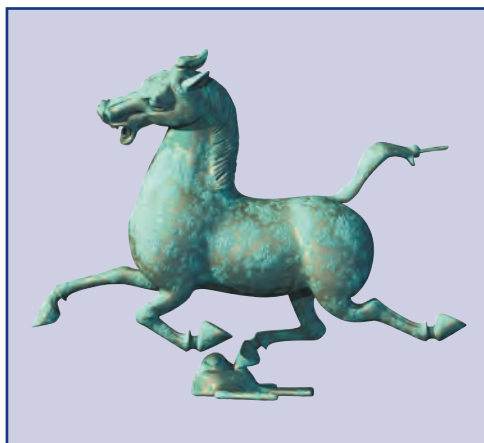


Asian Total Return Investment Company plc

Half-Year Report for the six months ended 30 June 2014



Schroders

Objective

Asian Total Return Investment Company plc seeks to provide a high rate of total return through investment in equities and equity related securities of companies trading in the Asia Pacific region (excluding Japan). The Company seeks to offer a degree of capital preservation through tactical use of derivative instruments.

Investment policy

The Company will invest principally in a diversified portfolio of 40-65 companies operating primarily in Asia, including Australasia but excluding Japan. It is intended that the Company will have a bias to investing in small and mid cap companies.

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 Company will focus on investing in companies with sound balance sheets, professional management and capital allocation policies that are aligned with the interests of minority shareholders.

The use of derivatives to protect the capital value of the portfolio or for efficient portfolio management is fundamental to the strategy of the Company's portfolio managers. Such derivatives may include listed futures, call options, long puts, OTC instruments and instruments to hedge currency exposure. The Board will monitor the effectiveness of the underlying process and the use of derivatives.

In order to obtain further exposure to equity indices or individual stocks, the Company may enter into Contracts for Difference where the underlying investments are not delivered and settlement is made in cash. In extreme circumstances, and subject to Board approval, the majority, or even all, of the Company's assets could be held in cash or near cash instruments, with appropriate diversification of cash held on deposit.

The Company may use gearing to enhance performance but net gearing will not exceed 30% of net asset value.

The Company does not tie its portfolio construction to the constituents of any benchmark; instead, the size of stock positions are set on an absolute basis reflecting where the best potential risk adjusted returns are to be found.

Alternative Investment Fund Managers Directive

Certain pre-sale, regular and periodic disclosures required by the Alternative Investment Fund Managers Directive may be found either in this Report or on the web at www.schroders.co.uk/its.

Directors

David Robins (Chairman)
Hugh Aldous
David Brief

Mike Holt (appointed 1 July 2014)
Christopher Keljik
Alexandra Mackesy

Advisers

Alternative Investment Fund Manager (AIFM)

Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

Company Secretary and Registered Office

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
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8 Canada Square
London E14 5HQ

UK Registrars

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Stockbrokers

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Financial Highlights

	30 June 2014	31 December 2013	% Change
Net asset value ("NAV") per share	189.1p	181.8p	+4.0
Share price	175.25p	176.00p	(0.4)
Discount	7.3%	3.2%	
Gearing/(net cash) ¹	(0.5)%	(1.4)%	

¹Borrowings used for investment purposes less cash, expressed as a percentage of net assets. If the amount so calculated is negative, this is shown as a "net cash" position.

Performance

	6 months	1 year	3 years	5 years	10 years
Total returns to 30 June 2014	%	%	%	%	%
NAV per share ¹	5.8	(2.6)	(6.5)	43.7	164.4
Share price ²	1.5	(7.0)	(5.0)	58.8	183.0
Reference Index ³	3.7	0.8	1.2	60.1	309.3
Peer Group NAV per share ⁴	4.7	3.4	9.2	78.5	241.6

¹Source: Morningstar. For periods of 6 months, 1, 3 and 5 years, the cum income net asset value total return is shown. For the 10 year period, the ex income net asset value total return is shown.

²Source: Morningstar.

³Source: Thomson Financial Datastream. With effect from 15 March 2013, the Reference Index has been the MSCI AC Asia Pacific ex-Japan Index. Prior to that date, it was the MSCI AC Asia ex-Japan Index. The performance numbers shown are a combination of these two indices.

⁴Source: Morningstar. The performance of a group of nine investment trust competitors (arithmetic average).

