



Results analysis: Schroder Oriental Income

SOI has posted another year of double-digit returns, plus a 19th consecutive year of dividend increases.

Update
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- Schroder Oriental Income (SOI) has released its full year results for the year ending 31/08/2025. Over the period, the trust saw a NAV total return of 14.9%, and a share price total return of 17.9%, which compares to the return of the reference index, the MSCI AC Pacific ex Japan Index, of 21.1%.
- Positive contributors to relative performance came from stock selection in Hong Kong as well as being overweight which also proved beneficial. Elsewhere, an overweight allocation to Singapore and good stock selection in Australia also added alpha. On a sector basis, positive stock selection and an overweight position to financial stocks were also supportive.
- Absolute performance was strong, with this predominantly coming in the second half of the financial year as a weakening US dollar provided a tailwind to the asset class. However, the trust lagged the reference index, largely a result of not holding a number of large cap Chinese companies (in internet and e-commerce) which rallied on the back of government stimulus measures and artificial intelligence optimism. However, these firms do not meet the manager Richard Sennit's growing income objective.
- Despite these near-term relative headwinds, the trust remains considerably ahead of comparators over the long-term, with SOI having returned a NAV total return of 63.9% in the five years to 31/08/2025, versus the reference index of 25.3%. This is also ahead of the weighted average of the peer group of 54.9%.
- Richard added selectively to China over the year, focussing on high-quality, market leading firms such as EV battery maker CATL and sportswear firm Anta Sports, although the country remains underweight, somewhat offset by an overweight in Hong Kong. He also initiated two off-benchmark positions in India as a result of the market weakness offering income and growth opportunities. Richard reduced his financial exposure by taking profit from some strong performers, such as Singapore Exchange, as well as on weakened outlook from the likes of PT Bank Negara Indonesia. Strong performance from his tech holdings has led to yield compression, and therefore Richard has made some reductions here too.

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- Revenue per share increased modestly from the previous year to 11.59p per share. A final dividend of 6.2p per share was announced, making an annual total of 12.2p and completing the 19th year of increases. This offers a historic yield of c. 3.6% as at 06/11/2025. The trust continues to have sizeable revenue reserves of more than the whole year's dividend.
- Strong share price returns led to the discount narrowing to 5.2% by year end. This was aided by share buybacks, with 12.6m shares repurchased in the year, equivalent to 5.2% of the opening share count. A further c. 1.7m have been bought back post results. These buybacks were NAV accretive and have contributed to the trust having one of the narrowest ratings in the five strong peer group.
- In the results, the board announced a planned removal of the performance fee by 31/08/2026. The cap was also reduced to 0.55% of NAV for the final year of its existence.



- **Chairman Nick Winsor noted the trust is “well positioned to capture opportunities across the region through its focus on high quality businesses offering growing dividend income.**

Kepler View

Manager Richard Sennit has overseen another strong period of absolute returns for **Schroder Oriental Income (SOI)**, marking back-to-back years of double-digit performance. Whilst relative performance over the short-term has lagged the reference index, we believe the drivers of this are temporary, and we note the long-term outperformance of nearly 30 percentage points over five years.

The period saw several highlights, such as strong stock selection in the trust’s financial stocks and positive contribution from the tech holdings. Despite this, Richard has shown good pragmatism, in our view, by trimming some of these better performers and recycling the profits into better value ideas which offer more dividend growth potential. One of the more intriguing additions have been the two Indian stocks. India is not renowned for its income generation and in fact, does not feature in SOI’s reference index, therefore these positions offer the potential for alpha generation, as well as providing further differentiation to comparators.

This differentiation is further enhanced by the trust’s natural income approach in our opinion. Following changes amongst peers, SOI is the last trust in the sector operating a traditional equity income strategy focussed on stocks paying attractive or growing dividends. Therefore, we believe there is potential for the trust to diverge from peers over time as the manager identifies a different type of stock profile, which could lead to diversification benefits for shareholders, as well as providing a growing income stream over time. The year saw the trust’s dividend increase for the 19th consecutive year, meaning it is just one year away from the AIC’s Dividend Hero status. Should this achievement be made, it would make SOI the first Asia-focussed trust to achieve the accolade, further cementing its status as a compelling growth and income opportunity, in our view.

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