

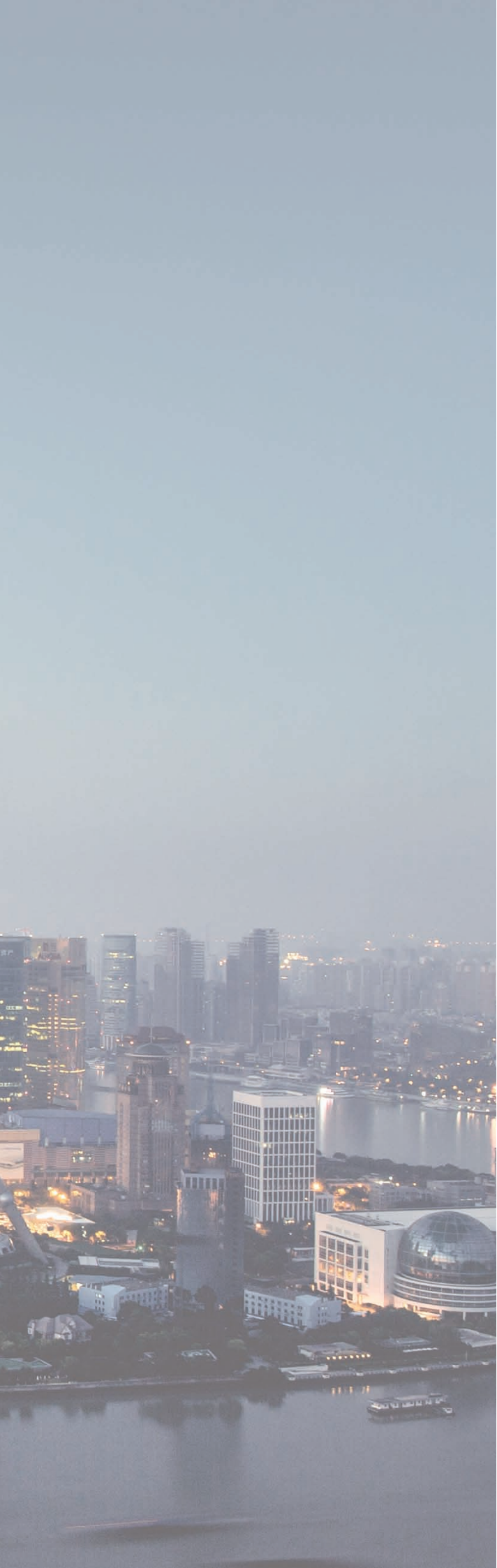
Schroders

# Schroder Asian Total Return Investment Company plc

Half year report and accounts for  
the six months ended 30 June  
2017







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## Investment objective

Schroder Asian Total Return Investment Company plc 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 and 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.

# Financial Highlights

## Performance

Total returns to 30 June 2017 <sup>1</sup>	6 months %	1 year %	3 years %	5 years %	10 years %
Net Asset Value ("NAV") per share <sup>2</sup>	19.2	32.6	73.6	90.6	131.4
Share price <sup>3</sup>	23.7	46.3	86.4	110.7	165.5
Reference Index <sup>4</sup>	14.0	28.6	46.5	66.8	198.6
Peer group NAV per share <sup>2,5</sup>	17.6	29.9	60.0	89.1	149.9

<sup>1</sup> Total return calculations assume that any dividends paid out during the period were reinvested.

<sup>2</sup> Source: Morningstar. Calculated using cum income net asset values plus income reinvested for periods of 6 months, 1, 3, and 5 years, and capital net asset values plus income reinvested for the 10 year period. Fully diluted net asset values have been used where applicable.

<sup>3</sup> Source: Morningstar.

<sup>4</sup> Source: Thomson Reuters. 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 ex-Japan Index (with gross income reinvested), sterling adjusted.

<sup>5</sup> The arithmetic average of a group of nine comparable Asia (excluding Japan) investment trusts.

## Other financial information

	30 June 2017	31 December 2016	% Change
NAV per share (fully diluted) <sup>1</sup>	313.7p	267.1p	+17.4
Share price	311.0p	255.5p	+21.7
Share price premium/(discount) to NAV per share	(0.9%)	(4.3%)	
Gearing <sup>2</sup>	4.2%	7.0%	

<sup>1</sup> The fully diluted NAV is calculated on the assumption that all potentially dilutive treasury shares have been reissued at the period end.

<sup>2</sup> Borrowings used for investment purposes less cash, expressed as a percentage of net assets.

# Interim Management Report – Chairman’s Statement

## Performance

I am pleased to report that the Company has performed strongly since the year end, continuing the excellent track record of the past few years. During the six months to 30 June 2017, the Company produced a net asset value (“NAV”) total return of 19.2%, outperforming both the Reference Index, which produced a total return of 14.0%, and the peer group average NAV total return of 17.6%.

Further details on performance may be found in the Portfolio Managers’ review.

## Promotion and discount management

The Board remains focused on promotion of the Company’s shares based on the distinctive characteristics of the Company’s strategy and the differentiation of the opportunities offered by the Company from those offered by the peer group.

In the six months to 30 June 2017, increased demand for the Company’s shares saw a sustained narrowing of the discount, which reduced to 0.9% at 30 June 2017 from 4.3% at the beginning of the period. The average discount to NAV during the six month period was 4.2%, compared with an average of 9.2% for the peer group.