Interim Management Report

Chairman's Statement

Performance

I am pleased to be able to report a marked improvement in your Company's performance since the end of 2013. In the six months to 30 June 2014, the net asset value total return of your Company increased by 5.8% which compares to a 3.7% rise in the reference index in sterling terms.

Further comment on performance and investment policy can be found in the Portfolio Managers' Review.

Promotion and discount management

The Board continues to believe that successful promotion of the Company is key to discount control. The Company is promoted through a range of activities including marketing to discretionary wealth managers, private investors, financial advisers and institutions; regular contact with current and potential shareholders and maintaining relationships with adviser and execution only platforms; advertising in the trade press and provision of information on the Company's website. This promotion continues to be supported by a discount management policy. In the Annual Report, I reported that the Board had adjusted the discount management policy to target a discount to net asset value per share nearer to 5% in normal market conditions, through use of the Company's share buyback authorities, and this level has continued to be targeted during the period under review.

In the six months to 30 June 2014, the average discount was 6.0% and a total of 450,000 shares were purchased by the Company to be held in Treasury, in support of the discount policy.

Board refreshment

Your Board continues to monitor its composition and balance, in accordance with its long term succession plan. As part of this planned refreshment of the Board, I am pleased to report that Mr Mike Holt was appointed as a non-executive Director of the Company with effect from 1 July 2014, following the retirement of Mr Robertson at the Annual General Meeting in April.

Mr Holt is currently Group Finance Director of Low & Bonar PLC, an international performance materials group. He is also a trustee (and treasurer) of Target Ovarian Cancer. Prior to joining Low & Bonar in 2010, he was Group Finance Director of Vp plc for six years and had previously held a number of senior financial positions with Rolls-Royce group plc in the UK, the USA and Hong Kong. He is a Fellow of The Institute of Chartered Accountants in England & Wales.

The election of Mr Holt as a Director of the Company will be proposed at the next Annual General Meeting.

Alternative Investment Fund Managers (AIFM) Directive

In accordance with the AIFM Directive, the Company has, with effect from 17 July 2014, become an Alternative Investment Fund and has appointed Schroder Unit Trusts Limited ("SUTL"), a wholly owned subsidiary of Schroders plc, as the Alternative Investment Fund Manager (the "Manager") to provide portfolio management, risk management, accounting and company secretarial services to the Company in accordance with an Alternative Investment Fund Managers Agreement. SUTL has delegated investment management to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited, which has sub-delegated investment management to Schroder Investment Management (Singapore) Limited. Fees paid to the Manager remain unchanged to those paid under the previous Investment Management Agreement. In addition, the Company has appointed HSBC Bank plc as its Depositary, also with effect from 17 July 2014. An additional fee of one basis point of net assets will be payable for Depositary Services.

Further details of both the AIFM Agreement and the Depositary Agreement may be found on pages 15 and 16 in the Company Summary section.

Leverage

The Company may use gearing to enhance performance but net gearing will not exceed 30% of net asset value. The Board has agreed a disciplined framework for gearing, based on a number of valuation indicators. Currently the Company does not employ gearing.

Interim Management Report

The AIFM Directive has introduced new requirements to disclose maximum leverage levels. The definition of leverage in this context includes not only gearing as described above but also leverage used in other ways.

Please refer to note 7 on page 13 for further information on leverage.

Outlook

The market's short term challenges, such as the risks when interest rates normalise, are discussed in the Portfolio Managers' Review. We share their optimism that, if there is a market correction, it is likely to provide excellent opportunities for the Company to position itself to benefit from the region's longer term attractions.

David Robins

Chairman

29 August 2014

Interim Management Report

Portfolio Managers' Review

Performance Analysis

Asian markets have performed well in the first half of the year against a backdrop of seemingly mixed news flow. The promise of continued loose monetary policies has seen global equity and bond markets continue their upward climb, with almost all of the de-rating suffered by the more fragile Asian economies during the sell-off that began in mid-May last year being reversed amidst renewed capital inflows into emerging markets.

The reference index — the MSCI AC Asia Pacific ex Japan Index — rose 3.7% in sterling terms over the period, a figure depressed for UK investors by the rise of sterling. Policy reform was a key driver of Asian market outperformance, as the Indian and Indonesian markets rallied on hopes that the election of reform-minded candidates would bring about a political mandate for change and kick-start a revival of growth. In contrast, growing concerns over a credit crisis and property bubble saw continued weak returns in the Chinese market, though there was a slight reversal in June on hopes that the announcement of stimulus measures by the authorities would help spur growth and stabilise the economy.

