



The Outlook for Asian stocks

AJ Bell Webinar

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December 2023



Market outlook

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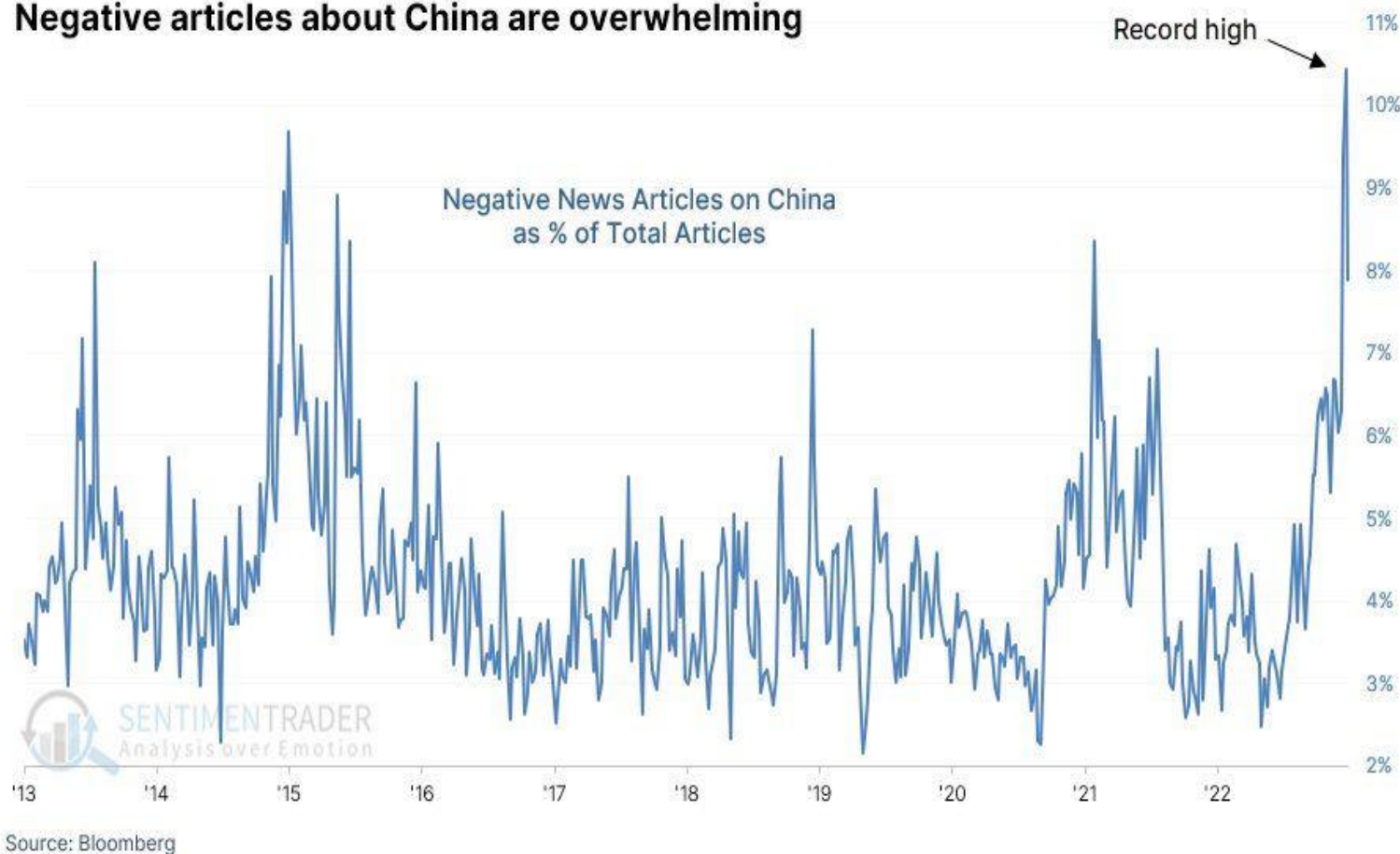
Topics and issues

- China – recovery disappointment
- Information technology – Long-term opportunities
- Global goods cycle – signs of a bottom?
- Valuations – a longer-term perspective

China – consensus is now negative



Negative articles about China are overwhelming

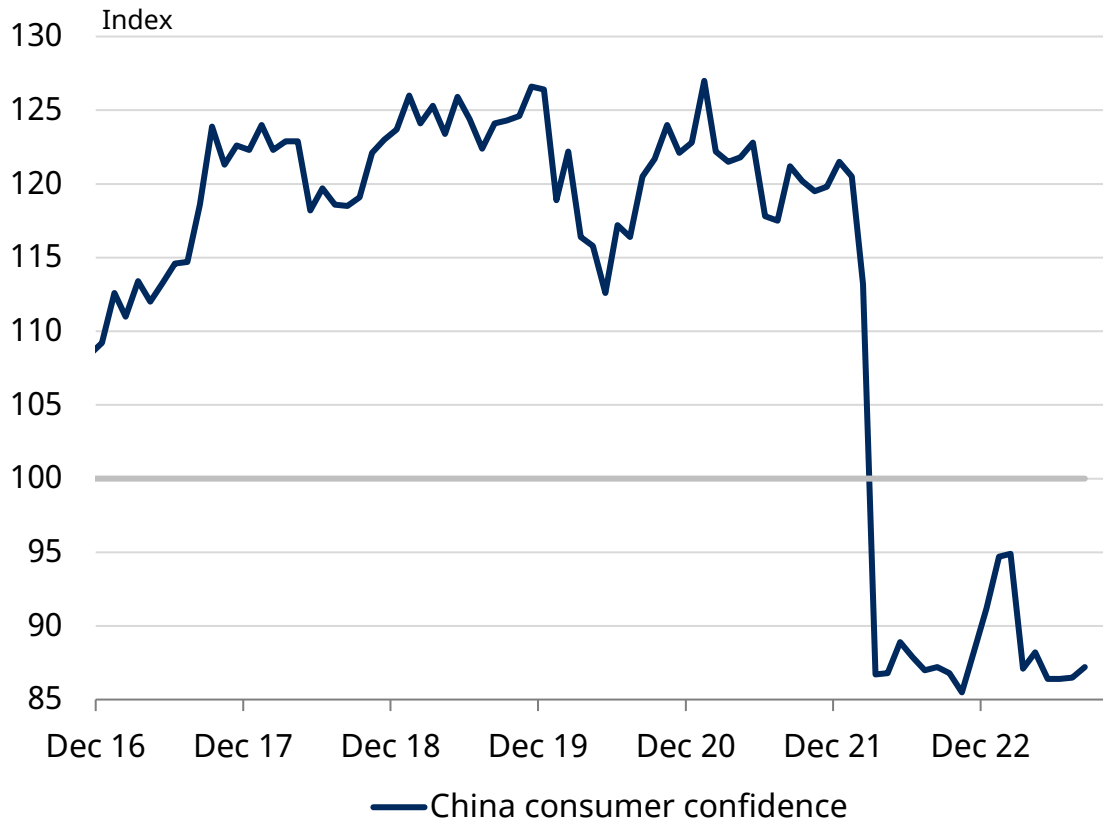


Source: The Economist, Bloomberg, Schroders Economics Group. 29 August 2023. Any reference to regions/countries/sectors/stocks/securities is for illustrative purposes only and not a recommendation to buy or sell.