At the Annual General Meeting held in April 2017, the authority from shareholders to reissue ordinary shares from treasury at a discount of no greater than 4% to the NAV per ordinary share was renewed. During the period, the Board has utilised this authority to issue 4,225,000 ordinary shares, raising £11.9m for the Company and providing liquidity to investors. It is pleasing to see the discount trading closer to NAV and the Board is hopeful that the continued narrowing of the discount will allow it to issue shares at a premium in the future.

## Gearing and the use of derivatives

The Board has agreed a disciplined framework for gearing, based on a number of valuation indicators, and it will not exceed 30% of net asset value. The maximum gearing level during the period was 9.2%.

The portfolio managers continued to use gearing during the period and at 30 June 2017, it stood at 4.2%. However, adjusting for derivative protection brings net exposure slightly below 100% at the end of June.

## Outlook

As you will read in the Portfolio Managers’ Review, the evidence points to markets being frothy though somewhat short of “bubble” conditions following the very strong performance over the last couple of years. Protecting these gains is at the forefront of our minds and the managers are likely to further de-risk the portfolio both through increasing the capital protection and by trimming back on stocks they perceive as having higher risk. It would be remarkable if markets continue to deliver such strong returns over the second half of our financial year.

**David Brief**

Chairman

12 September 2017

# Interim Management Report – Portfolio Managers’ Review

## Performance analysis

Asian equity markets delivered solid returns for the first half of the year, with the Reference Index – the MSCI AC Asia Pacific ex-Japan Index – rising 14.0% in sterling terms. Investor sentiment was buoyed by hopes of a pick-up in global growth and as in other global markets, regional market performance was led by strong gains in the internet and technology stocks. The less market sensitive telecoms and utilities sectors lagged, whilst the energy sector was the weakest performer as falling oil prices continued to weigh on the earnings outlook for oil stocks across the region.

On a country basis there was a significant divergence of returns. The tech and internet heavy Korean and Chinese stock markets performed best whereas the Australia and ASEAN markets were generally lacklustre. Korea was also buoyed by the election of new president Moon Jae-In, raising the hopes of potential restructuring for the nation’s large Chaebol groups. Sentiment towards the Chinese stock market was also helped by improving economic data and the landmark decision in mid-June by index provider MSCI to include the onshore Chinese A-shares in a range of its benchmark indices.

The portfolio delivered an NAV total return of 19.2% in the first half in sterling terms. Performance was driven by strong contribution from Chinese private sector names in the technology, consumer discretionary and industrials sectors. Alibaba and Tencent led the Chinese internet rally as the continued rapid growth in their internet platforms drove major upward revisions in earnings forecasts, while consumer names China Lodging and New Oriental Education were up strongly on the back of rising demand for their leisure and education services. The Company’s holdings in Chinese A-share companies Hangzhou Hikvision and Midea also saw strong outperformance on robust earnings momentum, with their share prices further boosted by positive sentiment ahead of MSCI’s inclusion of China A-shares in its benchmark indices.

Across other markets, Taiwan technology stocks advanced with Apple supply chain stocks Hon Hai Precision, Largan Precision and Taiwan Semiconductor Manufacturing benefiting from expectations of a strong demand cycle with the launch of the new iPhone 8. Indian private sector banks also added to gains when HDFC Bank and Indusind Bank rebounded as concerns faded over the drag on economic growth from the government’s decision to remove high value currency notes.

Among the laggards, Australian logistics company Brambles corrected after the group announced a profit downgrade due to revenue and cost pressures in its North American business. Sluggish growth for some of the ASEAN consumer staples names also weighed on returns with RFM Corp and PT Sumber Alfaria Trijaya underperforming following weak earnings results against a muted consumption backdrop.

The portfolio was slightly geared with total equity exposure of 105.9% at the end of June. Gearing was initially used to purchase high-yielding telecom stocks and real estate investment trusts, though high valuations and concerns about the sustainability of yields have led to a decision to reduce the use of gearing to buy high yielding stocks. Capital protection (in the form of put options on the Australian, Hong Kong, China H-shares, Korean and Taiwan markets, which offer some protection if the markets fall) was a slight drag given strong rising markets, while the currency hedge on the Australian dollar pared some gains amid a modest appreciation of the currency. Adjusting for the derivative protection, net exposure was approximately 97.8%, made up of gearing, offset by derivative exposure of 6.4% at the end of June.

## Performance attribution for the six months ended 30 June 2017

	Contribution to returns (%)	Main contributors/detractors
Australia	+0.8	CSL, Resmed
China	+10.5	Alibaba, Tencent, Hangzhou Hikvision, China Lodging, New Oriental Education, Sunny Optical
Hong Kong	+3.8	Jardine Strategic, AIA, Techtronic Industries
India	+2.7	HDFC Bank, Indusind Bank, Phoenix Mills
Indonesia	-0.3	PT Waskita Beton Precast, PT Sumber Alfaria Trijaya
Korea	+1.5	Samsung Electronics, Naver
Philippines	0.0	Ayala Land
Singapore	0.0	iFast
Taiwan	+3.3	Hon Hai Precision, TSMC, Largan Precision
Thailand	+0.3	Kasikornbank
Derivatives	-2.5	Put options on market indices
Currency forwards	-0.4	Hedging the Australian dollar exposure
Gearing	+1.1	
Fees/costs	-1.7	
Residual	+0.1	
<b>Total return</b>	<b>+19.2</b>	

Source: Schroders.