Against this backdrop, the portfolio delivered an NAV return of +5.8% in the first half. Performance was driven by gains across most markets, in particular the portfolio's holdings in ASEAN which rebounded on receding economic fears and undemanding valuations. Overall stock selection helped the portfolio outperform the reference index despite the hedging adopted.

The Jardine group of companies, which detracted from performance in the second half of last year, were amongst the top gainers as continued steady growth across their businesses and improved sentiment in Indonesia (due to its exposure via Astra International) helped drive a strong recovery in their share prices. Hongkong Land, Jardine's Hong Kong commercial property arm, was another leading contributor as the stock rebounded on easing concerns over rising interest rates. Overall, the holdings in ASEAN and Hong Kong property stocks saw a strong turnaround in performance as investors realised that the negative effects of a tapering in US quantitative easing had been excessively discounted. Again this underpins our belief in adopting a disciplined bottom-up approach with a focus on investing in companies with sound fundamentals as a driver of long term outperformance.

Across other markets, Taiwan technology stocks Taiwan Semicon Manufacturing and Mediatek continued their positive momentum on the back of improving global demand. Indian stocks were also up across the board, led by Phoenix Mills, India's largest retail mall operator, which rallied on expectations of a revival in consumption growth.

Amongst stocks that detracted, Chinese healthcare names Wuxi Pharmatech and Mindray Medical retreated on concerns over decelerating revenue growth due to China's anti-corruption campaign and regulatory uncertainty. Hotel chain operator China Lodging Group also declined as concerns over high valuations and an economic slowdown prompted investors to take profit.

Six month performance attribution (31 December 2013 – 30 June 2014)

	Contribution to returns (Sterling %)	Comments
Australia	0.3	Brambles, Recall Australia
China	-1.0	Wuxi Pharmatech, China Lodging Group, Minth Group
Hong Kong	1.6	Jardine Strategic/Jardine Matheson, Swire Properties
India	1.0	Phoenix Mills, HDFC Bank
Indonesia	0.9	Bank Mandiri, Semen Indonesia Persero
Korea	0.1	Halla Visteon Climate Control
Malaysia	0.4	Silverlake Axis
Philippines	0.9	Ayala Land, GT Capital Holdings
Singapore	0.3	Great Eastern Holdings
Taiwan	1.1	Taiwan Semicon Manufacturing, Delta
Thailand	2.0	Elt Industrial, Giant Manufacturing
Others	-0.1	Kasikornbank, Hemaraj Land & Development, Land & Houses
Derivatives	-0.8	Cognizant Technology Solutions, LVMH
Currency forwards	-0.5	Puts on regional market indices
Cash	0.0	Hedging the Australian dollar exposure
Fees/costs	-0.5	
Residual	0.1	
Total return	5.8	

Source: Schroders

Interim Management Report

Principal contributors	£ Return (%)	Contribution to return (%)
Kasikornbank	28.9	0.7
Bank Mandiri	26.3	0.6
Taiwan Semiconductor Manufacturing	15.9	0.5
Hemaraj Land & Development	30.6	0.5
Ayala Land	22.2	0.4
Silverlake Axis	35.0	0.4
Jardine Matheson	11.7	0.4
Phoenix Mills	40.9	0.4
AAC Technologies	32.4	0.4
Jardine Strategic	8.7	0.4

Source: Schroders

Principal detractors	£ Return (%)	Contribution to return (%)
Wuxi Pharmatech	-17.1	-0.5
China Lodging Group	-20.2	-0.5
Minth Group	-22.1	-0.3
Johnson Electric Holdings	-10.5	-0.2
Chow Sang Sang Holdings	-12.5	-0.2
Mindray Medical	-14.9	-0.2
Cognizant Technology Solutions	-6.1	-0.2
Shenzhen International Group	-8.2	-0.2
Rio Tinto	-9.5	-0.1
Samsung Electronics	-6.9	-0.1

Source: Schroders

At the end of June, the derivatives gave the portfolio approximately 22% notional protection (10% Delta adjusted).

Portfolio Positioning

The portfolio is invested in Asian companies where long term domestic consumption growth remains a structural theme. We continue to find attractive stock opportunities in businesses that are benefiting from the ongoing secular change in Asia, primarily in healthcare, selected technology names with genuine intellectual property, branded manufacturers and quality financial companies. We also continue to see good value in many of the more traditional Hong Kong blue chip property and conglomerate stocks, where valuations have been depressed by worries over the impending pick-up in US interest rates. Elsewhere the portfolio remains focused on the stronger, globally competitive industrial companies, as well as local businesses in South East Asia that are well placed to benefit from rising domestic spending and a pick-up in infrastructure investment.

