

Schroders

Schroder Japan Growth  
Fund plc

Half Year Report and Accounts  
for the six months ended  
31 January 2021



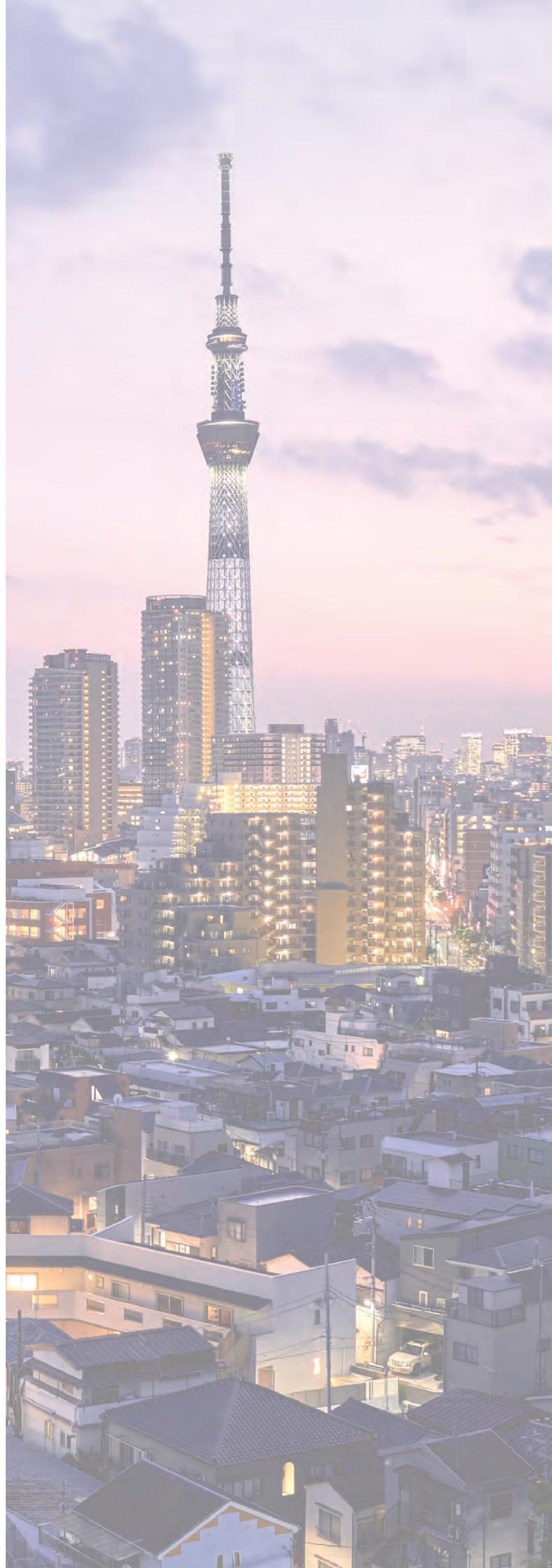
## Investment objective

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 2021<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 2021	31 July 2020	% change
Shareholders' funds (£'000)	272,864	236,128	+15.6
Shares in issue	123,129,822	124,776,700	(1.3)
NAV per share (pence)	221.61	189.24	+17.1
Share price (pence)	199.00	161.50	+23.2
Share price discount to NAV per share (%)	10.2	14.7	
Gearing (%) <sup>1</sup>	11.8	13.3	

<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 2021, the Company’s net asset value (“NAV”) produced a total return of 19.9%, outperforming the Benchmark total return of 17.9%. In addition, as sentiment towards the Japanese market improved, and the discount narrowed, the share price produced a total return of 26.7%.

It is pleasing to see an improvement in performance over the half year and subsequent to the period under review. While longer term, returns to shareholders remain unsatisfactory, the Manager must be credited for consistently applying his stock-picking investment approach, rather than chasing momentum. It appears that market sentiment has shifted away from aggressive growth companies and is focusing more on quality. If the green shoots we are witnessing at the moment continue, we would hope to see a sustained improvement in performance.

