



Results analysis: Schroder Oriental Income

SOI has reinforced its status as an excellent way to access the growing dividend culture in Asia...

Update
14 November 2023

- Schroder Oriental Income (SOI) has released its financial results for the year ending 31/08/2023. Over the year, the trust saw its NAV decrease by 3.5% on a total return basis, which compares to a decrease of 8.1% for the MSCI AC Pacific ex Japan Index, the trust’s formal benchmark, marking another year of outperformance for the manager.
- In absolute terms, performance was materially impacted by currency movements and the strengthening of sterling. A number of companies’ share prices have delivered a positive return in local currency terms, but when the impact of currency translation back to sterling was taken into account, these returns were negative. This also had an impact on the revenue generated by the trust.
- SOI has paid four quarterly dividends totalling 11.80p per share over the course of the year. This marks an increase of c. 3.5% on the previous year and the 17th year of consecutive dividend growth.
- The shares of the trust have remained at a discount throughout the year, ending the period at a discount of 4.5%. This is towards the lower end of the range the shares have traded at over the past five-years.
- The trust’s chairman, Paul Meader, has taken the opportunity “to commend our investment manager for achieving such consistent and considerable outperformance over recent years” and has said of the future, “I look forward with modest optimism... the fundamentals of the region, its companies and their strong dividend growth will once again attract international capital. The company is well placed to benefit from that trend when it arrives.”

Analysts:

Ryan Lightfoot-Aminoff
Ryan@keplerpartners.com



Kepler Partners is not authorised to make recommendations to Retail Clients. This report is based on factual information only.

The material contained on this site is factual and provided for general informational purposes only. It is not an invitation or inducement to buy, sell or subscribe to any product described, nor is it a statement as to the suitability or otherwise of any investments for any person. The material on this site does not constitute a financial promotion within the meaning of the FCA rules or the financial promotions order. Persons wishing to invest in any of the securities discussed in the website should take their own independent advice with regard to the suitability of such investments and the tax consequences of such investment.

These factors have led to fluctuating returns across the region which the managers believe is best demonstrated by the volatile performance of Hong Kong and China. These markets declined as zero-covid policies hampered the economy, and then recovered as these policies were lifted, before waning again as the recovery failed to materialise as expected. The managers have been underweight China which has helped performance. This has been supported by good company selection, investing in those which have enjoyed sustained benefits from the removal of the zero covid policies such as insurance. We believe this is testimony to the stock selection capabilities of the managers which has repeatably driven outperformance of the benchmark. Furthermore, the managers had notable weights in Korea and Taiwan, particularly in the technology sector which have been strong performers over the course of the year. The technology sector has also been through a journey in the year, struggling from slowing demand post-covid and a reduction in inventory, before recovering in certain sectors as

Kepler view

In our opinion, managers Richard Sennitt and Abbas Barkhordar have navigated **Schroder Oriental Income (SOI)** admirably through the challenging 12-month period to August 2023 that this annual report covers. The region has been affected by changes in sentiment as investor attitudes have fluctuated due to a series of troubling factors, ranging from sky-high inflation and poor US-China relations to sharply rising interest rates.



enthusiasm around AI has led to an increase in demand for semi-conductors which the managers have benefitted from. We believe this is another example of the managers' quality approach benefitting the trust across the cycle.

The absolute performance has been affected by a strengthening of sterling. This impact was profound enough to turn benchmark returns from a 1.9% gain in local currency terms to an 8.1% fall when translated into sterling. It led to every country in the region's stock markets delivering negative returns when translated into sterling. However, the relative performance versus the index is impressive in our opinion. Richard and Abbas have outperformed by 4.6% largely as a result of stock selection which we believe is encouraging for the outlook.

The trust has once again managed to grow the dividend, representing the 17th consecutive year of growth. This, in our opinion, shows the strength of the process in identifying firms with sustainable dividends. This has come despite a number of headwinds impacting revenue, including currency translation and difficulties from the resources industry where revenue has been impacted by falling commodity prices, albeit from high levels in the previous year. However, this has been somewhat offset by financials which have benefitted from rising rates, translating into better margins, and allowing for higher dividend pay outs. Regardless, we believe this is supportive of the trust being a very good way of accessing the growing dividend culture in Asia alongside the economic potential in the region.

[Click here to read the FY report on RNS](#)

[Click here to read our latest research on SOI](#)

[Click here to add SOI to your watchlist](#)



Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street, London W1S 2GF with registered number OC334771.