While Asian markets are now trading at fair value, qualitatively we see substantial risks in China as a result of the credit and property bubble. We believe risks of volatility and sell-downs are high, with a material segment of the market susceptible to substantial capital erosion should specific high-risk events materialise. With volatility at 25-year lows, capital protection is cheap, so we continue to buy a moderate level of protection (c. 20-25% notional cover in the portfolio) via put options.

10 largest stock positions as at 30 June 2014

Holding	Business	% of Total
Jardine Strategic	Regional Conglomerate	3.9
Taiwan Semicon Manufacturing	Semiconductors	3.6
Jardine Matheson	Regional Conglomerate	3.1
Techtronic Industries	Manufacturer of home improvement products	3.0
Kasikornbank	Thai Bank	2.7
AIA Group	Regional Insurance	2.7
Wuxi Pharmatech	China Pharmaceutical	2.6
Brambles	Australian-based pallets and logistics	2.6
Swire Properties	Hong Kong commercial property	2.6
Keppel	Singapore Conglomerate	2.2

Investment Trends and Outlook

We have made few changes to the portfolio strategy over the period. Our caution increases as valuations rise, and we believe that with rising valuations Asian stock markets, like those in the West, are vulnerable to any moves to start to normalise monetary policy. We continue to aim to provide some capital protection to a potential market correction via the puts, and further rises in Asian stock markets are likely to see the portfolio move to a more defensive stance either through the sale of index futures or by raising cash levels.

Robin Parbrook and King Fuei Lee

Portfolio Managers

29 August 2014

Interim Management Report

Principal Risks and Uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: portfolio and market risk; investment activity and performance; tax and regulatory risks and financial risk. A detailed explanation of the principal risks and uncertainties in each of these categories can be found on pages 16 and 17 of the Company's published Annual Report and Accounts for the year ended 31 December 2013. These risks and uncertainties have not materially changed during the six months ended 30 June 2014.

Going Concern

The Directors believe that, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, expenditure projections and the fact that the Company's assets comprise readily realisable securities which can be sold to meet funding requirements if necessary, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Related Party Transactions

Details of transactions with the Manager can be found in note 18 on page 43 of the Company's published Annual Report and Accounts for the year ended 31 December 2013. On 17 July 2014, the Company appointed Schroder Unit Trusts Limited, a wholly owned subsidiary of Schroders plc, to provide portfolio management, risk management, accounting and company secretarial services. If the Company invests in funds managed or advised by the Manager or any of its associated companies, those funds are excluded from the assets used for the purposes of the management fee calculation and therefore attract no fee.

No Director of the Company served as a director of Schroder Unit Trusts Limited, or any member of the Schroders plc group, at any time during the six months ended 30 June 2014.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in January 2009 and the Interim Management Report as set out above includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure and Transparency Rules.

Income Statement

	(Unaudited) For the six months ended 30 June 2014			(Unaudited) For the six months ended 30 June 2013			(Audited) For the year ended 31 December 2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	8,664	8,664	–	4,482	4,482	–	(5,141)	(5,141)
Net (losses)/gains on derivative contracts	–	(2,001)	(2,001)	–	631	631	–	(2,755)	(2,755)
Net foreign currency losses	–	(116)	(116)	–	(77)	(77)	–	(71)	(71)
Income from investments	1,569	248	1,817	1,481	–	1,481	2,741	–	2,741
Other interest receivable and similar income	115	–	115	31	–	31	33	–	33
Gross return/(loss)	1,684	6,795	8,479	1,512	5,036	6,548	2,774	(7,967)	(5,193)
Investment management fee	(109)	(327)	(436)	(202)	(378)	(580)	(266)	(569)	(835)
Administrative expenses	(214)	–	(214)	(332)	–	(332)	(581)	–	(581)
Net return/(loss) before finance costs and taxation	1,361	6,468	7,829	978	4,658	5,636	1,927	(8,536)	(6,609)
Finance costs	–	–	–	(1)	(2)	(3)	(1)	(2)	(3)
Net return/(loss) on ordinary activities before taxation	1,361	6,468	7,829	977	4,656	5,633	1,926	(8,538)	(6,612)
Taxation on ordinary activities (note 3)	(71)	–	(71)	(16)	(103)	(119)	(133)	(103)	(236)
Net return/(loss) on ordinary activities after taxation	1,290	6,468	7,758	961	4,553	5,514	1,793	(8,641)	(6,848)
Return/(loss) per share (note 4)	1.74p	8.73p	10.47p	0.90p	4.26p	5.16p	1.98p	(9.55)p	(7.57)p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

