

# Schroder Strategic Bond Fund

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## Final Short Report

27 March 2012 to 15 June 2013



**Schroders**

# Schroder Strategic Bond Fund

## Review of Investment Activities

**From 27 March 2012 to 14 June 2013, the price of Z Accumulation units on a dealing price to dealing price basis rose 9.94%. In comparison, the Investment Management Association Sterling Strategic Bond Sector Average generated a total return of 9.10%<sup>1</sup>.**

**<sup>1</sup> Source: Lipper Investment Management.**

The period under review was largely positive for fixed income, although was marked by bouts of volatility caused mainly by the eurozone debt crisis, but also by events in the US.

In 2012 we took advantage of the swings in market sentiment connected to the eurozone crisis to tactically trade peripheral eurozone bonds. This benefited performance as did our exposure to corporate bonds.

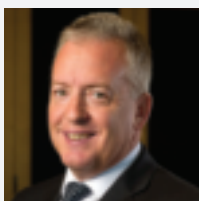
In the final quarter of 2012 eurozone debt fears eased largely due to the actions of the European Central Bank, particularly the launch of the Outright Monetary Transactions (OMT) bond buying programme. In this period corporate bonds rallied and fund performance benefited from a bias to the asset class, particularly from lower rated corporate bonds that offered the most attractive yield carry.

Towards the end of 2012 and in early 2013 our exposure to Portuguese and Irish government bonds became an additional driver of fund returns as bond yields in these countries fell. We took profits from these positions in June.

May and June of 2013 was an extremely challenging time for fixed income markets due to talk of a reduction in US asset purchases. We expect volatility to remain high in the summer months and have adopted a cautious stance, but we will be ready to take advantage of opportunities in interest rates and credit when we see value.



**Lead Fund  
Manager:**  
**Gareth  
Issac**



**Alternate  
Fund  
Manager:**  
**Bob Jolly**

# Fund Information

	Interim	Final
Accounting dates <sup>1</sup>	15 December	15 June
Revenue allocation dates <sup>1</sup>	15 February	15 August

<sup>1</sup> X Income (Gross Quarterly) units have additional accounting dates of 15 September and 15 March with additional associated revenue allocation dates of 15 November and 15 May.

## Ongoing charges figure

For the period  
to 15.6.13

A Income units	1.49% <sup>1</sup>
A Accumulation units	1.49% <sup>1</sup>
L Income units	0.64% <sup>1</sup>
L Accumulation units	0.64% <sup>1</sup>
X Income (Gross Quarterly) units <sup>2</sup>	0.09% <sup>1</sup>
Z Income units	0.84% <sup>1</sup>
Z Accumulation units	0.84% <sup>1</sup>

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

<sup>2</sup> The annual management charge for X Income (Gross Quarterly) units is invoiced directly to unitholders and is therefore not included in the Ongoing charges figure for that unit class.

# Performance Record

## Fund performance

Net Asset  
Value as at  
15.6.13  
pence per unit

A Income units	51.94
A Accumulation units	54.51
L Income units	52.45
L Accumulation units	55.08
X Income (Gross Quarterly) units	53.57
Z Income units	52.39
Z Accumulation units	54.86

	3 months	1 year	Since launch
<b>Schroder Strategic Bond Fund</b>	0.00%	11.52%	9.94%
Investment Management Association			
Sterling Strategic Bond Sector Average	(0.23)%	9.20%	9.10%

Fund Source: Z Accumulation units on a dealing price to dealing price basis to 14.6.13.

Index Source: Lipper Investment Management, total return to 14.6.13.

The Schroder Strategic Bond Fund was launched on 27.3.12.

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)

Unit price range	A Income units		A Accumulation units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
Year to 31 December				
2012	53.81	49.10	54.32	49.12
2013 to 15 June	54.90	52.79	56.32	54.08

	L Income units		L Accumulation units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
Year to 31 December				
2012	54.13	49.17	54.66	49.18
2013 to 15 June	55.44	53.18	56.89	54.47

	X Income (Gross Quarterly) units		Z Income units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
Year to 31 December				
2012	54.48	49.81	54.07	49.15
2013 to 15 June	56.11	54.10	55.35	53.13

	Z Accumulation units	
	Highest dealing p	Lowest dealing p
Year to 31 December		
2012	54.47	49.15
2013 to 15 June	56.67	54.27

Net revenue	A Income units		A Accumulation units	
	pence per unit		pence per unit	
Year to 31 December				
2012	1.3148		1.2832	
2013 to 15 June	1.2045		1.2683	

	L Income units		L Accumulation units	
	pence per unit		pence per unit	
Year to 31 December				
2012	1.3289		1.3770	
2013 to 15 June	1.2372		1.2640	

	X Income (Gross Quarterly) units		Z Income units	
	pence per unit		pence per unit	
Year to 31 December				
2012	1.5555		1.3004	
2013 to 15 June	1.4813		1.2057	

	Z Accumulation units	
	pence per unit	
Year to 31 December		
2012	1.3398	
2013 to 15 June	1.2339	