# Interim Management Report – Portfolio Managers’ Review

Principal contributors	£ Return (%)	Contribution to return (%)
Alibaba	52.6	1.7
Tencent	39.4	1.5
Hangzhou Hikvision	48.0	1.4
HDFC Bank	37.1	1.1
Samsung Electronics	32.9	1.0

Source: Schroders.

Principal detractors	£ Return (%)	Contribution to return (%)
Brambles	-19.7	-0.5
RFM Corp	-16.8	-0.2
PT Waskita Beton Precast	-10.2	-0.2
PT Sumber Alfaria Trijaya	-11.6	-0.1
iFast	-29.8	-0.1

Source: Schroders.

## Portfolio positioning Ten largest holdings as at 30 June 2017

Holding	Business	% of total
Alibaba	Chinese top e-commerce player	4.5
Samsung Electronics	Korean IT conglomerate	4.4
Taiwan Semiconductor Manufacturing	Semiconductors	4.4
Tencent	Chinese internet service portal	4.4
Jardine Strategic	Regional conglomerate	3.9
HDFC Bank	Indian private sector bank	3.6
AIA Group	Regional insurance	3.1
Hon Hai Precision	Electronics contract manufacturing	2.8
Midea	Household appliance manufacturer	2.5
Hangzhou Hikvision	Supplier of video surveillance products	2.3

## Outlook

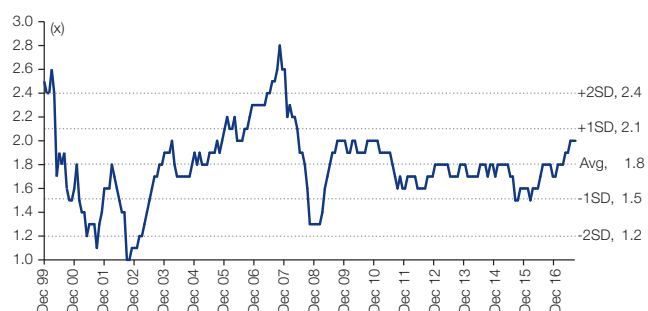
With Asian indices up around 25% year to date in US dollar terms, are we in a bubble? In the view of your portfolio managers, who have managed money over three bubbles in Asian equities (1993, 2000 and 2007), we can honestly say that at the current point we do not think we have a bubble in Asian equities (yet). Many of the valuation measures we look at – such as price to core earnings (Chart 1) and the percentage of stocks that trade below our estimate of fair value (Chart 2) – are expensive, but they still have some way to go compared to the bubbles of 2000 and 2007.

### Chart 1: Valuations: expensive but not at bubbly 1999 and 2007 levels

MSCI Asia Pac core earnings ex Japan ex financials, energy and materials – 12m Forward Price to Earnings



### MSCI Asia Pac ex Japan ex financials, energy & materials – 12m Trailing Price to Book (x)

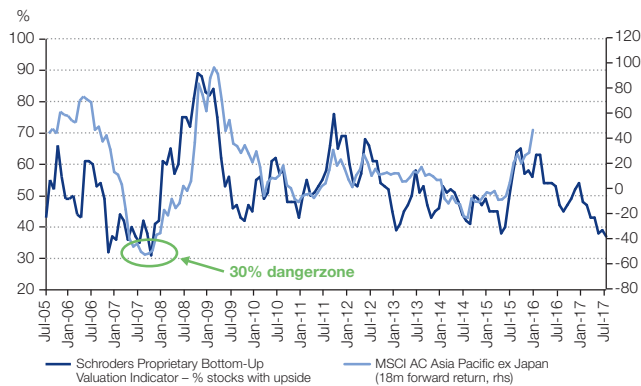


Source: Datastream, MSCI, CLSA, August 2017. ‘Core earnings’ exclude profits outside of normal activities or operations. ‘12m forward Price to Earnings’: stock price over its predicted earnings per share for the next 12 months. ‘12m trailing Price to Book’: stock price over last reported book value per share. ‘SD’: standard deviation.



# Interim Management Report – Portfolio Managers’ Review

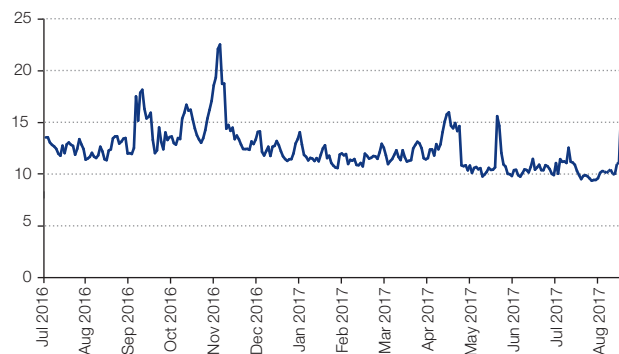
**Chart 2: % of stocks trading below our estimate of fair value: not quite in the danger zone**



Source: Schroders, covering all stocks followed by Schroders’ analysts.