Reconciliation of Movements in Shareholders' Funds

	For the six months ended 30 June 2014 (Unaudited)						Total £'000
	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	
At 31 December 2013	4,260	5	11,646	29,182	79,894	10,253	135,240
Repurchase of shares into Treasury	–	–	–	–	(785)	–	(785)
Net return on ordinary activities	–	–	–	–	6,468	1,290	7,758
Ordinary dividend paid in the period	–	–	–	–	–	(2,409)	(2,409)
At 30 June 2014	4,260	5	11,646	29,182	85,577	9,134	139,804

	For the six months ended 30 June 2013 (Unaudited)						Total £'000
	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	
At 31 December 2012	7,409	–	8,497	29,182	239,712	13,276	298,076
Repurchase of the Company's own shares following a Tender Offer	(3,149)	–	3,149	–	(151,812)	–	(151,812)
Reissue of shares from Treasury	–	5	–	–	487	–	492
Net return on ordinary activities	–	–	–	–	4,553	961	5,514
Ordinary dividend paid in the period	–	–	–	–	–	(4,816)	(4,816)
At 30 June 2013	4,260	5	11,646	29,182	92,940	9,421	147,454

	For the year ended 31 December 2013 (Audited)						Total £'000
	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	
At 31 December 2012	7,409	–	8,497	29,182	239,712	13,276	298,076
Repurchase of the Company's own shares following a Tender Offer	(3,149)	–	3,149	–	(151,758)	–	(151,758)
Reissue of shares from Treasury	–	5	–	–	581	–	586
Net (loss)/return on ordinary activities	–	–	–	–	(8,641)	1,793	(6,848)
Ordinary dividend paid in the year	–	–	–	–	–	(4,816)	(4,816)
At 31 December 2013	4,260	5	11,646	29,182	79,894	10,253	135,240

Balance Sheet

	(Unaudited) 30 June 2014 £'000	(Unaudited) 30 June 2013 £'000	(Audited) 31 December 2013 £'000
Fixed assets			
Investments held at fair value through profit or loss	139,012	142,646	132,609
Current assets			
Debtors	145	95	922
Cash at bank and in hand	644	3,929	1,824
Derivative financial instruments held at fair value through profit or loss	401	2,105	310
	1,190	6,129	3,056
Current liabilities			
Creditors: amounts falling due within one year	(395)	(1,321)	(394)
Derivative financial instruments held at fair value through profit or loss	(3)	–	(31)
	(398)	(1,321)	(425)
Net current assets	792	4,808	2,631
Net assets	139,804	147,454	135,240
Capital and reserves			
Called-up share capital	4,260	4,260	4,260
Share premium	5	5	5
Capital redemption reserve	11,646	11,646	11,646
Special reserve	29,182	29,182	29,182
Capital reserves	85,577	92,940	79,894
Revenue reserve	9,134	9,421	10,253
Total equity shareholders' funds	139,804	147,454	135,240
Net asset value per share (note 5)	189.10p	198.37p	181.82p

Cash Flow Statement

	(Unaudited) For the six months ended 30 June 2014 £'000	(Unaudited) For the six months ended 30 June 2013 £'000	(Audited) For the year ended 31 December 2013 £'000
Net cash inflow from operating activities (note 6)	1,198	294	1,111
Net cash outflow from servicing of finance	–	(20)	(20)
Taxation paid	–	(103)	(103)
Net cash inflow from investment activities	936	158,723	156,444
Dividends paid	(2,409)	(4,816)	(4,816)
Net cash outflow from financing	(789)	(150,523)	(151,172)
Net cash (outflow)/inflow in the period	(1,064)	3,555	1,444
Reconciliation of net cash flow to movement in net funds			
Net cash (outflow)/inflow in the period	(1,064)	3,555	1,444
Exchange movements	(116)	(77)	(71)
Changes in net funds arising from cash flows	(1,180)	3,478	1,373
Net funds at the beginning of the period	1,824	451	451
Net funds at the end of the period	644	3,929	1,824
Represented by:			
Cash at bank and in hand	644	3,929	1,824

Notes to the Accounts

1. Financial Statements

The information contained within the accounts in this half-year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31 December 2013 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommend Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in January 2009.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these half-year accounts are consistent with those applied in the accounts for the year ended 31 December 2013.