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

## Share purchases and discount management

I reported in my last annual report to shareholders that the share buyback facility would be more extensively utilised as the Board believes that when shares trade at wider discount levels, buybacks help to create excess return for shareholders and to improve liquidity. Subsequently, the Board has been active in buying back shares and, in the six months to 31 January 2021, 1,646,878 shares were bought back at an average discount of 12.9%. By the end of the period, the discount had significantly narrowed, to 10.2%, and since the period end, the Company has continued to be active in the market and a further 986,560 shares have been brought back (as at 6 April).

## Gearing

The Manager actively used gearing throughout the period. The Company’s term loan remained fully utilised whilst the revolving credit facility was undrawn. The average gearing during the six months to 31 January 2021 was 11.8% and as at 6 April, the gearing was 10.7%.

## Outlook

Equity market sentiment globally has improved significantly in the last six months, driven by vaccine approvals and roll-outs, together with the additional economic stimulus measures introduced around the world. Japan has also successfully navigated a change in Prime Minister following the resignation of Mr Abe, who had been the main architect of Japan’s economic policies for the previous eight years. Improving expectations for a global economic recovery have also had a positive impact on Japan’s stock market, while the domestic economy has continued to be less adversely affected than many other developed countries. Nevertheless, the investment approach of our Manager, which has a bias towards value, continued to be out of favour until near the end of 2020. Subsequently we have seen some changes in market leadership, and less emphasis on a narrow group of growth-style stocks, which has created a better environment for portfolio performance.

While we are not complacent about the risk of further pandemic-related economic shocks, it does seem that visibility on Japan’s corporate earnings’ recovery is now beginning to improve. We believe this, coupled with the longer-term structural improvements in Japan’s corporate governance, can continue to generate more focus on individual company valuations, which would benefit our Manager’s investment style.

**Anja Balfour**  
Chairman

7 April 2021

# Interim Management Report – Manager’s Review

## Market background

The Japanese market was strong for most of the period, particularly from November onwards, recording a total return of 22.1%. The yen/sterling exchange rate was volatile in September, but, for the period as a whole, there was a net weakening of the yen, which restricted the total market return in sterling to 17.9%.

Domestically, the early part of the review period was dominated by the change in Japan’s prime minister. Shinzo Abe announced his resignation as prime minister of Japan on 28 August, due to the resurgence of a long-standing health problem, just four days after he recorded the longest continuous term of any Japanese prime minister. Although Mr Abe’s health had clearly deteriorated, his popularity had also declined recently, primarily due to his handling of Japan’s response to the pandemic. Following his resignation, the Liberal Democratic Party opted for the simplest method to elect their next party president. Yoshihide Suga, the Chief Cabinet Secretary, quickly emerged as the frontrunner within a few days of Mr Abe’s announcement and he duly won the leadership election on 14 September. His position as the new prime minister was then confirmed in a special Diet session on 16 September.

Domestic factors then took a back seat to global drivers, especially the positive news flow on the results from various vaccine trials. Equity investors responded very positively in November to the idea that tackling the virus could eventually become a logistical exercise, albeit an extremely complex one. The slow-motion results of the US presidential election ultimately reduced one potential source of uncertainty.

All the available data during the period showed that Japan’s experience of COVID-19, in terms of incidence and mortality, continued to be markedly different from the US and Europe. As a result, the government was able to continue to encourage private consumption through its “Go To” campaign for domestic travel. In October, this was supplemented by the launch of “Go To Eat” discounts to support local restaurants in each prefecture. Although the absolute levels of virus infection in Japan remained significantly below other developed countries, there was a pick-up towards the end of the year, leading to further public criticism of government policy. During December, these concerns began to impact on the popularity of new Prime Minister Suga and ultimately led to the suspension of the “Go To” campaigns. Early in 2021, a state of emergency was re-imposed for the first time since May, although even this imposed significantly lighter restrictions than those seen in Europe.

In the final weeks of the year, there was an increased focus on the likelihood of further stimulus measures being passed in the US. Japan’s cabinet also approved a large additional fiscal package, to be funded by a further supplementary budget.

