

Schroder

Medical Discovery Fund

Final Short Report

16 August 2011 to 15 August 2012



Schroders

Schroder Medical Discovery Fund

Review of Investment Activities

From 15 August 2011 to 15 August 2012 the price of A Accumulation units on a selling price to selling price basis rose 22.82%. In comparison, the Morgan Stanley Capital International World Health Care Index and the Morgan Stanley Capital International World Index generated total returns of 25.40%¹ and 14.09%¹ respectively in sterling terms.

1 Source: Thomson Reuters Datastream.

Markets began the period with extreme volatility as the eurozone debt crisis reached a crisis point. For the rest of the period, markets have swung between optimism and disappointment regarding the region and politician's attempts to ease the crisis. However, equities managed to eek out gains helped by central bank policies, encouraging US economic data and a summer rally.

Health care stocks have strongly outperformed stocks in general as investors seek stable growth prospects in difficult market conditions.

Biotechnology stocks were the most significant source of returns, with companies like Regeneron Pharmaceuticals, Alexion Pharmaceuticals and Pharmasset outperforming. At a stock level, Bristol-Myers Squibb was the stand out performer. The company is a global pharmaceutical business which produces products for, among others, heart disease, HIV and diabetes.

There were no significant changes to sector or regional positioning.

2012 is when the much anticipated "patent cliff" (when the largest pharmaceutical products lose patent protection and face price competition) hits the large pharmaceutical companies. The majority of these companies have already changed management and are well positioning for the new environment which bodes well for the sector.



Fund Manager:
John Bowler

Fund Information

	Interim	Final
Accounting dates	15 February	15 August
Revenue allocation date		15 October

Ongoing charges figure	For the year to 15.8.12	For the year to 15.8.11
A Income units	1.70%	1.68%
A Accumulation units	1.70%	1.68%
Z Income units	0.95% ¹	–
Z Accumulation units	0.95% ¹	–

To comply with the requirements of the UCITS IV Directive the Total expense ratio has been replaced with an Ongoing charges figure. The comparative figures, where applicable, have been restated in line with the new requirement.

¹ The Ongoing charges figure is annualised based on the fees suffered during the accounting period.

Performance Record

Fund performance	Net Asset Value as at 15.8.12 pence per unit	Net Asset Value as at 15.8.11 pence per unit	Net Asset Value % change
A Income units	69.38	56.83	22.08
A Accumulation units	70.33	57.39	22.55
Z Income units	59.15	–	–
Z Accumulation units	59.15	–	–

	3 months	1 year	5 years
Schroder Medical Discovery Fund	8.69%	22.82%	55.81%
Morgan Stanley Capital International World Health Care Index	10.35%	25.40%	61.76%
Morgan Stanley Capital International World Index	8.26%	14.09%	24.52%

Fund Source: A Accumulation units on a selling price to selling price basis to 15.8.12.

Indices Source: Thomson Reuters Datastream, total returns in sterling terms to 15.8.12.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

Performance Record (continued)

Distribution	A Income units	A Accumulation units
Year to 31 December	pence per unit	pence per unit
2007	Nil	Nil
2008	0.0979	0.0979
2009	0.2394	0.2399
2010	0.1234	0.1166
2011	0.0732	0.0778
2012 to 15 August	0.2590	0.2648

	Z Income units	Z Accumulation units
Year to 31 December	pence per unit	pence per unit
2007	–	–
2008	–	–
2009	–	–
2010	–	–
2011	Nil	Nil
2012 to 15 August	Nil ¹	0.5752

¹ There will not be a distribution for Z Income units as the total amount distributable is below the de minimis.