3. Taxation on ordinary activities

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. The taxation charge comprises irrecoverable overseas withholding tax on dividends receivable and overseas capital gains tax.

4. Return/(loss) per share

	(Unaudited) For the six months ended 30 June 2014 £'000	(Unaudited) For the six months ended 30 June 2013 £'000	(Audited) For the year ended 31 December 2013 £'000
Revenue return	1,290	961	1,793
Capital return/(loss)	6,468	4,553	(8,641)
Total return/(loss)	7,758	5,514	(6,848)
Weighted average number of shares in issue during the period	74,129,484	106,921,728	90,510,583
Revenue return per share	1.74p	0.90p	1.98p
Capital return/(loss) per share	8.73p	4.26p	(9.55)p
Total return/(loss) per share	10.47p	5.16p	(7.57)p

5. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 30 June 2014 of 73,931,141 (30 June 2013: 74,331,141 and 31 December 2013: 74,381,141).

Notes to the Accounts

6. Reconciliation of total return/(loss) on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	(Unaudited) For the six months ended 30 June 2014 £'000	(Unaudited) For the six months ended 30 June 2013 £'000	(Audited) For the year ended 31 December 2013 £'000
Total return/(loss) on ordinary activities before finance costs and taxation	7,829	5,636	(6,609)
Less capital (return)/loss on ordinary activities before finance costs and taxation	(6,468)	(4,658)	8,536
Stock dividends received as income	–	–	(4)
Decrease in prepayments and accrued income	26	371	351
Decrease/(increase) in other debtors	3	24	(17)
Decrease in creditors	(27)	(685)	(366)
Special dividend allocated to capital	248	–	–
Management fee allocated to capital	(327)	(378)	(569)
Overseas withholding tax deducted at source	(86)	(16)	(211)
Net cash inflow from operating activities	1,198	294	1,111

7. Leverage

The Company currently is not geared in the traditional sense in that its bank overdraft facility is not being utilised, it has no outstanding bonds and is not using Contracts for Difference. However it may employ leverage by other means. Leverage is any method by which the Company increases its exposure to market movements not only by utilising the instruments listed above but also by using derivative positions or forward currency contracts. Leverage is then expressed as the ratio of the total exposure to net asset value.

The AIFM Directive requires that this ratio is calculated in accordance with two methodologies, the “Gross Method” and the “Commitment Method”. The essential difference between the two is that the Commitment Method allows netting off for the effect of hedges under certain strict conditions. The Company’s current leverage emanates from two sources: index put options and a forward currency contract. The index put options are held as a limited hedge of the portfolio for the purpose of capital protection. However, this is not reflected in the leverage ratios because no netting off is allowed under the Gross Method and only limited netting off is allowed under the Commitment Method. Forward currency contracts can also greatly inflate the Gross ratio and to a lesser extent the Commitment ratio due to the strict conditions needed to net off for the effect of this type of hedge product.

In accordance with the requirements of the AIFM Directive, the Manager has set the following leverage limits:

Leverage ratio	Maximum
Gross method	2.5
Commitment method	2.0

The Manager expects that, under normal market conditions, the typical level of leverage will be substantially lower than the above maximum limits and, as at 30 June 2014, the Company’s Gross leverage ratio stood at 1.18 and its Commitment leverage ratio stood at 1.10.

List and Valuation of Investments at 30 June 2014

Investments are classified by the investment manager in the country of their main business operations.