Nevertheless, survey data released in December, including the Bank of Japan’s Tankan and the Economy Watchers’ Survey, highlighted the fragility of consumer confidence as a result of rising infections. Japan has also dipped back into deflation, although this is currently due to a series of temporary factors, including lower utility prices and mobile phone charges. Although survey data on economic conditions remained somewhat weak early in 2021, actual GDP data for the fourth quarter of 2020, which was released in mid-February, was stronger than expected.

The corporate results season for the October to December quarter was completed in mid-February. The proportion of results that were ahead of consensus expectations was unusually high for Japan and this has continued to drive a positive revision cycle for corporate profits. These revisions, coupled with strong net buying of Japanese equities from foreign investors, helped push the main Topix Index to an almost 30 year high just after the end of the period.

The Company’s NAV rose 19.9% over the six months, ahead of the 17.9% increase in the Benchmark (Source: Morningstar, cum-income NAV with dividends reinvested, 31 January 2021 data, net of fees).

Although the market environment changed somewhat in the latter part of the period, there was a positive impact from the gearing throughout. Among individual stocks, there was a strong positive contribution from Ibiden, a ceramic producer specializing in semiconductor packaging. Conversely, Pan Pacific International, a discount retailer operating under the Don Quijote brand was relatively weak in the last six months, as consumption remained under pressure.

## Stock selection attribution – 6 months to 31 January 2021

### Largest positive contributions to performance

Security	Company (%)	Load difference (%)	Absolute return (%)	Impact
Ibiden	1.6	1.5	71.6	0.6
Koito	1.6	1.5	63.5	0.5
Bandai Namco	1.7	1.4	53.9	0.4
Murata	2.3	1.3	53.2	0.3
Shimadzu	1.6	1.5	50.3	0.3
<b>Total</b>				<b>2.1</b>

# Interim Management Report – Manager’s Review

## Largest negative contributions to performance

Security	Company (%)	Load difference (%)	Absolute return (%)	Impact
Pan Pacific	1.8	1.6	-2.0	-0.4
Santen Pharmaceutical	1.7	1.6	-2.2	-0.4
Nidec	0.0	-1.1	65.8	-0.4
KDDI	2.1	1.2	-3.7	-0.3
Paltac	1.3	1.3	-4.2	-0.3
<b>Total</b>				<b>-1.8</b>

Past performance is not a guide to future performance and may not be repeated.

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

Source: FactSet. Contributions are purely indicative as FactSet uses unaudited data. Stock weights are average weights over the period and returns are expressed in GBP.

## Activity

Our research team has been particularly focused on new ideas generated by the market turmoil in 2020. One example of this is Toho, which was added to the portfolio. This is one of the largest media groups in Japan, engaged in both movie production and distribution, together with the operation of theatres. The company posted over 80% operating profits decline earlier in 2020, but monthly box-office figures subsequently showed a clear recovery from the worst period.

We also initiated a position in AEON Financial Service, which provides comprehensive financial services, including credit cards and banking. A dividend cut was announced at the time of first quarter results, which led to a significant share price correction but we expect that the company will restore dividend payments much faster than their earnings recovery.

Amada, a major producer of machine tools, was also added to the portfolio as a beneficiary of the recovery we anticipate in both domestic and overseas markets.

One small cap position was sold in Nafco, a home furnishing retailer, after a period of strong relative performance. The remaining position in Japan Post Holdings, covering post, insurance and banking, was also sold as some of the positive changes we were expecting to see from the company may now be delayed. Lastly, the holding in Hitachi Capital was sold. The company provides consumer financing services, including loan guarantees and credit cards, and has recently announced a merger with MUFG Lease. We feel some of the specific advantages of Hitachi Capital, especially its strong UK franchise, may become diluted within the larger merged entity.

*This information is not an offer, solicitation or recommendation to buy or sell any financial instrument or to adopt any investment strategy.*

## Outlook

With Japan’s state of emergency due to be lifted during March, we see limited additional impact for the equity market given the scale of economic dislocation will be less dramatic than that seen in early 2020. We also expect reduced impact on supply chains across Asia and, ultimately, a clearer route out of restrictions via the vaccine roll-out.