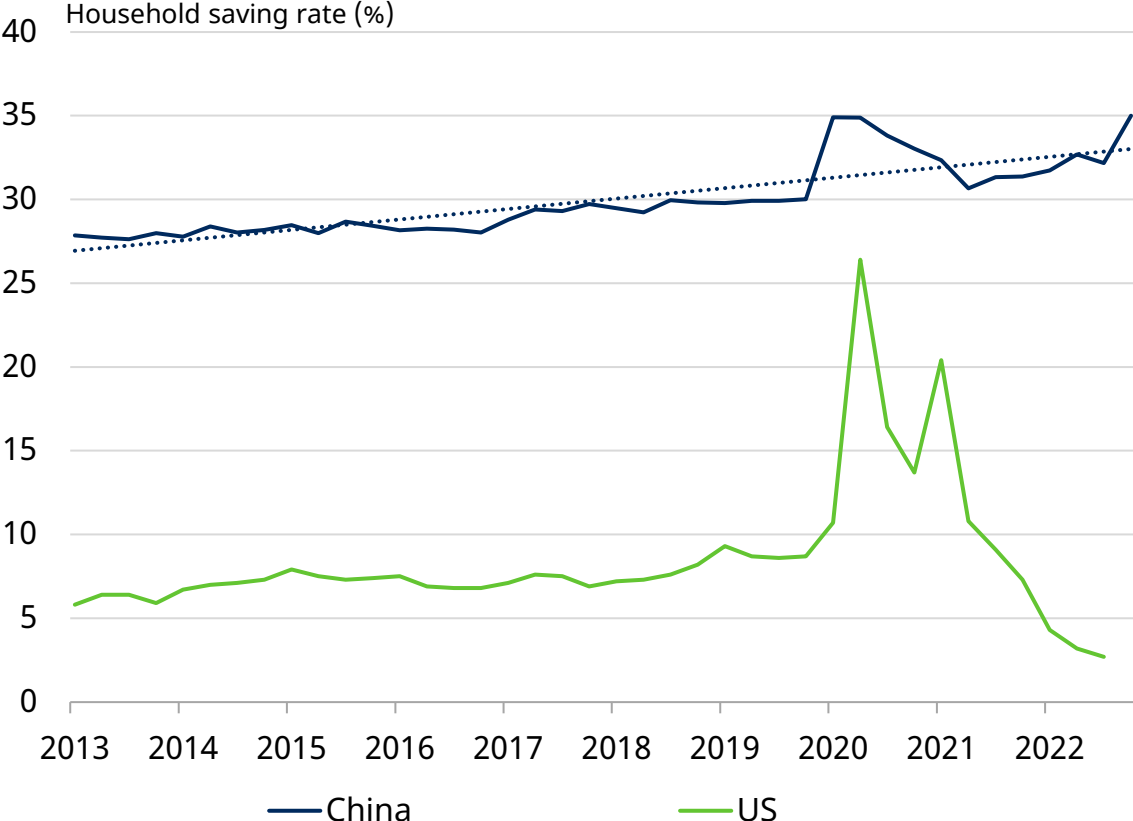
China – problem is poor confidence holding back consumer spend

High savings rates are able to fund consumption if confidence returns

China consumer confidence¹



Chinese consumer in a different position to US one²

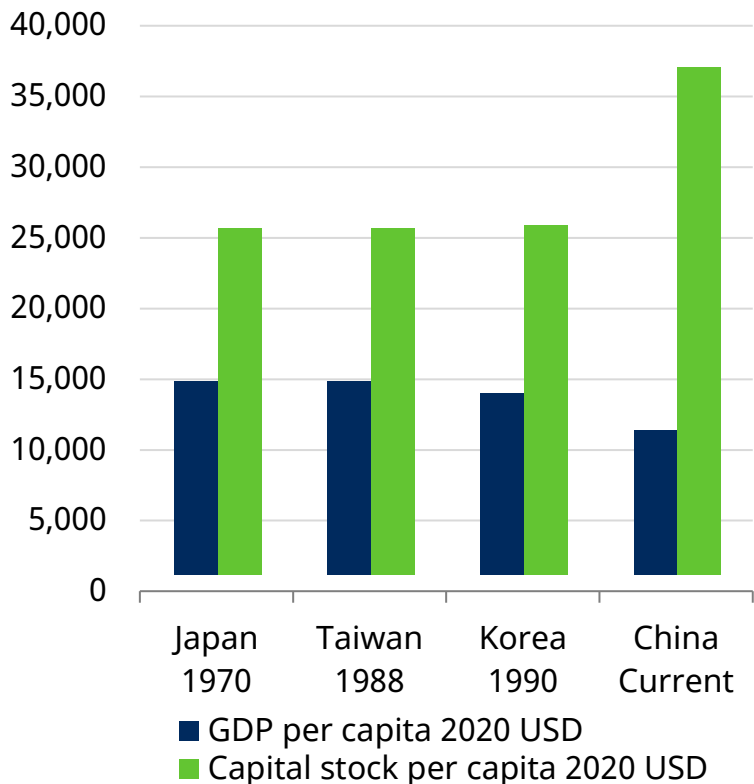


Source: ¹Refinitiv Datastream, as at 31 October 2023. ²Refinitiv, CEIC, Schroders Economics Group. 17 February 2023. Any reference to regions/countries/sectors/stocks/securities is for illustrative purposes only and not a recommendation to buy or sell.

China – why have returns been so disappointing – big picture

Turning Japanese? Will more fixed asset investment via stimulus packages just add to high debt levels and reduce capital efficiency?