Given clear signs of froth in the markets, your portfolio managers have decided that we should aim to further de-risk the portfolio gradually if current market conditions persist. At the moment we are likely to do this principally via the purchase of put options. One of the positive results of the current complacent and borderline euphoric market conditions is that implied equity volatility has dropped substantially, with the VIX index – a measure of US stockmarket risk – hitting its lowest ever point in July (Chart 3). This has made buying protection relatively cheap, and put option prices in Asia are now the lowest for some time. We have bought put options on the Hong Kong, Korean and Taiwanese indices. Given that our tactical models still forecast an upward bias to markets, this is the preferred way to aim to provide some capital preservation for the portfolio, rather than selling futures or raising cash. It also allows us to continue using a limited amount of gearing where there are specific stock opportunities, and since the end of June the gearing has risen slightly to 8% following the introduction of three new holdings. We will seek to use gearing as opportunities arise, without increasing net exposure.

**Chart 3: VIX index over last 12 months**



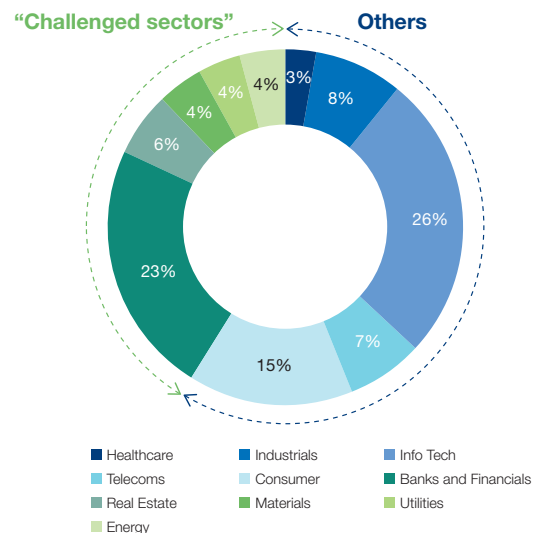
Source: Bloomberg, August 2017. The VIX index shows expectations of 30-day US equity market volatility, and is widely used as a measure of market risk.

It is at the stock level that we find ourselves in more of a conundrum. At this point in the cycle we would normally be looking to switch into lower-risk stocks that have lagged, whilst taking profits from higher beta holdings that have exceeded even our high estimates of fair value. This time round we are struggling. We think many of the less market-sensitive sectors which look cheap may stay cheap as they face disruption (e.g. utilities, telecoms, consumer staples, commodities). As Chart 4 highlights, sectors we view as structurally challenged due to disruption and rapid technological change comprise a substantial portion of the Asian markets.

**Chart 4: The challenged sectors in Asia**

Close to 50% of the Reference Index is in sectors facing serious threat from technological disruption.

**MSCI AC Asia Pacific ex-Japan Index weighting (%)**



Source: MSCI, Factset, Schroders, August 2017.

So we find ourselves in a quandary. It is increasingly clear that big platform companies with all the data flows are likely to remain winners (Alibaba, Tencent, etc) and that leading tech companies in the right sectors are likely to see good momentum and, barring strategic errors, keep their edge (TSMC, Samsung, Lagan, Hikvision, Hon Hai). Unless valuations really get silly we are not inclined to aggressively trim these winners yet. What is clear on the other side, however, is we should avoid overhyped, sexy, untested models (the Snapchats, Line, Taiwan and Korea biotech start-ups, and any private equity backed IPOs) which are where we feel the real dangers lie at the moment as froth feeds into the markets.

# Interim Management Report – Portfolio Managers’ Review

## Conclusion

With the portfolio having delivered strong absolute returns year to date, our strategy therefore is to gradually trim more market-sensitive holdings, and look for incumbent companies in sectors where we feel the threat of disruption is less or has been overhyped. Currently this is steering us back towards selected financials where, due to the incumbent advantage of large client databases and the high regulatory pressure and costs facing start-ups, we feel fintech newcomers may struggle to make significant headway. Other areas we are looking at include selected domestic companies in Australia which have lagged due to short term worries about the slowing economy, and office property in Hong Kong where we think the demand-supply balance remains favourable.

**Robin Parbrook, King Fuei Lee**

For Schroder Investment Management Limited

12 September 2017

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

# Interim Management Report

## Investment Portfolio as at 30 June 2017

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 55.0% (30 June 2016: 48.5% and 31 December 2016: 48.8%) of total investments and derivative financial instruments.