After additional safety tests required under Japanese regulations, the Pfizer vaccine was approved for use from 15 February and 3.7m healthcare professionals are now being prioritised in the initial roll-out. The general population is likely to be offered a vaccine in the April to June quarter. It is still unclear what impact the domestic, and global, vaccination programmes will have on the final decision to be taken on the hosting of the delayed Tokyo Olympics. The current political statements still support a scaled-back version of the games, starting in July as planned, although the general public seems to be increasingly sceptical. Although the government is facing a difficult political choice, we do not see any significant economic impact, whichever way the final decision goes. Most of the impact would be seen in a far lower number of tourist arrivals than originally expected, but this has already been fully discounted by the equity market and we don’t see any great scope for surprise.

However, developments around both the Olympics and the vaccine roll-out could also affect the political timetable in Japan. Although the transfer of power from Mr Abe to Mr Suga has not led to any unexpected policy changes, a general election is due by October 2021 at the latest and it is still possible that we could see a snap election called earlier in the year. In any event, we expect the ruling Liberal Democratic Party to retain power, and for Mr Suga to remain as prime minister.

The short-term outlook for the domestic economy in Japan therefore centres on a rebound in activity as the state of emergency is lifted, together with the impact of the vaccine roll-out. Beyond these near-term issues, Japan is well-placed to benefit from a medium-term recovery in both the domestic and global economy.

In the absence of any further dramatic deterioration in economic conditions, we see scope for a significant recovery in corporate earnings in fiscal year 2021. Coupled with the underlying strength of corporate balance sheets, this should also lead to a quick return to pre-COVID levels of shareholder pay outs, including share buybacks.

# Interim Management Report – Manager’s Review

While overall market valuations look reasonable, we do note that some cyclical stocks may already be discounting much of the initial expectations for earnings recovery. However, beyond these cyclical dynamics, we continue to see positive structural tailwinds supporting the Japanese equity market, including company-specific efforts to improve Return on Equity. Despite the challenging environment, Japanese companies have remained committed to increasing spending on IT and software, in particular, in order to improve future productivity.

## Policy

Until late 2020, market dynamics favoured a relatively narrow range of stocks, reflecting global macro and political issues. While many global markets then saw some style reversal from November, this effect was very muted in Japan within the review period, and value stocks, those stocks trading at a lower price relative to fundamentals, underperformed the broader market to the end of 2020. Small cap had initially rallied strongly in September 2020 but then underperformed the broader market significantly over the following four months.

In early 2021, Japan finally saw some rebound in value indices, but even this was primarily a rally in lower quality cyclical stocks, those stocks affected by macroeconomic or systematic changes in the economy, with banks also outperforming. However, as we move further into the recovery phase, improving visibility on corporate earnings encourages us to maintain our longer-term views on Japan. 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 some specific stocks in other sectors 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 (ratio of the Company’s debt to equity) at the end of January 2021 was 11.8% (cum income).

## Active sector positions – as at 31 January 2021

### Overweight/underweight positions %

% of portfolio		Underweight	Overweight
7.3	Machinery		3.7
2.9	Banks		1.1
4.2	Construction		1.0
6.0	Wholesale Trade		0.8
1.3	Glass and Ceramics Products		0.4
5.0	Pharmaceutical	-1.8	
2.6	Services	-2.7	
8.8	Electrical Appliances	-8.7	

Source: Schroders FactSet. Company position less Benchmark weight. Based on unaudited data. Sectors shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Although we should see a strong overall profit recovery over the next two years, we do not expect any step-change in Japan’s long-term trend growth. Instead, we anticipate that Japan’s relative undervaluation will be narrowed through better corporate governance, leading to sustainable improvements in Return-on-Equity. The most pervasive element for this change is the stronger pressure being applied to company managements from institutional investors to improve capital allocation and ultimately deliver better shareholder remuneration. We expect these factors to have a strong positive influence on the Company.