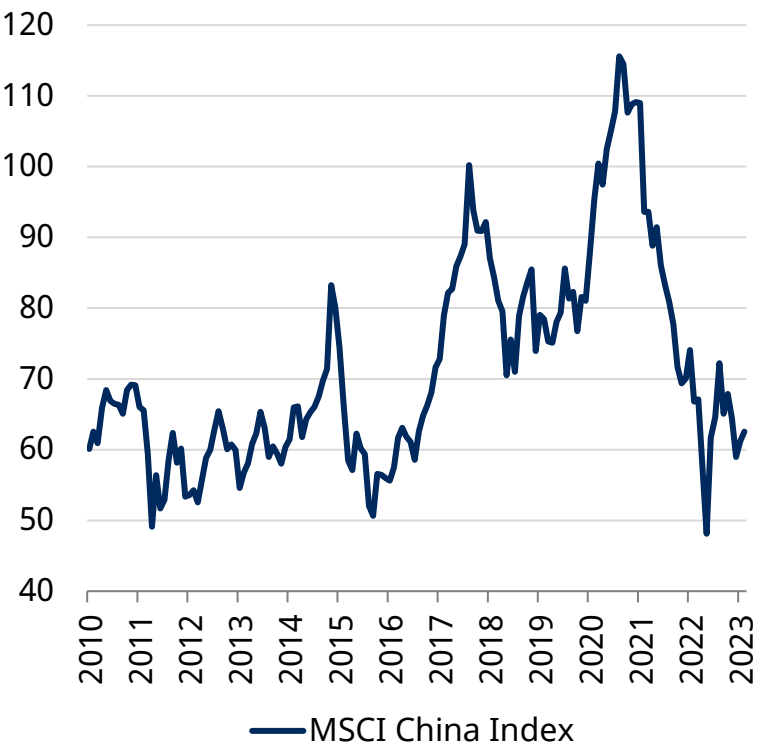
GDP and Capital Stock Per Capita¹



China Incremental Capital Output Ratio (ICOR)²



Chinese stockmarkets have struggled despite strong economic growth over last 12 years³



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

Source: ¹DSG Asia, June 2022. ²IMF, Macquarie, April 2022. ³FactSet, price index in local currency, July 2023.

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Hong Kong likely to benefit from China opening up post Covid

Recovery will support growth

Hong Kong visitor number of arrivals



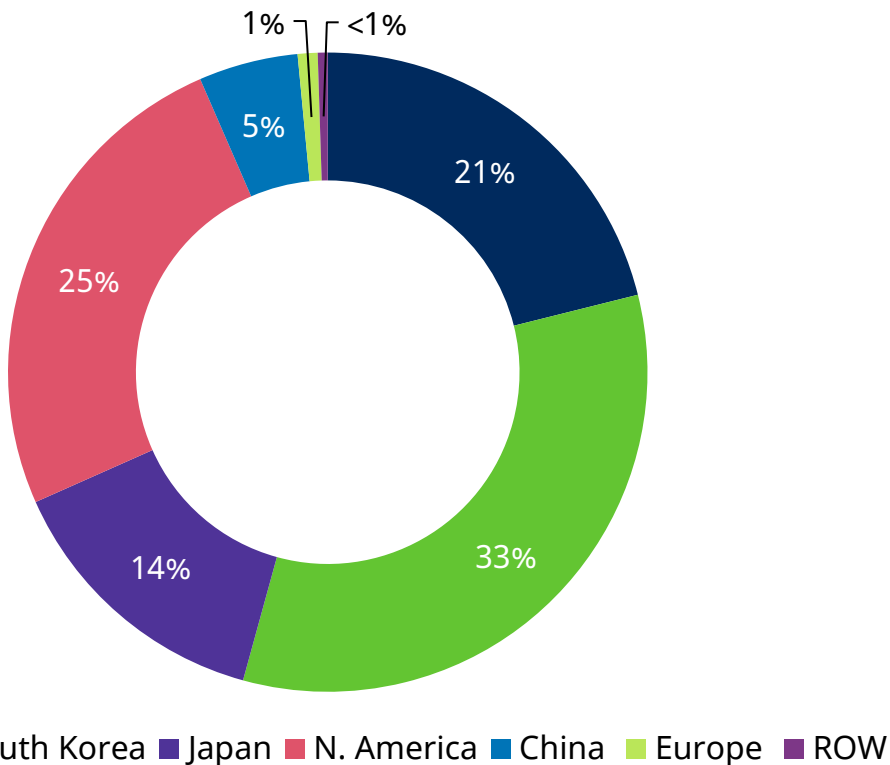
Source: Refinitiv Datastream, updated November 2023.
Any reference to regions/countries/sectors/stocks/securities is for illustrative purposes only and not a recommendation to buy or sell.

Semiconductors still required

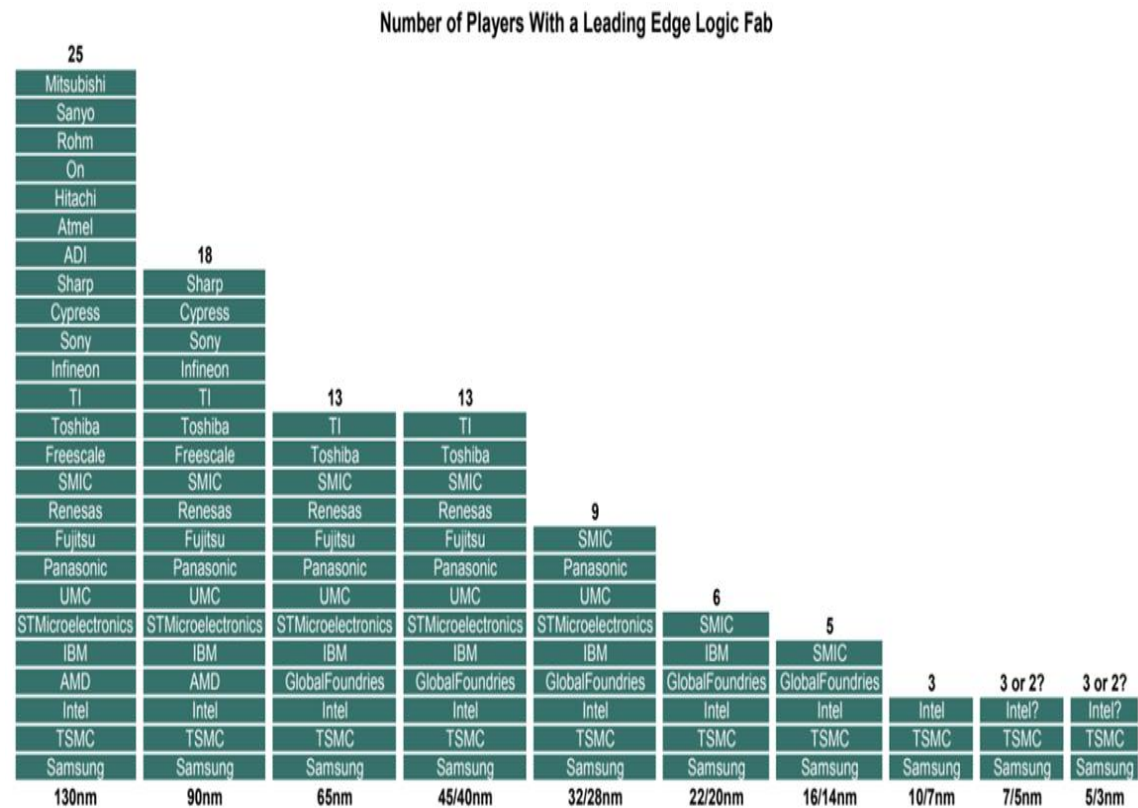
Long term demand trends around digitisation, cloud, AI, 5G to continue