	£'000	%
<b>China</b>		
<b>Alibaba (ADR)</b>	<b>11,592</b>	<b>4.5</b>
<b>Tencent Holdings<sup>2</sup></b>	<b>11,154</b>	<b>4.4</b>
<b>Midea Group (Warrants) 22/06/2018</b>	<b>6,485</b>	<b>2.5</b>
<b>Hangzhou Hikvision Digital Technology (Warrants) 07/05/18</b>	<b>5,963</b>	<b>2.3</b>
<b>China Lodging Group (ADR)</b>	<b>5,429</b>	<b>2.1</b>
<b>New Oriental Education and Technology (ADR)</b>	<b>5,086</b>	<b>2.0</b>
Haitian International Holdings <sup>2</sup>	3,994	1.6
Shenzhen International Group <sup>2</sup>	3,871	1.5
Sunny Optical <sup>2</sup>	3,524	1.4
Wuxi Biologics	3,213	1.3
NetEase (ADR)	2,546	1.0
Sina <sup>3</sup>	2,480	0.9
AAC Technologies <sup>2</sup>	2,190	0.9
Hutchison China MediTech <sup>4</sup>	1,595	0.6
Hutchison China MediTech (ADR)	1,555	0.6
Weibo (ADR)	194	0.1
<b>Total China</b>	<b>70,871</b>	<b>27.7</b>
<b>Hong Kong</b>		
<b>Jardine Strategic<sup>1</sup></b>	<b>9,963</b>	<b>3.9</b>
<b>AIA</b>	<b>8,029</b>	<b>3.1</b>
<b>Techtronic Industries</b>	<b>5,724</b>	<b>2.2</b>
<b>Swire Properties</b>	<b>5,556</b>	<b>2.2</b>
<b>Hongkong Land<sup>1</sup></b>	<b>4,641</b>	<b>1.8</b>
Nexteer Automotive Group	3,829	1.5
Johnson Electric Holdings	3,821	1.5
Sunlight Real Estate Investment Trust	3,331	1.4
Chow Sang Sang Holdings	3,277	1.3
Pacific Textiles Holdings	3,103	1.2
Dah Sing Banking	2,770	1.1
Café De Coral	2,625	1.0
<b>Total Hong Kong</b>	<b>56,669</b>	<b>22.2</b>

	£'000	%
<b>Taiwan</b>		
<b>Taiwan Semiconductor Manufacturing</b>	<b>11,154</b>	<b>4.4</b>
<b>Hon Hai Precision Industries</b>	<b>7,232</b>	<b>2.8</b>
<b>Largan Precision</b>	<b>5,395</b>	<b>2.1</b>
Chroma Ate	3,610	1.4
Merida Industry	3,428	1.3
Far Eastone Telecommunications	3,319	1.3
Vanguard International Semiconductors	2,818	1.1
Giant Manufacturing	2,127	0.8
Nien Made Enterprise	1,298	0.5
<b>Total Taiwan</b>	<b>40,381</b>	<b>15.7</b>
<b>Australia</b>		
<b>CSL</b>	<b>4,163</b>	<b>1.6</b>
Brambles	4,061	1.6
BHP Billiton	3,795	1.5
Resmed	3,517	1.4
Incitec Pivot	3,387	1.3
Medibank Private	3,270	1.3
ASX	3,111	1.2
Amcor	2,472	1.0
Crown	1,801	0.7
<b>Total Australia</b>	<b>29,577</b>	<b>11.6</b>
<b>India</b>		
<b>HDFC Bank (ADR)</b>	<b>9,325</b>	<b>3.6</b>
<b>Cognizant Technology Solutions<sup>3</sup></b>	<b>4,372</b>	<b>1.8</b>
<b>Apollo Hospitals Enterprise (JPM) 07/11/17<sup>5</sup></b>	<b>4,221</b>	<b>1.7</b>
Indusind Bank (LEPO) 11/06/19	3,415	1.3
Phoenix Mills (Merrill Lynch) 18/06/18 <sup>5</sup>	3,092	1.2
Schroder International Selection Fund – Indian Opportunities	2,660	1.0
<b>Total India</b>	<b>27,085</b>	<b>10.6</b>
<b>South Korea</b>		
<b>Samsung Electronics</b>	<b>11,191</b>	<b>4.4</b>
<b>Mando</b>	<b>4,185</b>	<b>1.6</b>
<b>Total South Korea</b>	<b>15,376</b>	<b>6.0</b>

# Interim Management Report

## Investment Portfolio as at 30 June 2017

	£'000	%
<b>Thailand</b>		
KasikornBank	3,326	1.3
Aeon Thana Sinsap	3,058	1.2
<b>Total Thailand</b>	<b>6,384</b>	<b>2.5</b>
<b>Singapore</b>		
Mapletree Commercial Trust	3,822	1.5
<b>Total Singapore</b>	<b>3,822</b>	<b>1.5</b>
<b>Philippines</b>		
RFM Corporation	1,773	0.7
GMA Network	1,288	0.5
<b>Total Philippines</b>	<b>3,061</b>	<b>1.2</b>
<b>Indonesia</b>		
Sumber Alfaria Trijaya	2,208	0.9
<b>Total Indonesia</b>	<b>2,208</b>	<b>0.9</b>
<b>Total Investments</b>	<b>255,434</b>	<b>99.9</b>
<b>Derivative Financial Instruments</b>		
<b>Index Put Options</b>		
HK Hang Seng Index Put Option 25800 August 2017	312	0.1
S & P ASX 200 Put Option 5875 July 2017	185	0.1
KOSPI 200 Put Option 310 August 2017	82	-
<b>Total Index Put Options<sup>6</sup></b>	<b>579</b>	<b>0.2</b>

	£'000	%
<b>Forward Currency Contracts</b>		
Purchase of USD 11.2 million for AUD 15.1 million for settlement on 1 September 2017	(263)	(0.1)
Purchase of USD 22.0 million for HKD 171.3 million for settlement on 25 September 2017	13	-
<b>Total Forward Currency Contracts<sup>7</sup></b>	<b>(250)</b>	<b>(0.1)</b>
<b>Total Investments and Derivative Financial Instruments</b>	<b>255,763</b>	<b>100.0</b>

<sup>1</sup> Listed in Singapore.