# Portfolio Information

	% of net assets as at
<b>Spread of investments</b>	<b>15.6.13</b>
Australian Dollar Denominated Derivatives	0.01
Euro Denominated Short Term Bonds	15.10
Euro Denominated Medium Term Bonds	12.46
Euro Denominated Long Term Bonds	9.38
Euro Denominated Derivatives	(0.16)
Euro Mutual Fund	8.37
Mexican Peso Denominated Long Term Bonds	1.19
Mexican Peso Denominated Derivatives	(0.01)
Sterling Denominated Short Term Bonds	5.38
Sterling Denominated Medium Term Bonds	13.93
Sterling Denominated Long Term Bonds	8.75
Sterling Denominated Derivatives	(0.02)
Swedish Krona Denominated Derivatives	(0.07)
Swiss Franc Denominated Medium Term Bonds	0.48
Swiss Franc Denominated Derivatives	(0.01)
US Dollar Denominated Short Term Bonds	2.07
US Dollar Denominated Medium Term Bonds	2.83
US Dollar Denominated Long Term Bonds	2.87
US Dollar Denominated Derivatives	(0.02)
Net other assets	17.47

	% of net assets as at
<b>Major holdings</b>	<b>15.6.13</b>
Schroder GAIA Global Macro Bond Fund I Accumulation GBP Hedged	8.37
Belgium 4% Bonds 2032	3.66
Portuguese 4.35% Bonds 2017	2.00
Spirit Issuer 5.86% Bonds 2021	1.97
Societe Generale 6.625% Perpetual Notes	1.25
OTE 7.875% Notes 2018	1.23
ING Bank 8% Perpetual Notes	1.21
Banco Espirito Santo 5.875% Notes 2015	1.19
Mexico 7.75% Notes 2042	1.19
State Bank of India (London) 3.25% Bonds 2018	1.19



## Investment Objective & Policy

The fund's investment objective is to achieve a total return.

The fund will invest in a portfolio of debt securities and other fixed and floating rate securities denominated in various currencies issued by governments, government agencies, supra-national and corporate issuers worldwide. The fund may also invest in asset backed securities and mortgage backed securities.

Derivative instruments may also be used to take long or short exposures to credit markets, interest rates, foreign exchange currency contracts and to various sectors within these markets.

The full spectrum of available securities, including non-investment grade, may be utilised. The fund may also invest in collective investment schemes, cash, deposits, warrants and money market instruments for defensive purposes.

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## Risk Profile

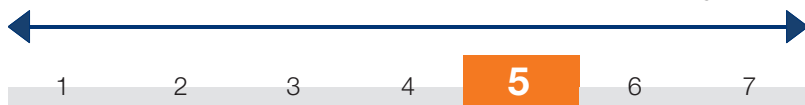
### Risk and reward indicator

**Lower risk**

Potentially lower reward

**Higher risk**

Potentially higher reward



The risk category is based upon the fund's risk target and there is no guarantee that the fund will achieve it.

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.

## Risk Profile (continued)

### 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 is index unconstrained and has the potential for greater volatility.

The fund invests in higher yielding bonds (non-investment grade). The risk of default is higher with non-investment grade bonds than with investment grade bonds. Higher yielding bonds may also have an increased potential to erode your capital sum than lower yielding bonds.

The fund uses derivatives for specific investment purposes. This involves a higher degree of risk and may lead to a higher volatility in the unit prices of the fund. The Manager employs a risk management process to allow the Manager to measure derivative and forward positions and their contribution to the overall risk profile of the fund. As part of this risk management process the Manager conducts daily value at risk analysis of the fund and performs both stress and back testing of the fund.

As a result of the annual management charge being charged wholly to capital for all unit classes except for X Income (Gross Quarterly) units, the distributable revenue of the fund may be higher, but the capital value of the fund may be eroded which may affect future performance.

For these reasons, the purchase of units should not normally be regarded as a short term investment.

# Report & Accounts

This document is a short report for the Schroder Strategic Bond Fund for the period ended 15 June 2013. The long form Report & Accounts for the fund are available on our website [www.schroders.co.uk](http://www.schroders.co.uk) or upon written request to Schroders, FREEPOST, RLTZ-CHSY-HBUT, PO Box 1102, Chelmsford, Essex CM99 2XX.

## Other information

With effect from 31 December 2012 the initial management charge was removed for A Income units and A Accumulation units.

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 period, please contact the Manager.

The Prospectus, the Key Investor Information Document and details of investment charges and costs are available on request or can be downloaded from our website **[www.schroders.co.uk](http://www.schroders.co.uk)**.

Schroders is required by the European Union Savings Directive to report payments to HM Revenue and Customs that are made by the fund to investors living in other European Union member states.

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For investors' security, calls to Schroder Investor Services may be recorded. **Manager:** Schroder Unit Trusts Limited, 31 Gresham Street, London, EC2V 7QA. Authorised and regulated by the Financial Conduct Authority. **Trustee:** J.P. Morgan Trustee and Depositary Company Limited, Chaseside, Bournemouth, BH7 7DA. Authorised and regulated by the Financial Conduct Authority. **Independent Auditors:** PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH.

**For further literature please contact Schroder Investor Services on 0800 718 777 or at [investorservices@schroders.com](mailto:investorservices@schroders.com), or visit our website at [www.schroders.co.uk](http://www.schroders.co.uk).**