Share of wafer worldwide capacity based on fab headquarters location¹



Asian players world class²

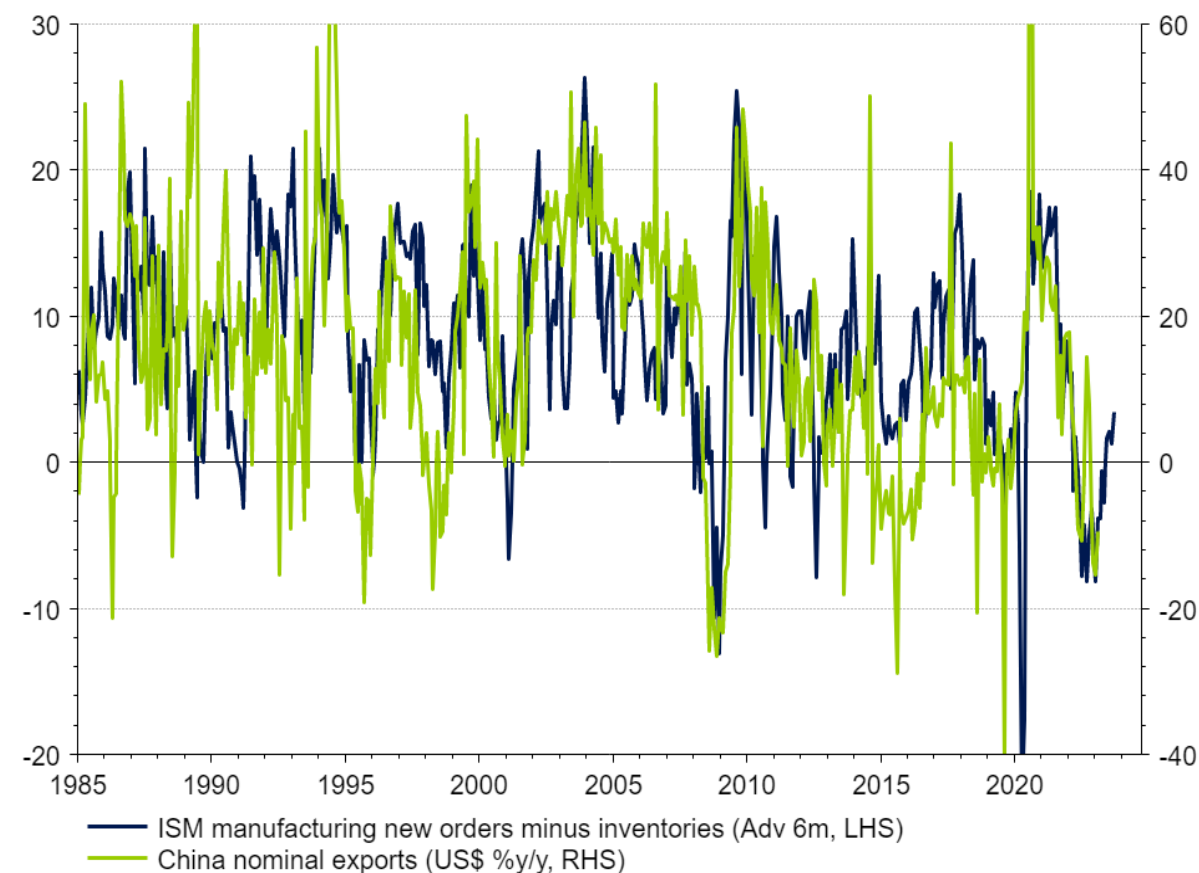
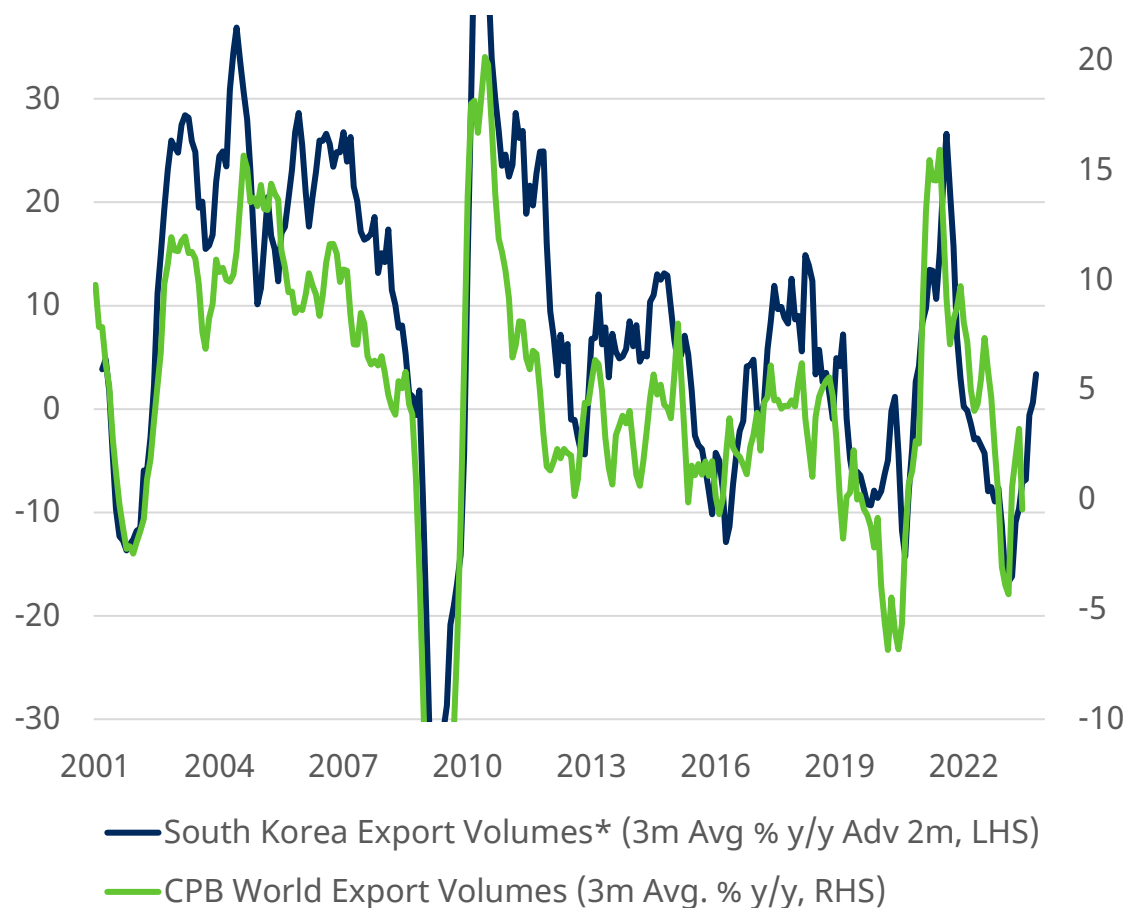