<sup>2</sup> Listed in Hong Kong.

<sup>3</sup> Listed in the USA.

<sup>4</sup> Listed in the UK.

<sup>5</sup> Participatory notes.

<sup>6</sup> The combined effect of the options gives downside protection to 6.4% of total investments.

<sup>7</sup> The contracts are valued at fair value, being the cost of closing out the contracts at the accounting date.

# Interim Management Report

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: strategic risk; investment management risk; custody risk; financial and currency risk; gearing and leverage risk; accounting, legal and regulatory risk; and service provider risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 18 and 19 of the Company's published Annual Report and Accounts for the year ended 31 December 2016.

These risks and uncertainties have not materially changed during the six months ended 30 June 2017 with the exception of cyber risk relating to the Company's key service providers. The Board considers that this has increased in light of the rising frequency and success of cyber attacks on businesses and institutions. In order to ensure that this risk is managed and mitigated appropriately, the Board is seeking assurances on cyber risk controls from its key service providers.

## 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 20 of the published Annual Report and Accounts for the year ended 31 December 2016, 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 30 June 2017.

## 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 ("UK GAAP") and with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in November 2014 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

	Note	(Unaudited) For the six months ended 30 June 2017			(Unaudited) For the six months ended 30 June 2016			(Audited) For the year ended 31 December 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss		-	43,405	43,405	-	25,220	25,220	-	46,666	46,666
Net losses on derivative contracts		-	(5,181)	(5,181)	-	(744)	(744)	-	(485)	(485)
Net foreign currency gains/(losses)		-	979	979	-	(914)	(914)	-	(2,289)	(2,289)
Income from investments		2,603	-	2,603	2,396	-	2,396	4,765	-	4,765
Other interest receivable and similar income		6	-	6	233	-	233	34	-	34
<b>Gross return</b>		<b>2,609</b>	<b>39,203</b>	<b>41,812</b>	<b>2,629</b>	<b>23,562</b>	<b>26,191</b>	<b>4,799</b>	<b>43,892</b>	<b>48,691</b>
Investment management fee		(193)	(579)	(772)	(143)	(428)	(571)	(317)	(950)	(1,267)
Performance fee provision		-	(2,677)	(2,677)	-	(1,429)	(1,429)	-	(2,650)	(2,650)
Administrative expenses		(296)	-	(296)	(288)	-	(288)	(564)	-	(564)
<b>Net return before finance costs and taxation</b>		<b>2,120</b>	<b>35,947</b>	<b>38,067</b>	<b>2,198</b>	<b>21,705</b>	<b>23,903</b>	<b>3,918</b>	<b>40,292</b>	<b>44,210</b>
Finance costs		(32)	(96)	(128)	(16)	(49)	(65)	(42)	(126)	(168)
<b>Net return on ordinary activities before taxation</b>		<b>2,088</b>	<b>35,851</b>	<b>37,939</b>	<b>2,182</b>	<b>21,656</b>	<b>23,838</b>	<b>3,876</b>	<b>40,166</b>	<b>44,042</b>
Taxation on ordinary activities	3	5	-	5	(184)	-	(184)	64	-	64
<b>Net return on ordinary activities after taxation</b>		<b>2,093</b>	<b>35,851</b>	<b>37,944</b>	<b>1,998</b>	<b>21,656</b>	<b>23,654</b>	<b>3,940</b>	<b>40,166</b>	<b>44,106</b>
<b>Return per share - basic and diluted</b>	4	<b>2.82p</b>	<b>48.34p</b>	<b>51.16p</b>	<b>2.74p</b>	<b>29.69p</b>	<b>32.43p</b>	<b>5.40p</b>	<b>55.07p</b>	<b>60.47p</b>

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 30 June 2017 (unaudited)

	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 2016		4,260	5	11,646	29,182	137,783	12,141	195,017
Repurchase of the Company's own shares into treasury		-	-	-	-	(334)	-	(334)
Reissue of shares from treasury		-	3,330	-	-	8,545	-	11,875
Net return on ordinary activities		-	-	-	-	35,851	2,093	37,944
Dividend paid in the period	5	-	-	-	-	-	(3,273)	(3,273)
<b>At 30 June 2017</b>		<b>4,260</b>	<b>3,335</b>	<b>11,646</b>	<b>29,182</b>	<b>181,845</b>	<b>10,961</b>	<b>241,229</b>

## For the six months ended 30 June 2016 (unaudited)

	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 2015		4,260	5	11,646	29,182	98,120	10,973	154,186
Net return on ordinary activities		-	-	-	-	21,656	1,998	23,654
Dividend paid in the period	5	-	-	-	-	-	(2,772)	(2,772)
<b>At 30 June 2016</b>		<b>4,260</b>	<b>5</b>	<b>11,646</b>	<b>29,182</b>	<b>119,776</b>	<b>10,199</b>	<b>175,068</b>

## For the year ended 31 December 2016 (audited)

	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 2015		4,260	5	11,646	29,182	98,120	10,973	154,186
Repurchase of the Company's own shares into treasury		-	-	-	-	(503)	-	(503)
Net return on ordinary activities		-	-	-	-	40,166	3,940	44,106
Dividend paid in the year	5	-	-	-	-	-	(2,772)	(2,772)
<b>At 31 December 2016</b>		<b>4,260</b>	<b>5</b>	<b>11,646</b>	<b>29,182</b>	<b>137,783</b>	<b>12,141</b>	<b>195,017</b>