## Schroder Investment Management Limited

7 April 2021

*Any references to securities, sectors, regions and/or countries are for illustrative purposes only.*

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# Interim Management Report

## Investment Portfolio as at 31 January 2021

Stocks in bold are the 20 largest investments, which by value account for 48.6% (31 July 2020: 49.3% and 31 January 2020: 50.2%) of total investments.

	£'000	%
<b>Precision Instruments</b>		
<b>Murata</b>	<b>8,450</b>	<b>2.8</b>
<b>Hoya</b>	<b>8,283</b>	<b>2.7</b>
<b>SMC</b>	<b>8,192</b>	<b>2.7</b>
<b>Shimadzu</b>	<b>5,396</b>	<b>1.8</b>
Enplas	61	0.0
<b>Total Precision Instruments</b>	<b>30,382</b>	<b>10.0</b>
<b>Electrical Appliances</b>		
<b>Hitachi</b>	<b>7,477</b>	<b>2.5</b>
<b>TDK</b>	<b>7,138</b>	<b>2.3</b>
Ibiden	5,089	1.7
Koito Manufacturing	5,008	1.6
Nihon Kohden	2,047	0.7
<b>Total Electrical Appliances</b>	<b>26,759</b>	<b>8.8</b>
<b>Chemicals</b>		
Sekisui Chemical	4,883	1.6
Nippon Soda	3,693	1.2
Kureha Chemical	3,551	1.2
JSR	3,475	1.1
NOF	3,429	1.1
Hosokawa Micron	3,047	1.0
Aica Kogyo	2,888	0.9
SK Kaken	1,168	0.4
<b>Total Chemicals</b>	<b>26,134</b>	<b>8.5</b>
<b>Information and Communication</b>		
<b>Nippon Telegraph and Telephone</b>	<b>10,179</b>	<b>3.3</b>
<b>KDDI</b>	<b>6,470</b>	<b>2.1</b>
<b>Otsuka</b>	<b>5,481</b>	<b>1.8</b>
Digital Garage	2,886	0.9
<b>Total Information and Communication</b>	<b>25,016</b>	<b>8.1</b>
<b>Machinery</b>		
<b>Disco</b>	<b>7,615</b>	<b>2.5</b>
Nichias	4,347	1.4
Glory	2,334	0.8
NGK Spark Plug	2,247	0.7
Nabtesco	2,230	0.7
Amada	2,069	0.7
Rehon Automatic Machinery	1,645	0.5
<b>Total Machinery</b>	<b>22,487</b>	<b>7.3</b>

	£'000	%
<b>Transportation Equipment</b>		
<b>Toyota Motor</b>	<b>13,332</b>	<b>4.4</b>
Isuzu Motors	2,791	0.9
Toyota Industries	2,716	0.9
Hi-Lex	482	0.2
<b>Total Transportation Equipment</b>	<b>19,321</b>	<b>6.4</b>
<b>Wholesale trade</b>		
Itochu	5,166	1.7
Mitsui & Co.	4,398	1.4
Trusco Nakayama	3,465	1.1
Fukushima Galilei	3,205	1.1
Fuji Oil	2,023	0.7
<b>Total Wholesale Trade</b>	<b>18,257</b>	<b>6.0</b>
<b>Pharmaceutical</b>		
<b>Takeda Pharmaceutical</b>	<b>6,850</b>	<b>2.2</b>
Ship Healthcare	4,412	1.5
Santen Pharmaceutical	4,052	1.3
<b>Total Pharmaceutical</b>	<b>15,314</b>	<b>5.0</b>
<b>Retail Trade</b>		
Pan Pacific	5,076	1.7
Seven & I Holdings	4,437	1.5
Paltac	3,864	1.3
AT Group	1,352	0.4
<b>Total Retail Trade</b>	<b>14,729</b>	<b>4.9</b>
<b>Construction</b>		
Daiwa House	4,480	1.5
Taisei	3,117	1.0
Nippon Densetsu Kogyo	2,878	0.9
JGC	1,737	0.6
Sanki Engineering	722	0.2
<b>Total Construction</b>	<b>12,934</b>	<b>4.2</b>
<b>Securities and Commodity</b>		
<b>Nomura Research Institute</b>	<b>6,715</b>	<b>2.2</b>
<b>Orix</b>	<b>5,418</b>	<b>1.8</b>
<b>Total Securities and Commodity</b>	<b>12,133</b>	<b>4.0</b>
<b>Insurance</b>		
<b>T&amp;D Holdings</b>	<b>7,673</b>	<b>2.5</b>
Tokio Marine	3,723	1.2
<b>Total Insurance</b>	<b>11,396</b>	<b>3.7</b>

