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Schroder AsiaPacific Fund PLC
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Schroder AsiaPacific (SDP)

29/05/2025

Results analysis from Kepler Trust Intelligence

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 MSCI AC Asia ex Japan Index and a weighted average peer group return of -4.5%.

Despite the near-term challenges, 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 several positives, including stock selection in Singapore-listed banks, which contributed positively to performance.

The other key market was China, which enjoyed some strong periods. 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.

The managers used the volatility to add very selectively to some high-quality Chinese companies, although remain notably underweight, albeit 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.

The board reduced the rate of the first tier of charges in the period.

The discount remained wide throughout the period, averaging 11.9%. The board was active with share buybacks which was NAV accretive.

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. However, this can cause short-term headwinds such as in these results, although performance is only marginally behind the benchmark, which we believe is a reasonable outcome.

The overweight to Hong Kong has helped mitigate this, providing exposure to China with fewer governance concerns. We believe this is a good demonstration of the managers' pragmatism. Furthermore, the managers reduced their China underweight in the period which we believe demonstrates flexibility whilst maintaining quality and valuation discipline. This could support the trust going forward in our view, especially in a potentially volatile period.

This volatility has arguably been a driving factor behind the trust's discount which has remained wide. Asia has been hurt by recent negative sentiment, although we believe this could make for an attractive entry point for long-term investors willing to look through the short-term noise.

The cut in charges has improved the trust's appeal, in our view. SDP was already more competitive than the average of the peer group on fees, but this most recent cut will improve this further.

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