Source: Intel and Bernstein Research

Source: ¹IC Insights, as at 20 January 2021. ²Intel and Bernstein Research. For illustrative purposes and should not be viewed as a recommendation to buy or sell.

Global leads point to better outlook for exports

China's nominal exports could return to y/y growth in early 2024



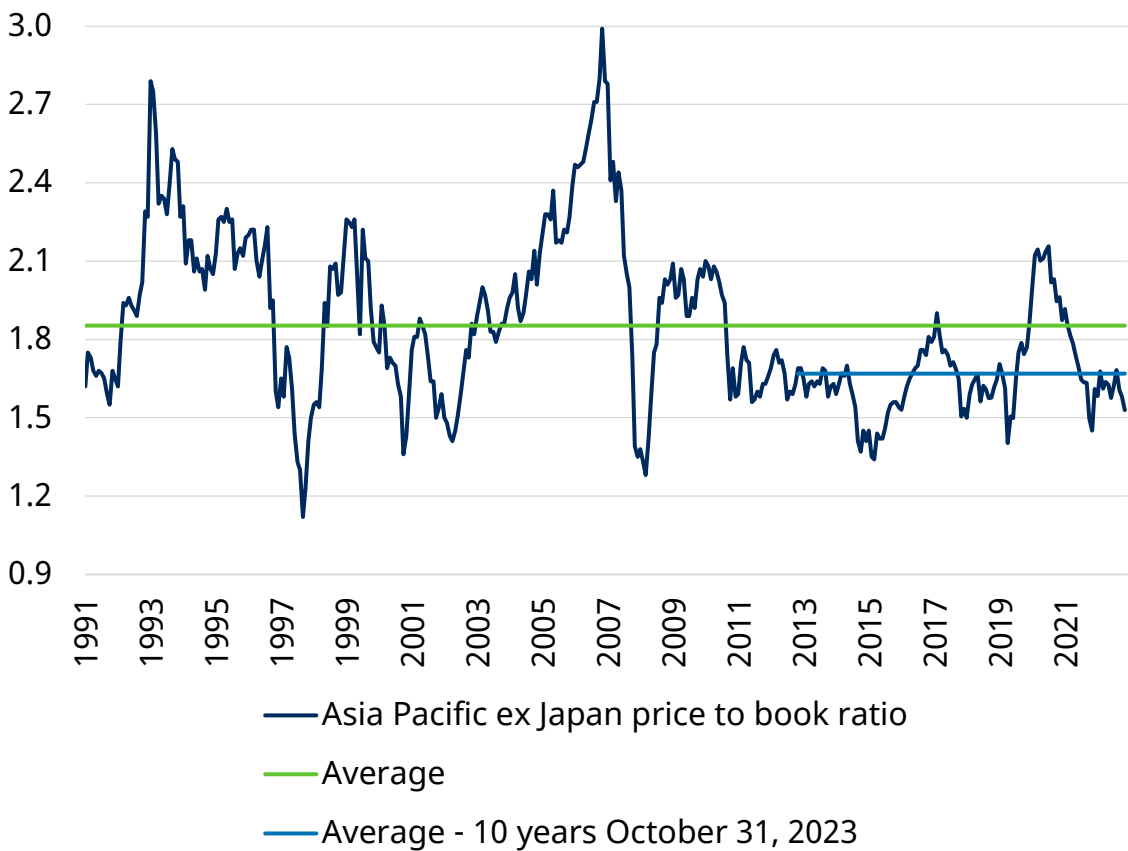
Source: LSEG Datastream, Schroders, INSTITUTE FOR SUPPLY MANAGEMENT (ISM)

Source: Refinitiv, Schroders Economics Group. 6 October 2023. Any reference to regions/countries/sectors/stocks/securities is for illustrative purposes only and not a recommendation to buy or sell.