	£'000	%		£'000	%
AUSTRALIA			PHILIPPINES		
Amcor	1,586	1.1	Alliance Global	1,851	1.3
BHP Billiton	1,257	0.9	Ayala Land	3,075	2.2
Brambles	3,581	2.6	Emperador	1,559	1.1
Recall Australia	913	0.7	GMA Network	1,401	1.0
Resmed	2,383	1.7	GT Capital Holdings	2,809	2.0
Rio Tinto	1,563	1.1	RFM Corporation	1,255	0.9
Woodside Petroleum	1,390	1.0	TOTAL PHILIPPINES	11,950	8.5
TOTAL AUSTRALIA	12,673	9.1	SINGAPORE		
CHINA			Great Eastern Holdings	1,978	1.4
China Lodging Group¹	2,595	1.9	Keppel Corporation	3,118	2.2
Mindray Medical ¹	1,402	1.0	UOL	1,491	1.1
Wuxi Pharmatech¹	3,629	2.6	TOTAL SINGAPORE	6,587	4.7
TOTAL CHINA	7,626	5.5	TAIWAN		
HONG KONG			Delta Eit Industrial	1,824	1.3
AAC Technologies	2,082	1.5	Giant Manufacturing	2,834	2.0
AIA Group	3,779	2.7	Mediatek	1,767	1.3
Café De Coral	1,938	1.4	Merida Industry	1,899	1.4
Cheung Kong	1,546	1.1	Taiwan Semicon Manufacturing	4,946	3.6
Chow Sang Sang Holdings	2,010	1.4	TOTAL TAIWAN	13,270	9.6
Haitian International Holdings	1,457	1.1	THAILAND		
Hongkong Land²	2,848	2.0	Aeon Thana Sinsap	1,894	1.4
Hutchison Whampoa	2,501	1.8	Bumrungrad Hospital	1,168	0.8
Hysan Development	2,398	1.7	Delta Electronics	1,683	1.2
International Housewares Retail	1,542	1.1	Hemaraj Land & Development	1,813	1.3
Jardine Matheson²	4,287	3.1	Hemaraj Land & Development NVDR	790	0.6
Jardine Strategic²	5,432	3.9	Kasikornbank	3,780	2.7
Johnson Electric Holding	2,734	2.0	Land & Houses	1,588	1.1
Mandarin Oriental International ²	717	0.5	Land and Houses 05/05/17 ³	194	0.1
Pacific Textiles	1,504	1.1	Thai Stanley Electric	868	0.6
Swire Properties	3,561	2.6	TOTAL THAILAND	13,778	9.8
Technic Industries	4,230	3.0	OTHER		
Tencent Holdings	754	0.5	Cognizant Technology Solutions¹	2,446	1.8
Tianhe Chemicals	1,073	0.8	LVMH ⁴	2,260	1.6
Wing Hang Bank	1,587	1.1	TOTAL OTHER	4,706	3.4
TOTAL HONG KONG	47,980	34.4	TOTAL INVESTMENTS		
INDIA				139,012	99.8
Apollo Hospital Enterprise (JPM) 07/11/17⁵	2,730	2.0	OPTIONS		
HDFC Bank	912	0.7	KOSPI 200 Put Option 255 July 2014	15	–
HDFC (JPM) 07/07/14 ³	281	0.2	KOSPI 200 Put Option 262.5 August 2014	168	0.1
HDFC (JPM) 06/02/17 ³	793	0.6	KOSPI 200 Put Option 262.5 September 2014	43	–
Phoenix Mills (Merrill Lynch) 18/05/18 ³	746	0.5	S&P/ASX 200 Put Option 5475 July 2014	44	–
Phoenix Mills (Merrill Lynch) 18/06/18 ³	1,977	1.4	S&P/ASX 200 Put Option 5400 August 2014	131	0.1
Zee Entertainment Enterprises (JPM) 18/09/14 ³	205	0.1	TWSE Put Option 8900 July 2014	–	–
Zee Entertainment Enterprises (JPM) 20/03/17 ³	2,380	1.7	TOTAL OPTIONS ⁵	401	0.2
TOTAL INDIA	10,024	7.2	TOTAL INVESTMENTS AND OPTIONS		
INDONESIA				139,413	100.0
Bank Mandiri	1,257	0.9	¹ Listed in the USA.		
Bank Permata	446	0.3	² Listed in Singapore.		
Semen Indonesia Persero	812	0.6	³ Participatory notes.		
Sumber Alfaria Trijaya	1,346	1.0	⁴ Listed in France.		
TOTAL INDONESIA	3,861	2.8	⁵ The combined effect of the options gives downside protection to 10% of total investments.		
KOREA			With the exception of the options and participatory notes shown above, all other investments are in equities.		
Halla Visteon Climate Control	2,450	1.8	Stocks in bold are the 20 largest investments, which by value account for 48.5% of the total portfolio.		
Hyundai Motor	2,037	1.5			
TOTAL KOREA	4,487	3.3			
MALAYSIA					
Silverlake Axis ²	2,070	1.5			
TOTAL MALAYSIA	2,070	1.5			

Company Summary

The Company

It is not intended that the Company should have a limited life, but the Directors consider it desirable that shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting of the Company in 2016 and thereafter at three yearly intervals.