# Statement of Financial Position

	Note	(Unaudited) 30 June 2017 £'000	(Unaudited) 30 June 2016 £'000	(Audited) 31 December 2016 £'000
<b>Fixed assets</b>				
Investments held at fair value through profit or loss		255,434	183,231	207,947
<b>Current assets</b>				
Debtors		584	3,131	1,255
Cash at bank and in hand		911	4,420	7,310
Derivative financial instruments held at fair value through profit or loss		592	472	2,681
		<b>2,087</b>	8,023	11,246
<b>Current liabilities</b>				
Creditors: amounts falling due within one year		(16,029)	(16,104)	(24,176)
Derivative financial instruments held at fair value through profit or loss		(263)	(82)	-
		<b>(16,292)</b>	(16,186)	(24,176)
<b>Net current liabilities</b>		<b>(14,205)</b>	(8,163)	(12,930)
<b>Total assets less current liabilities</b>		<b>241,229</b>	175,068	195,017
<b>Net assets</b>		<b>241,229</b>	175,068	195,017
<b>Capital and reserves</b>				
Called-up share capital	6	4,260	4,260	4,260
Share premium		3,335	5	5
Capital redemption reserve		11,646	11,646	11,646
Special reserve		29,182	29,182	29,182
Capital reserves		181,845	119,776	137,783
Revenue reserve		10,961	10,199	12,141
<b>Total equity shareholders' funds</b>		<b>241,229</b>	175,068	195,017
<b>Net asset value per share</b>				
Undiluted	7	313.88p	239.99p	268.07p
Diluted		313.67p	N/A	267.09p

Registered in England and Wales

Company registration number: 02153093



# Cash Flow Statement

	Note	(Unaudited) For the six months ended 30 June 2017 £'000	(Unaudited) For the six months ended 30 June 2016 £'000	(Audited) For the year ended 31 December 2016 £'000
Net cash (outflow)/inflow from operating activities	8	(930)	1,349	3,037
Net cash outflow from servicing of finance		(130)	(61)	(161)
Net cash outflow from investment activities		(4,520)	(4,930)	(9,478)
Dividends paid		(3,273)	(2,772)	(2,772)
Net cash inflow from financing		730	4,553	10,273
<b>Net cash (outflow)/inflow in the period</b>		<b>(8,123)</b>	<b>(1,861)</b>	<b>899</b>
<b>Reconciliation of net cash flow to movement in net funds</b>				
Net cash (outflow)/inflow in the period		(8,123)	(1,861)	899
Bank loan repaid/(drawn down)		10,812	(4,554)	(10,776)
Exchange movements		979	(914)	(2,289)
Changes in net funds arising from cash flows		3,668	(7,329)	(12,166)
Net debt at the beginning of the period		(13,732)	(1,566)	(1,566)
<b>Net debt at the end of the period</b>		<b>(10,064)</b>	<b>(8,895)</b>	<b>(13,732)</b>
<b>Represented by:</b>				
Cash at bank and in hand		911	4,420	7,310
Bank overdrafts		(2,891)	-	-
Bank loans		(8,084)	(13,315)	(21,042)
Net debt		(10,064)	(8,895)	(13,732)

# 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 auditors.

The figures and financial information for the year ended 31 December 2016 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 auditors 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 January 2017.

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 December 2016.

## 3. Taxation on ordinary activities

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. The taxation credit/(charge) comprises irrecoverable overseas withholding tax on dividends receivable, offset by Taiwanese withholding tax recovered, relating to prior periods.

## 4. Return per share

	(Unaudited) Six months ended 30 June 2017 £'000	(Unaudited) Six months ended 30 June 2016 £'000	(Audited) Year ended 31 December 2016 £'000
Revenue return	2,093	1,998	3,940
Capital return	35,851	21,656	40,166
<b>Total return</b>	<b>37,944</b>	<b>23,654</b>	<b>44,106</b>
Weighted average number of shares in issue during the period, excluding shares held in treasury	74,167,594	72,949,141	72,931,791
Revenue return per share	2.82p	2.74p	5.40p
Capital return per share	48.34p	29.69p	55.07p
<b>Total return per share</b>	<b>51.16p</b>	<b>32.43p</b>	<b>60.47p</b>

There is no dilution to the above returns per share when the diluted returns are calculated in accordance with the requirements of Financial Reporting Standard 102.

# Notes to the Accounts continued

## 5. Dividend paid

	(Unaudited) Six months ended 30 June 2017 £'000	(Unaudited) Six months ended 30 June 2016 £'000	(Audited) Year ended 31 December 2016 £'000
2016 dividend paid of 4.50p (2015: 3.80p)	3,273	2,772	2,772

No interim dividend has been declared in respect of the year ending 31 December 2017 (2016: nil).

