Results analysis: Schroder Asian Total Return

- **Schroder Asian Total Return (ATR)** has released its half-year report for the period ending 30/06/2026. Over the period, the company saw a NAV total return of 34.4%, whilst share price total returns were 27.8%. Whilst the company has no benchmark, the MSCI AC Asia Pacific ex Japan Index is used as a reference and returned 25.6% in the same period.
- During the period, the company announced a proposed combination with Pacific Assets (PAC). As at time of publication, shareholders of both PAC and ATR have agreed to the proposals with the process continuing to implementation.
- Whilst returns were excellent, the period saw considerable volatility due to macro events, with a high dispersion of returns from different regions. Nonetheless, managers Robin Parbrook and King Fuei Lee have delivered very strong overall performance, largely due to their sizeable holdings in technology companies in Taiwan and Korea which benefitted from AI-related spending, whilst avoiding weakness from the likes of China and India.
- The market volatility led to the managers being relatively active in adjusting their positioning. Changes mostly revolved around profit taking from their Taiwanese technology stocks following the good performance, with additions made to more defensive, higher-yielding stocks in areas such as Hong Kong, and the consolidation of their internet holdings in China.
- The company's discount widened to 6% at period end, from just 1.1% at the beginning. To help narrow the discount, the board bought back c. 700k shares in the period, and a further c. 500k to publication. Combined, these amounts are equivalent to c. 1.3% of the average shares in issue.
- Net gearing, which forms part of the managers' wider derivative strategy, was 5.8% at year end, having averaged 5% in the period. The company's hedging models moved from neutral to more cautious over the course of the half year as valuations have become more elevated, particularly in Korea and Taiwan. This has resulted in targeted positions to reduce the beta in the portfolio from the technology holdings. Separately, the managers had taken out puts in India which have contributed positively to performance.
- Chair Sarah MacAulay highlighted the "more defensive portfolio positioning" although noted the managers intend "to remain fully invested but with limited gearing, selective hedging and an emphasis on resilient businesses which offer strong capital return policies and which have attractive valuations".

Ahead of the combination with PAC, ATR has delivered excellent performance.

Ryan Lightfoot-Aminoff

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Kepler View

Whilst the performance of ATR in this period will deservedly capture the headlines, arguably the most interesting story from the six months under review is the proposed combination with PAC. Whilst we have covered the changes in detail in a previous article, the highlights include a larger asset base, shareholder-friendly changes to the fee structure and a conditional tender offer in December 2030. We believe the key takeaway from this corporate activity is that it is a strong vote of confidence for the ATR strategy, with the board of an industry peer deciding the risk-conscious, benchmark-agnostic approach is the best alternative for their own shareholders.

This approach has again delivered exceptional returns in the period covered by these results. In absolute terms, an over 30% return in six months is very impressive, particularly so when considering the volatility of the market in that period, typified by the war in Iran which has had a negative impact on several countries in the region. The managers' technology stock picks have been particularly advantageous, demonstrating the success of the stock selection, whilst lower allocations to the likes of China and India have contributed to relative performance against the reference index. The ability of the managers to navigate challenging markets is very encouraging in our view, and cements the company's place as a highly compelling, all-encompassing strategy that can provide long-term, actively managed exposure to the exciting potential of Asia.

The investment case at this juncture is also greatly enhanced by the discount in our view. The board has been active in using buybacks to mitigate this, aiming to keep the level within 5% of NAV. With the shares trading close to this level as at publication of the results, we believe it represents a rare opportunity to add to the long-term potential of the company at an attractive level.

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