# Results analysis: Schroder AsiaPacific

**SDP's wide discount adds to the appeal of this portfolio of high-quality Asian equities....**

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- **Schroder AsiaPacific (SDP) has released its half-year results for the period ending 31/03/2025, in which the trust saw a NAV total return of -3.3%, versus a total return of -2.2% for the trust's benchmark, the MSCI AC Asia ex Japan Index. The AIC Asia Pacific sector delivered a weighted average return of -4.5% over the same period.**

- **Despite the near-term return profile being challenging, SDP remains significantly ahead over the longer term, with five-year NAV total returns of 51.4%, versus the benchmark of 36.1% to 31/03/2025.**

- **These results contain a number of positives, including stock selection in Singapore-listed banks, which benefitted from the higher-for-longer interest rate environment and contributed positively to performance.**

- **The other key market was China, which rallied initially on the announcement of government stimulus measures, before climbing again on the release of DeepSeek's new large-language model, which boosted stocks in the AI industry. Whilst positive in absolute terms for SDP, the trust's underweight was a relative headwind. This was, however, somewhat offset by an overweight to Hong Kong, which benefitted from its proximity to China and also rallied.**

- **Managers Abbas Barkhordar and Richard Sennitt used the volatility in the period to add very selectively to some high-quality, industry leading Chinese companies. Whilst the China allocation has increased by a third in the period, the trust remains notably underweight. The managers remain overweight Hong Kong to help offset these risks. They continue to have an overweight to Singapore as one of the region's more developed economies, and one of the region's financial centres.**

- **The board reduced the rate of the first tier of charges in the period, dropping from 0.75% on the first £600m of assets, to 0.65%. The rate for assets above this remains at 0.6%.**

- **The discount remained wide throughout the period, averaging 11.9% and ending at 12.5%. The board was very active with share buybacks, repurchasing c. 7.6m shares in the period, equivalent to c. 4.9% of the opening share count which added 0.6% to NAV. Buybacks have continued post period end, with the most recent being on 23/05/2025.**

- **Chairman James Williams took a long-term view, stating the region "continues to offer compelling longer-term opportunities, underpinned by favourable demographics, rising wealth levels and steady growth in domestic demand across many markets."**

## Kepler View

Abbas and Richard have presided over impressive long-term returns, with **Schroder AsiaPacific (SDP)** outperforming its index by c. 15 percentage points in the five-year period up to the date of these results. This has been supported by the underweight allocation to China, with the managers arguing that the country faces structural issues, such as weakening demographics and an economy reliant on investment. However, with such acute positioning, there can be short-term periods where this becomes a headwind, such as the time frame covered by these interims. Despite this, performance is only marginally behind the benchmark, which, when considering a strong rally in China is close to a worse-case scenario for the trust, we believe is a reasonable outcome.

One mitigating factor to the performance was the overweight to Hong Kong. This has provided exposure to the China market, but with fewer governance concerns than on the mainland. We believe this is a good demonstration of the managers' pragmatism, as it has allowed them to express their views on China, whilst minimising the risk of the underweight. Further to this, the managers reduced their China underweight in the period, through highly selective additions to industry leading companies. We believe this is also a demonstration of the managers' flexibility, showing they will add to Chinese firms, so long as they are of sufficient quality at the right valuations. This could support the trust going forward in our view, as the managers have used the volatility of the period to narrow some of the portfolio's larger allocations, whilst adding to quality, which should support returns in a potentially volatile period.

This volatility has also arguably been a driving factor behind the stubbornly wide discount SDP's shares have traded on throughout the period, and since. Asia has been hurt by negative sentiment as a result of President Trump's protectionist policies, and this affected all trusts including SDP, despite the strong support from the board through share buybacks. This has persisted in the period post results, with shares trading at c. 12% as at 27/05/2025, which we believe could make for an attractive entry point for long-term investors willing to look through the short-term noise.

Whilst these results only cover a short time period, the changes to the charges have improved the long-term appeal of the trust, in our view. The trust was already more competitive than the average of the peer group on fees, but this most recent cut in charges which we estimate will result in the management charge falling by c. 10.2% based on current net assets, will improve this further.

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