## 6. Called-up share capital

	(Unaudited) Six months ended 30 June 2017 £'000	(Unaudited) Six months ended 30 June 2016 £'000	(Audited) Year ended 31 December 2016 £'000
<b>Changes in called-up share capital during the period were as follows:</b>			
Opening balance, ordinary shares of 5p each, allotted, called-up and fully paid	3,637	3,647	3,647
Repurchase of shares into treasury	(6)	-	(10)
Reissue of shares from treasury	212	-	-
Subtotal, ordinary shares of 5p each, excluding shares held in treasury	3,843	3,647	3,637
Shares held in treasury	417	613	623
<b>Closing balance, ordinary shares of 5p each, including shares held in treasury</b>	<b>4,260</b>	<b>4,260</b>	<b>4,260</b>

	(Unaudited) Six months ended 30 June 2017	(Unaudited) Six months ended 30 June 2016	(Audited) Year ended 31 December 2016
<b>Changes in the number of shares in issue during the period were as follows:</b>			
Opening balance of shares in issue, excluding shares held in treasury	72,749,141	72,949,141	72,949,141
Repurchase of shares into treasury	(120,000)	-	(200,000)
Reissue of shares from treasury	4,225,000	-	-
Closing balance of shares in issue, excluding shares held in treasury	76,854,141	72,949,141	72,749,141
Closing balance of shares held in treasury	8,350,671	12,255,671	12,455,671
<b>Closing balance of shares in issue, including shares held in treasury</b>	<b>85,204,812</b>	<b>85,204,812</b>	<b>85,204,812</b>

# Notes to the Accounts continued

## 7. Net asset value per share

	(Unaudited) Six months ended 30 June 2017	(Unaudited) Six months ended 30 June 2016	(Audited) Year ended 31 December 2016
<b>Undiluted</b>			
Total equity shareholders' funds (£'000)	241,229	175,068	195,017
Shares in issue at the period end	76,854,141	72,949,141	72,749,141
Net asset value per share	313.88p	239.99p	268.07p
<b>Diluted<sup>1</sup></b>			
Total equity shareholders' funds assuming reissue of any dilutive treasury shares (£'000)	260,308	N/A	213,790
Potential shares in issue at the period end in accordance with the authority granted at the AGM	82,987,041	N/A	80,044,055
Net asset value per share	313.67p	N/A	267.09p

<sup>1</sup>The diluted net asset value per share assumes that all potentially dilutive treasury shares were reissued at the period end. At a General Meeting on 15 November 2016, the Company was granted authority to reissue a number (being up to 10% of the ordinary shares in issue) of shares from treasury at a discount of no greater than 4% to the net asset value per share at the time of sale. This authority was renewed at the Annual General Meeting on 26 April 2017.

## 8. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	(Unaudited) Six months ended 30 June 2017 £'000	(Unaudited) Six months ended 30 June 2016 £'000	(Audited) Year ended 31 December 2016 £'000
Total return before finance costs and taxation	38,067	23,903	44,210
Less capital return before finance costs and taxation	(35,947)	(21,705)	(40,292)
Stock dividends received as income	-	-	(53)
(Increase)/decrease in prepayments and accrued income	(1)	(12)	45
Increase in other debtors	(350)	(431)	(14)
Increase in creditors	520	1,520	2,738
Management fee allocated to capital	(579)	(428)	(950)
Performance fee allocated to capital	(2,677)	(1,429)	(2,650)
Taiwanese withholding tax recovered	184	-	317
Overseas withholding tax deducted at source	(147)	(69)	(314)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(930)</b>	<b>1,349</b>	<b>3,037</b>

# Notes to the Accounts continued

## 9. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value include its investment portfolio and derivative financial instruments.

Paragraph 34.22 (amended) of FRS 102 requires that these financial instruments are categorised into a hierarchy consisting of the following three levels:

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.

The following table sets out the fair value measurements using the above hierarchy:

	30 June 2017 (unaudited)			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Financial instruments held at fair value through profit or loss</b>				
Equity investments and derivative financial instruments	248,450	–	–	248,450
Participatory notes <sup>1</sup>	–	7,313	–	7,313
<b>Total</b>	<b>248,450</b>	<b>7,313</b>	<b>–</b>	<b>255,763</b>

	30 June 2016 (unaudited)			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Financial instruments held at fair value through profit or loss</b>				
Equity investments and derivative financial instruments	170,856	–	–	170,856
Participatory notes <sup>1</sup>	–	12,765	–	12,765
<b>Total</b>	<b>170,856</b>	<b>12,765</b>	<b>–</b>	<b>183,621</b>

	31 December 2016 (audited)			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Financial instruments held at fair value through profit or loss</b>				
Equity investments and derivative financial instruments	200,492	–	–	200,492
Participatory notes <sup>1</sup>	–	10,136	–	10,136
<b>Total</b>	<b>200,492</b>	<b>10,136</b>	<b>–</b>	<b>210,628</b>

<sup>1</sup>Participatory notes, which are valued using the quoted bid prices of the underlying securities, have been allocated to Level 2 as, strictly, these are not identical assets.

## 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 confirmed that there are no significant events which have not been reflected in the financial statements.

## Directors

David Brief (Chairman)  
Caroline Hitch  
Mike Holt  
Christopher Keljik  
Alexandra Mackesy

## Advisers

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\*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 Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

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 [www.schroders.co.uk/its](http://www.schroders.co.uk/its).

## Dealing Codes

ISIN Number: GB0008710799  
SEDOL Number: 0871079  
Ticker: ATR

## Global Intermediary Identification Number (GIIN)

TRPJG6.99999.SL.826

## Legal Entity Identifier (LEI)

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