
Bridgestone	4,717	1.6
<b>Total Rubber Products</b>	<b>4,717</b>	<b>1.6</b>
<b>Oil and Coal products</b>		
JXTG Holdings	3,761	1.2
<b>Total Oil and Coal products</b>	<b>3,761</b>	<b>1.2</b>
<b>Air Transportation</b>		
Japan Airlines	3,599	1.2
<b>Total Air Transportation</b>	<b>3,599</b>	<b>1.2</b>
<b>Other Products</b>		
Bandai Namco	2,717	0.9
<b>Total Other Products</b>	<b>2,717</b>	<b>0.9</b>
<b>Tobacco</b>		
Japan Tobacco	1,038	0.3
<b>Total Tobacco</b>	<b>1,038</b>	<b>0.3</b>
<b>Total investments</b>	<b>303,943</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 risk categories: strategic; investment management; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; and service provider. 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 July 2019. These risks and uncertainties have not materially changed during the six months ended 31 January 2020. However the board has reviewed the risks related to the COVID-19 pandemic and considers it to be an emerging risk. COVID-19 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 10 to the Accounts on page 15. The board notes the Manager's 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.

## 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 July 2019, as well as considering the additional risks related to COVID-19, and where appropriate, action taken by the Company's service providers in relation to those risks, detailed above, 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 31 January 2020.

## 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 United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in November 2014 and updated in October 2019 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.

# Income Statement

## For the six months ended 31 January 2020 (unaudited)

	(Unaudited) For the six months ended 31 January 2020			(Unaudited) For the six months ended 31 January 2019			(Audited) For the year ended 31 July 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	-	84	84	-	(29,062)	(29,062)	-	(13,985)	(13,985)
Net foreign currency gains/(losses)	-	2,624	2,624	-	(958)	(958)	-	(3,751)	(3,751)
Income from investments	4,076	-	4,076	3,726	-	3,726	8,157	-	8,157
Other interest receivable and similar income	4	-	4	4	-	4	7	-	7
<b>Gross return/(loss)</b>	<b>4,080</b>	<b>2,708</b>	<b>6,788</b>	3,730	(30,020)	(26,290)	8,164	(17,736)	(9,572)
Investment management fee	(309)	(721)	(1,030)	(326)	(760)	(1,086)	(642)	(1,497)	(2,139)
Administrative expenses	(318)	-	(318)	(307)	-	(307)	(619)	-	(619)
<b>Net return/(loss) before finance costs and taxation</b>	<b>3,453</b>	<b>1,987</b>	<b>5,440</b>	3,097	(30,780)	(27,683)	6,903	(19,233)	(12,330)
Finance costs	(41)	(96)	(137)	(52)	(120)	(172)	(93)	(217)	(310)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>3,412</b>	<b>1,891</b>	<b>5,303</b>	3,045	(30,900)	(27,855)	6,810	(19,450)	(12,640)
Taxation on ordinary activities (note 3)	(408)	-	(408)	(373)	-	(373)	(816)	-	(816)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>3,004</b>	<b>1,891</b>	<b>4,895</b>	2,672	(30,900)	(28,228)	5,994	(19,450)	(13,456)
<b>Return/(loss) per share (note 4)</b>	<b>2.40p</b>	<b>1.51p</b>	<b>3.91p</b>	2.14p	(24.72)p	(22.58)p	4.79p	(15.56)p	(10.77)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 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 31 January 2020 (unaudited)

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2019	12,501	7	3	97,205	157,258	6,838	273,812
Net return on ordinary activities	-	-	-	-	1,891	3,004	4,895
Dividend paid in the period (note 5)	-	-	-	-	-	(5,875)	(5,875)
<b>At 31 January 2020</b>	<b>12,501</b>	<b>7</b>	<b>3</b>	<b>97,205</b>	<b>159,149</b>	<b>3,967</b>	<b>272,832</b>

## For the six months ended 31 January 2019 (unaudited)

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2018	12,501	7	3	97,205	176,708	5,844	292,268
Net (loss)/return on ordinary activities	-	-	-	-	(30,900)	2,672	(28,228)
Dividend paid in the period (note 5)	-	-	-	-	-	(5,000)	(5,000)
<b>At 31 January 2019</b>	<b>12,501</b>	<b>7</b>	<b>3</b>	<b>97,205</b>	<b>145,808</b>	<b>3,516</b>	<b>259,040</b>

## For the year ended 31 July 2019 (audited)

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2018	12,501	7	3	97,205	176,708	5,844	292,268
Net (loss)/return on ordinary activities	-	-	-	-	(19,450)	5,994	(13,456)
Dividend paid in the year (note 5)	-	-	-	-	-	(5,000)	(5,000)
<b>At 31 July 2019</b>	<b>12,501</b>	<b>7</b>	<b>3</b>	<b>97,205</b>	<b>157,258</b>	<b>6,838</b>	<b>273,812</b>