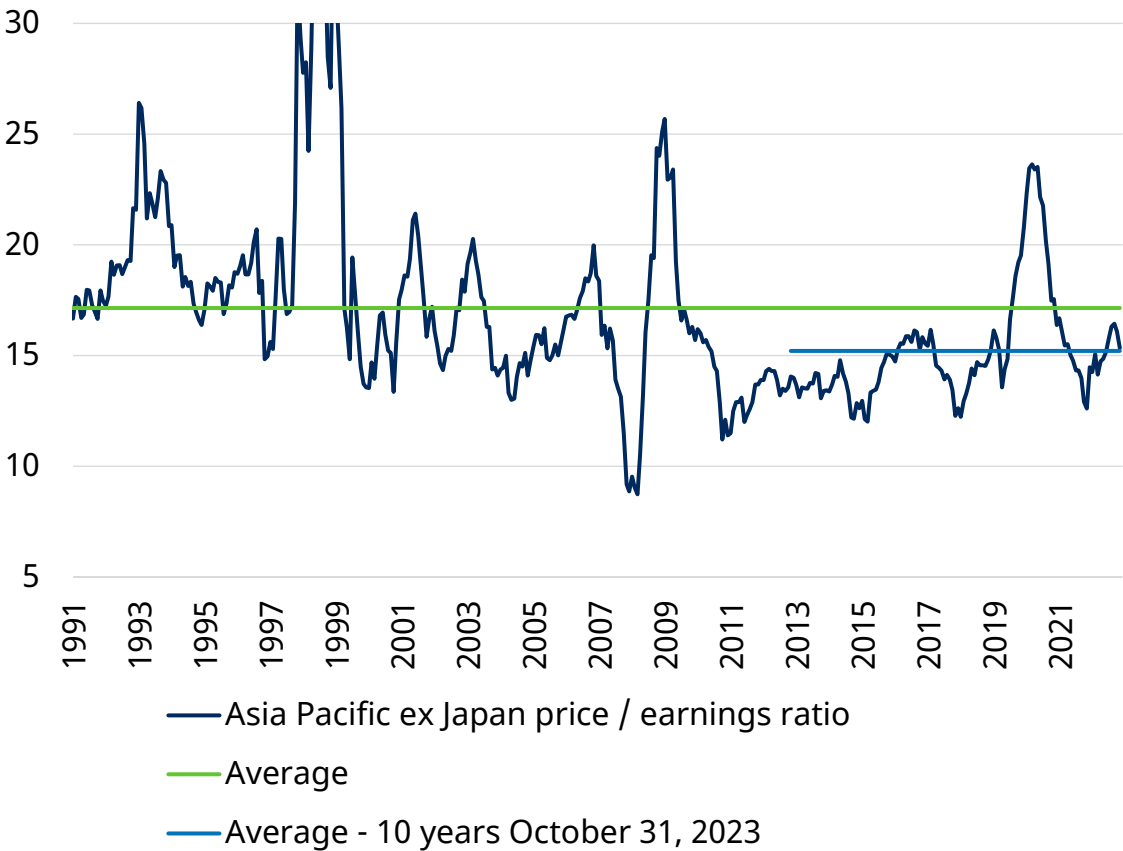
Asian market valuations

Valuations in aggregate off the bottom but still reasonable versus long term averages

Price to book (x)



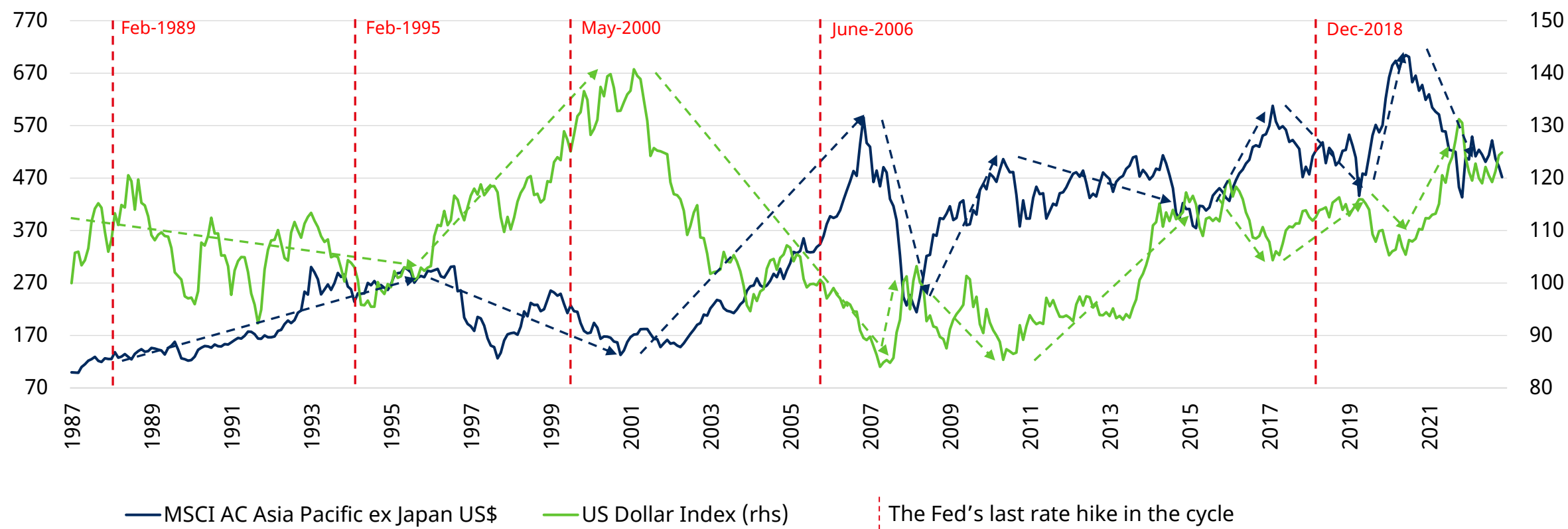
Historic price/earnings (x)



Past Performance is not a guide to future performance and may not be repeated.
Source: Citi Investment Research, MSCI, Refinitiv Datastream as at 31 October 2023. Any reference to regions/countries/sectors/stocks/securities is for illustrative purposes only and not a recommendation to buy or sell.

Peaking US rates and a softer US dollar historically supportive for Asian markets

Softer dollar and US rates peaking should be supportive



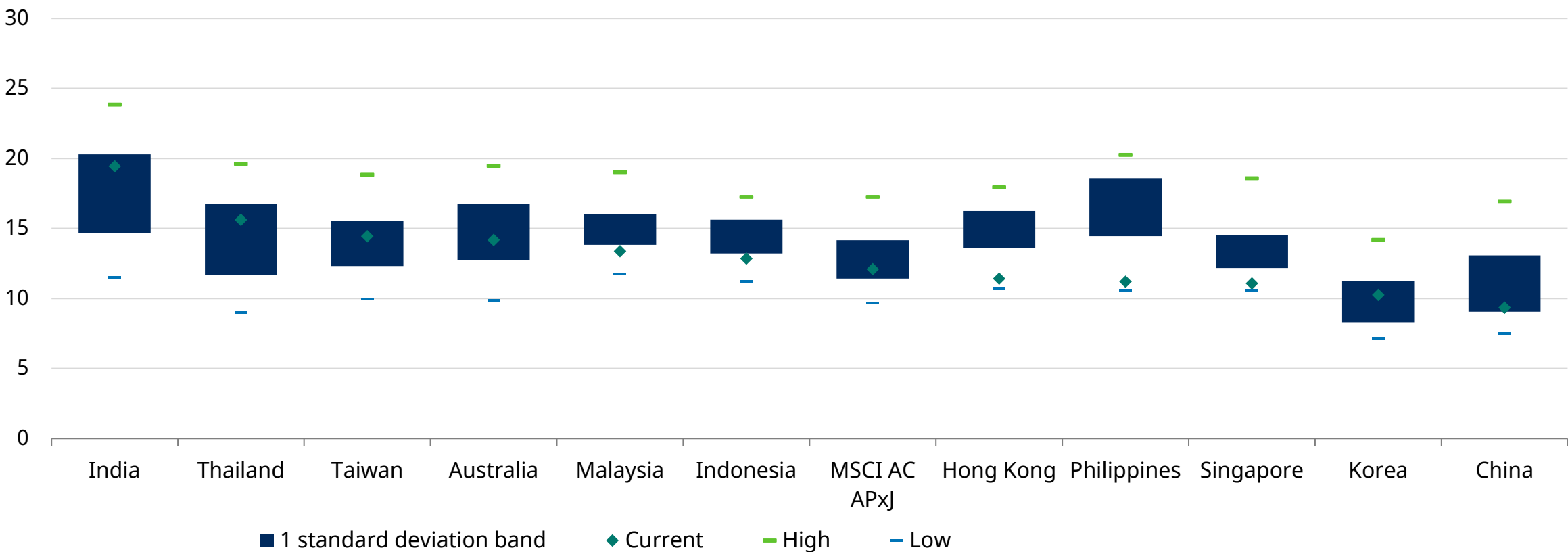
Past Performance is not a guide to future performance and may not be repeated.

