

HALF YEAR REPORT

Asian Total Return Investment Company plc (the "Company") hereby submits its Half-Year Report for the period ended 30 June 2014 as required by the UK Listing Authority's Disclosure and Transparency Rule 4.2.

The Half-Year Report is also being published in hard copy format and an electronic copy of that document will shortly be available to download from the Company's website www.asiantotalreturninvestmentcompany.com. Please click on the following link to view the document:

The Company has submitted a pdf of the hard copy format of its Half-Year Report to the National Storage Mechanism and it will shortly be available for inspection at www.morningstar.co.uk/uk/NSM.

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29 August 2014

Half Year Report for the Six Months Ended 31 March 2014

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 of the Half-Year Report.

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.

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 of the Half-Year Report 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 contained in the Half-Year Report. 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

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.

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.

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.

Portfolio Managers

Robin Parbrook and King Fuei Lee

29 August 2014

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)						
	Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'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)						
	Called-up Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'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)						
	Called-up Share capital	Share premium	Capital redemption reserve	Special reserve	Capital reserves	Revenue reserve	Total

At 31 December 2012	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Repurchase of the Company's own shares following a Tender Offer	7,409	–	8,497	29,182	239,712	13,276	298,076
Reissue of shares from Treasury	(3,149)	–	3,149	–	(151,758)	–	(151,758)
Net (loss)/return on ordinary activities	–	5	–	–	581	–	586
Ordinary dividend paid in the year	–	–	–	–	(8,641)	1,793	(6,848)
At 31 December 2013	–	–	–	–	–	(4,816)	(4,816)
	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

Basis of accounting

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

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended 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).

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.