# Interim Management Report

## Investment Portfolio as at 31 January 2021

	£'000	%
<b>Land Transportation</b>		
East Japan Railway	3,348	1.1
Sankyu	3,215	1.0
Hitachi Transport System	2,991	1.0
<b>Total Land Transportation</b>	<b>9,554</b>	<b>3.1</b>
<b>Real Estate</b>		
<b>Mitsui Fudosan</b>	<b>5,696</b>	<b>1.9</b>
Park24	3,330	1.1
<b>Total Real Estate</b>	<b>9,026</b>	<b>3.0</b>
<b>Banks</b>		
<b>Sumitomo Mitsui Financial</b>	<b>8,745</b>	<b>2.9</b>
<b>Total Banks</b>	<b>8,745</b>	<b>2.9</b>
<b>Services</b>		
<b>Recruit Holdings</b>	<b>8,016</b>	<b>2.6</b>
Miroku Jyoho	84	0.0
<b>Total Services</b>	<b>8,100</b>	<b>2.6</b>
<b>Other Products</b>		
Bandai Namco	4,521	1.5
Toho	2,714	0.9
<b>Total Other Products</b>	<b>7,235</b>	<b>2.4</b>
<b>Foods</b>		
<b>Asahi Breweries</b>	<b>5,483</b>	<b>1.8</b>
<b>Total Foods</b>	<b>5,483</b>	<b>1.8</b>
<b>Rubber Products</b>		
<b>Bridgestone</b>	<b>5,404</b>	<b>1.8</b>
<b>Total Rubber Products</b>	<b>5,404</b>	<b>1.8</b>
<b>Non-Ferrous Metals</b>		
Asahi Holdings	4,232	1.4
<b>Total Non-Ferrous Metals</b>	<b>4,232</b>	<b>1.4</b>
<b>Glass &amp; Ceramics</b>		
AGC	4,022	1.3
<b>Total Glass &amp; Ceramics</b>	<b>4,022</b>	<b>1.3</b>
<b>Other Financing Business</b>		
Aeon Financial Service	2,991	1.0
<b>Total Other Financing Business</b>	<b>2,991</b>	<b>1.0</b>
<b>Oil and Coal products</b>		
Eneos	2,728	0.9
<b>Total Oil and Coal products</b>	<b>2,728</b>	<b>0.9</b>

	£'000	%
<b>Electric Power &amp; Gas</b>		
Metawater	2,720	0.9
<b>Total Electric Power &amp; Gas</b>	<b>2,720</b>	<b>0.9</b>
<b>Total investments</b>	<b>305,102</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; service provider; and cyber. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 16 and 17 of the Company's published annual report and accounts for the year ended 31 July 2020.

The Board has continued to keep under review the effect of the COVID-19 pandemic on the Company's principal risk and uncertainties. Although it was assessed to be an emerging risk in the annual report, the Board now considers that the Company's existing principal risks and uncertainties are sufficiently comprehensive. COVID-19 continues to affect the Company, affecting 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 had a significant impact on prospects for global growth as measured by GDP and it continues to create uncertainty in many sectors.

The Board notes the Manager's investment process has been unaffected by the COVID-19 pandemic. The Manager continues 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 implemented business continuity plans in line with government recommendations. However, the Board has been pleased to note that to date the Company's service providers have been able to operate on a business as usual basis, despite the pandemic.