Unit price range	A Income units		A Accumulation units	
Year to 31 December	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
2007	51.81	44.48	51.81	44.48
2008	52.64	39.93	52.64	40.01
2009	60.59	41.47	60.96	41.55
2010	65.44	51.66	65.85	51.98
2011	68.38	53.53	68.96	53.99
2012 to 15 August	72.00	63.05	72.71	63.67

	Z Income units		Z Accumulation units	
Year to 31 December	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
2007	–	–	–	–
2008	–	–	–	–
2009	–	–	–	–
2010	–	–	–	–
2011	53.31	48.56	53.31	48.56
2012 to 15 August	59.23	53.31	59.23	53.31

Portfolio Information

Spread of investments	% of net assets as at 15.8.12	% of net assets as at 15.8.11
South Africa	0.33	0.70
China	0.00	1.10
India	0.00	0.34
Japan	5.94	4.01
South Korea	0.38	0.48
Australia	2.02	0.91
Denmark	3.46	2.30
France	5.65	5.19
Germany	4.05	4.94
Hungary	0.58	0.00
Ireland	2.09	0.99
Jersey	2.05	1.77
Switzerland	8.71	9.20
United Kingdom	5.02	9.21
Israel	2.20	2.30
Canada	0.35	1.53
Mexico	0.00	0.67
United States	54.42	52.31
Brazil	1.04	0.81
Chile	0.00	0.29
Net other assets	1.71	0.95

Major holdings	% of net assets as at 15.8.12		% of net assets as at 15.8.11
Merck	5.75	Pfizer	5.78
Johnson & Johnson	5.47	Johnson & Johnson	5.73
Pfizer	5.46	Novartis	5.09
Roche Holding Genusscheine	4.67	Bristol-Myers Squibb	4.72
Sanofi-Aventis	4.25	GlaxoSmithKline	4.13
Abbott Laboratories	3.81	Roche Holding Genusscheine	4.11
Novartis	3.79	Sanofi-Aventis	3.69
GlaxoSmithKline	3.06	Merck	3.58
Amgen	2.88	Gilead Sciences	2.92
Astellas Pharma	2.85	Teva Pharmaceutical Industries ADR	2.30



Investment Objective & Policy

The fund's investment objective is to achieve capital growth.

The fund will invest in healthcare, medical services and related products and companies on a world wide basis.

Investment will be in directly held transferable securities. The fund may also invest in collective investment schemes, warrants and money market instruments.

Risk Profile

Risk and reward indicator



The risk category was calculated using historical performance data and may not be a reliable indicator of the fund's future risk profile.

The fund is in this category because it can take higher risks in search of higher rewards and its price may rise and fall accordingly.

The fund's risk category is not guaranteed to remain fixed and may change over time.

A fund in the lowest category does not mean a risk free investment.

Specific risks

The fund invests in assets which are exposed to currencies other than sterling. Exchange rates may cause the value of overseas investments and the revenue from them to rise or fall.

The fund focuses on specific sectors. This carries more risk than funds spread across a number of different industry sectors.

The fund stock lends. There is a risk that the borrower might become insolvent or refuse to honour its obligations to return the securities causing a delay to the fund in recovering its securities and possibly incurring a loss.

Report & Accounts

This document is a short report for the Schroder Medical Discovery Fund for the year ended 15 August 2012. The long form Report & Accounts for the fund are available on our website www.schroders.co.uk or upon written request to Schroders, FREEPOST, RLZ-CHSY-HBUT, PO Box 1102, Chelmsford, Essex CM99 2XX.

Other information

With effect from 1 March 2012 the initial management charge for A Income units and A Accumulation units was reduced from 5.25% of the creation price to 3.25% (these are approximately 4.99% and 3.15% of the buying price respectively).

The information contained in this report is designed to enable unitholders to make an informed judgement on the activities of the fund during the period it covers and the results of those activities at the end of the period. For more information about the activities and performance of the fund during this and previous periods, please contact the Manager.

The Prospectus and the Key Investor Information Document are available on request or can be downloaded from our website, www.schroders.co.uk.

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For further literature please contact Schroder Investor Services on 0800 718 777 or at investorservices@schroders.com, or visit our website at www.schroders.co.uk.