Source: Refinitiv Eikon Datastream, as at 31 October 2023, in US\$. Any reference to regions/countries/sectors/stocks/securities is for illustrative purposes only and not a recommendation to buy or sell.

Valuation picture mixed across countries

However, less extreme than towards the end of last year

Price earnings ratio (P/E) Next 12 Months of MSCI AC Asia Pacific ex Japan markets since 2010



Past Performance is not a guide to future performance and may not be repeated.
Source: Factset, MSCI, October 31, 2023. Notes: PE data based on forecast data. Any reference to regions/countries/sectors/stocks/securities is for illustrative purposes only and not a recommendation to buy or sell. Forecast risk warning: please refer to the important information slide at the end of this presentation.

Schroders



Schroder AsiaPacific Fund plc

Schroder AsiaPacific Fund plc

NAV performance

Benchmark: MSCI AC Asia ex Japan Index¹ (net dividends reinvested)

Current value: £822,074,892

Inception date: 20 November 1995

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. The return may increase or decrease as a result of currency fluctuations.

Returns to 31 October 2023 (£)

	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Schroder AsiaPacific Fund plc ²	-7.7%	6.7%	-1.4%	5.7%	8.2%
MSCI AC Asia ex Japan (NDR)	-7.2%	7.7%	-3.4%	3.2%	5.7%
Relative performance	-0.5%	-1.0%	2.0%	2.5%	2.5%

Source: Morningstar, Schroders. Please see Morningstar disclaimer at the end of the presentation. ¹Prior to 31 March 2011 Benchmark was MSCI AC Far East ex Japan. ²Cum-income fair NAV Total Return (since inception Total Return NAV), net income reinvested, net of ongoing charges and portfolio costs, GBP. **Benchmark:** The Fund aims to achieve growth in excess of the MSCI All Countries Asia excluding Japan Index NR in sterling terms (Reference Benchmark Index) over the longer term. The investment manager invests on a discretionary basis and there are no restrictions on the extent to which the fund's portfolio and performance may deviate from the benchmark. The investment manager will invest in companies or sectors not included in the benchmark in order to take advantage of specific investment opportunities.

Schroder AsiaPacific Fund plc

NAV Performance

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Calendar year returns (£)

	Oct 13 – Oct 14	Oct 14 – Oct 15	Oct 15 – Oct 16	Oct 16 – Oct 17	Oct 17 – Oct 18	Oct 18 – Oct 19	Oct 19 – Oct 20	Oct 20 – Oct 21	Oct 21 – Oct 22	Oct 22 – Oct 23
Schroder AsiaPacific Fund plc²	9.5%	-0.9%	39.8%	25.7%	-12.7%	13.4%	21.6%	12.8%	-20.5%	6.7%
MSCI AC Asia ex Japan¹	6.2%	-3.9%	34.8%	19.9%	-10.2%	11.8%	15.9%	6.4%	-21.4%	7.7%
Relative performance	3.3%	3.0%	5.0%	5.8%	-2.5%	1.6%	5.7%	6.4%	0.9%	-1.0%

Source: Morningstar, Schroders. ¹Prior to 31 January 2011 Benchmark was MSCI AC Far East ex Japan. ²Cum-income fair NAV Total Return (since inception Total Return NAV), net income reinvested, net of ongoing charges and portfolio costs, GBP. **Benchmark:** The Fund aims to achieve growth in excess of the MSCI All Countries Asia excluding Japan Index NR in sterling terms (Reference Benchmark Index) over the longer term. The investment manager invests on a discretionary basis and there are no restrictions on the extent to which the fund's portfolio and performance may deviate from the benchmark. The investment manager will invest in companies or sectors not included in the benchmark in order to take advantage of specific investment opportunities.