The Company's principal risk and uncertainties have not materially changed during the six months ended 31 January 2021.

## 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 18 of the published annual report and accounts for the year ended 31 July 2020, 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 2021.

## 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 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 2021 (unaudited)

	(Unaudited) For the six months ended 31 January 2021			(Unaudited) For the six months ended 31 January 2020			(Audited) For the year ended 31 July 2020		
	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	-	43,166	43,166	-	84	84	-	(37,752)	(37,752)
Net foreign currency gains	-	1,134	1,134	-	2,624	2,624	-	1,602	1,602
Income from investments	3,477	-	3,477	4,076	-	4,076	8,276	-	8,276
Other interest receivable and similar income	-	-	-	4	-	4	4	-	4
<b>Gross return/(loss)</b>	<b>3,477</b>	<b>44,300</b>	<b>47,777</b>	<b>4,080</b>	<b>2,708</b>	<b>6,788</b>	<b>8,280</b>	<b>(36,150)</b>	<b>(27,870)</b>
Investment management fee	(285)	(665)	(950)	(309)	(721)	(1,030)	(564)	(1,317)	(1,881)
Administrative expenses	(267)	-	(267)	(318)	-	(318)	(552)	-	(552)
<b>Net return/(loss) before finance costs and taxation</b>	<b>2,925</b>	<b>43,635</b>	<b>46,560</b>	<b>3,453</b>	<b>1,987</b>	<b>5,440</b>	<b>7,164</b>	<b>(37,467)</b>	<b>(30,303)</b>
Finance costs	(42)	(97)	(139)	(41)	(96)	(137)	(84)	(196)	(280)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>2,883</b>	<b>43,538</b>	<b>46,421</b>	<b>3,412</b>	<b>1,891</b>	<b>5,303</b>	<b>7,080</b>	<b>(37,663)</b>	<b>(30,583)</b>
Taxation on ordinary activities (note 3)	(348)	-	(348)	(408)	-	(408)	(828)	-	(828)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>2,535</b>	<b>43,538</b>	<b>46,073</b>	<b>3,004</b>	<b>1,891</b>	<b>4,895</b>	<b>6,252</b>	<b>(37,663)</b>	<b>(31,411)</b>
<b>Return/(loss) per share (note 4)</b>	<b>2.04p</b>	<b>35.02p</b>	<b>37.06p</b>	<b>2.40p</b>	<b>1.51p</b>	<b>3.91p</b>	<b>5.00p</b>	<b>(30.13)p</b>	<b>(25.13)p</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 31 January 2021 (unaudited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2020	12,478	7	23	3	96,807	119,595	7,215	236,128
Repurchase of the Company's own shares for cancellation	(165)	-	165	-	(3,231)	-	-	(3,231)
Net return on ordinary activities	-	-	-	-	-	43,538	2,535	46,073
Dividend paid in the period (note 5)	-	-	-	-	-	-	(6,106)	(6,106)
<b>At 31 January 2021</b>	<b>12,313</b>	<b>7</b>	<b>188</b>	<b>3</b>	<b>93,576</b>	<b>163,133</b>	<b>3,644</b>	<b>272,864</b>

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

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'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>-</b>	<b>3</b>	<b>97,205</b>	<b>159,149</b>	<b>3,967</b>	<b>272,832</b>

## For the year ended 31 July 2020 (audited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'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
Repurchase of the Company's own shares for cancellation	(23)	-	23	-	(398)	-	-	(398)
Net (loss)/return on ordinary activities	-	-	-	-	-	(37,663)	6,252	(31,411)
Dividend paid in the year (note 5)	-	-	-	-	-	-	(5,875)	(5,875)
<b>At 31 July 2020</b>	<b>12,478</b>	<b>7</b>	<b>23</b>	<b>3</b>	<b>96,807</b>	<b>119,595</b>	<b>7,215</b>	<b>236,128</b>