Website and Price Information

The Company has a dedicated website, which may be found at www.asiantotalreturninvestmentcompany.com. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price (subject to a delay of 15 minutes) and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest" which provides details of the Schroder ISA.

The Company releases its net asset value on both a cum income and ex income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and more general information on the Company on Schroders' website at www.schroders.co.uk/its.

Manager

Schroder Unit Trusts Limited was appointed on 17 July 2014 as the Company's Alternative Investment Fund Manager ("Manager") under the AIFM Directive. The annual management fee is 0.65% p.a. A performance fee is payable amounting to 10% of any outperformance of the NAV over an annual hurdle of 7%, provided that the closing NAV per share exceeds the "high water mark" NAV at the date of the change of Manager or the date when any performance fee was last paid. The sum of the base fee and any performance fee payable will be capped at 2% of the closing net assets.

The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on six months' notice or on immediate notice in the event of certain breaches or the insolvency of either party.

Depository

HSBC Bank plc, a public limited company incorporated in England and Wales, company registration number 00014259, registered office at 8 Canada Square, London, E14 5HQ, has been appointed with effect from 17 July 2014 to carry out certain duties of a Depository specified in the AIFM Directive including, in relation to the Company as follows:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows;
- oversight of the Company and the Manager.

In carrying out such functions the Depository shall act honestly, fairly, professionally, independently and in the interests of the shareholders of the Company.

The Depository is liable to the Company for the loss of any financial instrument held in custody, unless the Depository is permitted to and has discharged such liability under the AIFM Directive and the Depository Agreement. The Manager will inform investors of any changes with respect to the Depository's liability for the loss of any financial instrument held in custody. The Depository is also liable to the Company for all other losses suffered by it as a result of the Depository's fraud,

Company Summary

negligence and/or intentional failure to properly fulfil its duties. Under the Depositary Agreement, the Company has agreed to indemnify the Depositary against certain liabilities for direct losses suffered by the Depositary except in the case of any liability arising from applicable law or from the negligence, fraud or wilful default of the Depositary.

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new Depositary is appointed by the Company.

Registrar Services

The Company has appointed Equiniti Limited to act as Registrar. The services provided in their capacity as Registrar include share register maintenance, including the cancellation and allotment of shares as required; handling Shareholder queries and correspondence; arranging for the payment of dividends, maintenance and reconciliation of associated bank accounts; meeting management for company meetings including registering of proxy votes and Scrutineer services as and when required; and Corporate Action Services.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The helpline telephone number of Equiniti Registrars is 0800 032 0641. Calls to this number are free of charge from UK Landlines. Other telephone providers' costs may vary.

Equiniti maintains a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers.

Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. Visit www.shareview.co.uk for more details.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on this association can be found on its website: www.theaic.co.uk.

Non-Mainstream Pooled Investments (NMPI) Status

The Company currently conducts its affairs so that its shares (with ISIN GB0008710799 and ticker ATR) can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Dealing Codes

The dealing codes for the shares in the Company are as follows:

ISIN: GB0008710799

SEDOL: 0871079

Ticker: ATR

Alternative Investment Fund Managers Directive – Periodic Disclosure

Preferential Treatment of Investors

The Company's investors purchase shares on the open market and therefore the Company is not in a position to influence the treatment of investors. No investor receives preferential treatment.

Liquidity Risk Management

The Company's shares are traded on the London Stock Exchange through market intermediaries. There are no special rights to redemption.

Periodic and Regular Disclosure under the Directive

- (a) none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- (b) there are no new arrangements for managing the liquidity of the Company including, but not limited to, any material changes to the liquidity management systems and procedures employed by the Manager in place. Shareholders will be notified immediately where the issue, cancellation, sale and redemption of shares is suspended, when redemptions are suspended or where other similar special arrangements are activated;
- (c) the current risk profile of the Company and the risk management systems employed by the Manager to manage those risks can be found in the Strategic Report; and
- (d) the maximum level of leverage which may be employed by the Company which may be found on the web at www.schroders.co.uk/its.

Any changes to the following information will be provided through a regulatory news service without undue delay and in accordance with the Directive:

- (a) any changes to the maximum level of leverage which the Manager may employ on behalf of the Company; and
- (b) any changes to the right of re-use of collateral or any changes to any guarantee granted under any leveraging arrangement.

www.asiantotalreturninvestmentcompany.com