# Statement of Financial Position at 31 January 2020

	(Unaudited) At 31 January 2020 £'000	(Unaudited) At 31 January 2019 £'000	(Audited) At 31 July 2019 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	<b>303,943</b>	295,036	307,753
<b>Current assets</b>			
Debtors	<b>1,617</b>	1,895	1,108
Cash at bank and in hand	<b>10,457</b>	5,921	11,414
	<b>12,074</b>	7,816	12,522
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	<b>(1,190)</b>	(1,901)	(1,331)
<b>Net current assets</b>	<b>10,884</b>	5,915	11,191
<b>Total assets less current liabilities</b>	<b>314,827</b>	300,951	318,944
Creditors: amounts falling due after more than one year (note 6)	<b>(41,995)</b>	(41,911)	(45,132)
<b>Net assets</b>	<b>272,832</b>	259,040	273,812
<b>Capital and reserves</b>			
Called-up share capital (note 7)	<b>12,501</b>	12,501	12,501
Share premium	<b>7</b>	7	7
Warrant exercise reserve	<b>3</b>	3	3
Share purchase reserve	<b>97,205</b>	97,205	97,205
Capital reserves	<b>159,149</b>	145,808	157,258
Revenue reserve	<b>3,967</b>	3,516	6,838
<b>Total equity shareholders' funds</b>	<b>272,832</b>	259,040	273,812
<b>Net asset value per share (note 8)</b>	<b>218.25p</b>	207.22p	219.04p

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

Company Registration Number: 02930057

# Notes to the Accounts

## 1. Financial statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's independent auditor.

The figures and financial information for the year ended 31 July 2019 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditor which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

### Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" 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 accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 July 2019.

## 3. Taxation on ordinary activities

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. The tax charge comprises irrecoverable overseas withholding tax.

## 4. Return/(loss) per share

	(Unaudited) Six months ended 31 January 2020 £'000	(Unaudited) Six months ended 31 January 2019 £'000	(Audited) Year ended 31 July 2019 £'000
Revenue return	3,004	2,672	5,994
Capital return/(loss)	1,891	(30,900)	(19,450)
<b>Total return/(loss)</b>	<b>4,895</b>	<b>(28,228)</b>	<b>(13,456)</b>
Weighted average number of shares in issue during the period	125,008,200	125,008,200	125,008,200
Revenue return per share	2.40p	2.14p	4.79p
Capital return/(loss) per share	1.51p	(24.72)p	(15.56)p
<b>Total return/(loss) per share</b>	<b>3.91p</b>	<b>(22.58)p</b>	<b>(10.77)p</b>

# Notes to the Accounts

## 5. Dividends paid

	(Unaudited) Six months ended 31 January 2020 £'000	(Unaudited) Six months ended 31 January 2019 £'000	(Audited) Year ended 31 July 2019 £'000
2019 final dividend paid of 4.7p (2018: 4.0p)	5,875	5,000	5,000

No interim dividend has been declared in respect of the year ended 31 July 2020 (2019: nil).

## 6. Creditors: amount falling due after more than one year

	(Unaudited) Six months ended 31 January 2020 £'000	(Unaudited) Six months ended 31 January 2019 £'000	(Audited) Year ended 31 July 2019 £'000
Bank Loan	41,995	41,911	45,132

The bank loan is a yen 6.0 billion three-year term loan from Sumitomo Mitsui banking Corporation, expiring in January 2022 and carrying a fixed interest rate of 0.64% per annum.

## 7. Called-up share capital

	(Unaudited) Six months ended 31 January 2020 £'000	(Unaudited) Six months ended 31 January 2019 £'000	(Audited) Year ended 31 July 2019 £'000
Ordinary shares allotted, called up and fully paid: 125,008,200 ordinary shares of 10p each	12,501	12,501	12,501

## 8. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue of 125,008,200 (31 January 2019 and 31 July 2019: same).

## 9. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 January 2020, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 January 2019 and 31 July 2019: same).

# Notes to the Accounts

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

The occurrence of the coronavirus pandemic after the balance sheet date has triggered a sharp fall in global stock markets. At 15 April 2020, the latest practicable date, the Company's published NAV per share had fallen to 189.53p, and the share price to 163.0p.

# Notes

## Directors

Anja Balfour (Chairman)  
Alan Gibbs  
Angus Macpherson  
Belinda Richards

## Advisers

### Alternative Investment Fund Manager ("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

1 London Wall Place  
London EC2Y 5AU

### Depositary and custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

### Lending bank

Sumitomo Mitsui Banking Corporation Europe Limited  
99 Queen Victoria Street  
London EC4V 4EH

### Corporate broker

Winterflood Securities Limited  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA

## Independent auditor

Deloitte LLP  
2 New Street Square  
London EC4A 3B2

## Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Shareholder helpline 0800 032 0641\*  
Website: [www.shareview.co.uk](http://www.shareview.co.uk)  
\*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 address above.

## Shareholder enquiries

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

## Dealing codes

ISIN Number: GB0008022849  
SEDOL Number: 0802284  
Ticker: SJG

## Global Intermediary Identification Number (GIIN)

7T0909.99999.SL.826

## Legal Entity Identifier (LEI)

549300SSPK3AXNJOC673