# Statement of Financial Position at 31 January 2021 (unaudited)

	(Unaudited) At 31 January 2021 £'000	(Unaudited) At 31 January 2020 £'000	(Audited) At 31 July 2020 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	<b>305,102</b>	303,943	268,080
<b>Current assets</b>			
Debtors	<b>1,747</b>	1,617	1,643
Cash at bank and in hand	<b>9,668</b>	10,457	11,814
	<b>11,415</b>	12,074	13,457
<b>Current liabilities</b>			
Creditors: amounts falling due within one year (note 6)	<b>(43,653)</b>	(1,190)	(2,172)
<b>Net current (liabilities)/assets</b>	<b>(32,238)</b>	10,884	11,285
<b>Total assets less current liabilities</b>	<b>272,864</b>	314,827	279,365
Creditors: amounts falling due after more than one year	-	(41,995)	(43,237)
<b>Net assets</b>	<b>272,864</b>	272,832	236,128
<b>Capital and reserves</b>			
Called-up share capital (note 7)	<b>12,313</b>	12,501	12,478
Share premium	<b>7</b>	7	7
Capital redemption reserve	<b>188</b>	-	23
Warrant exercise reserve	<b>3</b>	3	3
Share purchase reserve	<b>93,576</b>	97,205	96,807
Capital reserves	<b>163,133</b>	159,149	119,595
Revenue reserve	<b>3,644</b>	3,967	7,215
<b>Total equity shareholders' funds</b>	<b>272,864</b>	272,832	236,128
<b>Net asset value per share (note 8)</b>	<b>221.61p</b>	218.25p	189.24p

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 2020 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 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 2020.

## 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 2021 £'000	(Unaudited) Six months ended 31 January 2020 £'000	(Audited) Year ended 31 July 2020 £'000
Revenue return	2,535	3,004	6,252
Capital return/(loss)	43,538	1,891	(37,663)
<b>Total return/(loss)</b>	<b>46,073</b>	4,895	(31,411)
Weighted average number of shares in issue during the period	124,307,203	125,008,200	124,998,055
Revenue return per share	2.04p	2.40p	5.00p
Capital return/(loss) per share	35.02p	1.51p	(30.13)p
<b>Total return/(loss) per share</b>	<b>37.06p</b>	3.91p	(25.13)p

# Notes to the Accounts

## 5. Dividends paid

	(Unaudited) Six months ended 31 January 2021 £'000	(Unaudited) Six months ended 31 January 2020 £'000	(Audited) Year ended 31 July 2020 £'000
2020 final dividend paid of 4.9p (2019: 4.7p)	6,106	5,875	5,875

No interim dividend has been declared in respect of the year ending 31 July 2021 (2020: nil).

## 6. Creditors: amounts falling due within one year

	(Unaudited) Six months ended 31 January 2021 £'000	(Unaudited) Six months ended 31 January 2020 £'000	(Audited) Year ended 31 July 2020 £'000
Bank Loan	41,734	–	–
Securities purchased awaiting settlement	1,300	553	1,595
Other creditors and accruals	619	637	577
	<b>43,653</b>	1,190	2,172

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 2021 £'000	(Unaudited) Six months ended 31 January 2020 £'000	(Audited) Year ended 31 July 2020 £'000
Opening balance of ordinary shares of 10p each	12,478	12,501	12,501
Repurchase and cancellation of shares	(165)	–	(23)
Closing balance of ordinary shares of 10p each	<b>12,313</b>	12,501	12,478

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

	(Unaudited) Six months ended 31 January 2021	(Unaudited) Six months ended 31 January 2020	(Audited) Year ended 31 July 2020
Ordinary shares of 10p each, allotted, called-up and fully paid			
Opening balance of shares in issue	124,776,700	125,008,200	125,008,200
Repurchase and cancellation of shares	(1,646,878)	–	(231,500)
Closing balance of shares in issue	<b>123,129,822</b>	125,008,200	124,776,700

# Notes to the Accounts

## 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 123,129,822 (31 January 2020: 125,008,200 and 31 July 2020: 124,776,700).

## 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 2021, 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 2020 and 31 July 2020: same).

## 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

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 3BZ

## 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