Schroder AsiaPacific Fund plc

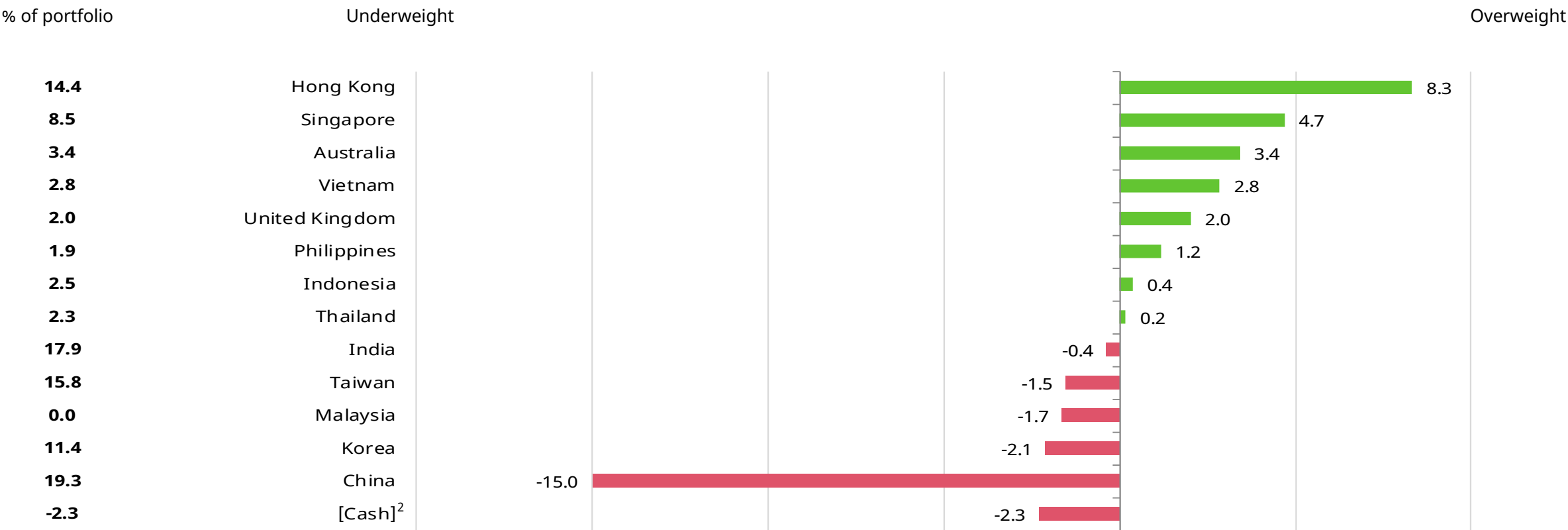
Risk considerations

- Emerging markets risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk.
- Currency risk: The company can be exposed to different currencies. Changes in foreign exchange rates could create losses.
- Concentration risk: The company may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the company, both up or down, which may adversely impact the performance of the company.
- Gearing risk: The company may borrow money to make further investments, this is known as gearing. Gearing will increase returns if the value of the investments purchased increase by more than the cost of borrowing, or reduce returns if they fail to do so. In falling markets, the whole of the value in that investment could be lost, which would result in losses to the fund.
- Counterparty risk: Investments such as warrants, participation certificates, guaranteed bonds, etc. will expose the company to the risk of the issuer of these instruments defaulting on paying the capital back to the company.

Schroder AsiaPacific Fund plc

Active country¹ positions as at 31 October 2023

Overweight/underweight positions

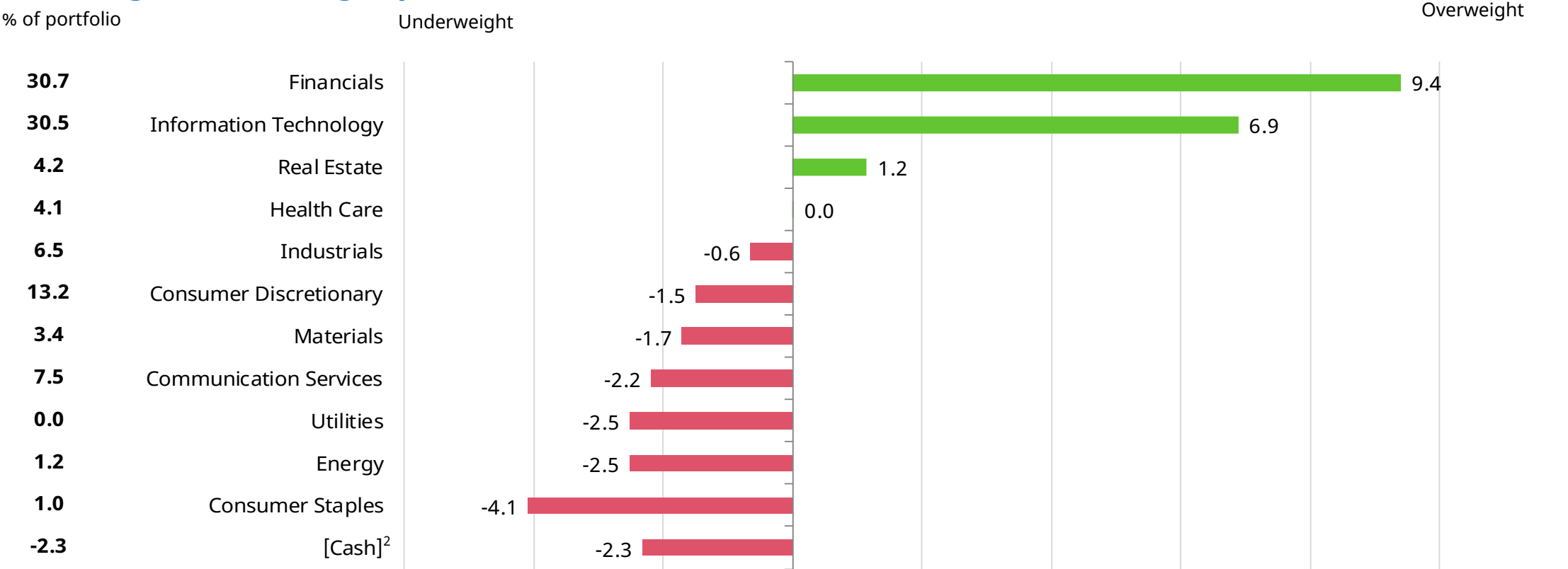


Source: Schroders, Factset, HSBC. ¹Fund position (based on underlying portfolio adjusted for loans outstanding) less benchmark weight (MSCI AC Asia ex Japan Index). ²Net cash less loans outstanding. The accounting data used by FactSet is un-audited, therefore any subsequent cleaning of data will not be reflected in FactSet. The sectors, securities, regions and countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Schroder AsiaPacific Fund plc

Active sector¹ positions as at 31 October 2023

Overweight/underweight positions



Source: Schroders, Factset, HSBC. ¹Fund position (based on underlying portfolio adjusted for loans outstanding) less benchmark weight (MSCI AC Asia ex Japan Index). ²Net cash less loans outstanding. The accounting data used by FactSet is un-audited, therefore any subsequent cleaning of data will not be reflected in FactSet. The sectors, securities, regions and countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Schroder AsiaPacific Fund plc

Investment objective and policy

The Company's principal investment objective is to achieve capital growth through investment primarily in equities of companies located in the continent of Asia (excluding the Middle East and Japan), together with the Far Eastern countries bordering the Pacific Ocean. It aims to achieve growth in excess of the MSCI All Countries Asia excluding Japan Index in sterling terms (Benchmark Index) over the longer term.

The Company principally invests in a diversified portfolio of companies located in the continent of Asia (excluding the Middle East and Japan) (for the purposes of this paragraph the "region"). Such countries include Hong Kong/China, Singapore, Taiwan, Malaysia, South Korea, Thailand, India, The Philippines, Indonesia, Pakistan, Vietnam and Sri Lanka and may include other countries in the region that permit foreign investors to participate in investing in equities, such as in their stock markets or other such investments in the future. 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 portfolio is predominantly invested in equities, but may also be invested in other financial instruments such as put options on indices and equities in the region. The Company does not use derivative contracts for speculative purposes. The Company may invest up to 5% of its assets in securities which are not listed on any stock exchange but would normally not make such an investment except where the Manager expects that the securities will shortly become listed on a stock exchange. In order to maximise potential returns, gearing may be employed by the Company from time to time. Where appropriate the Directors may authorise the hedging of the Company's currency exposure.

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