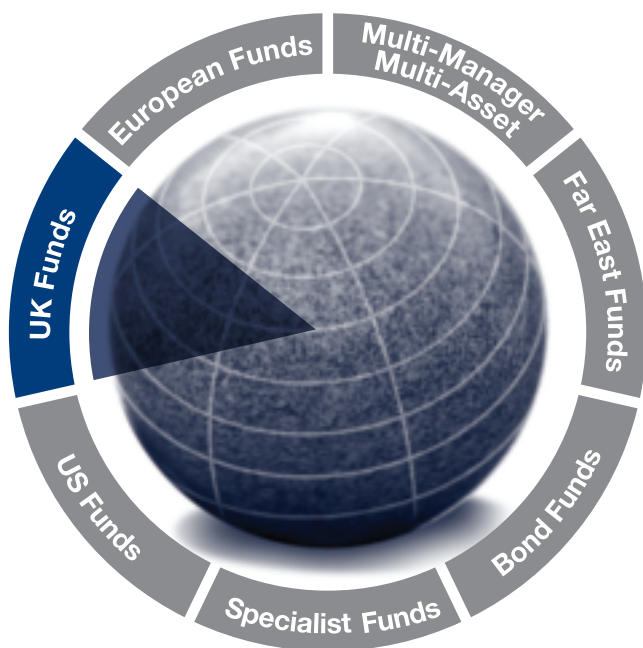


# Schroder Income Fund

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## Final Short Report

26 February 2012 to 25 February 2013



**Schroders**

# Schroder Income Fund

## Review of Investment Activities

**From 24 February 2012 to 25 February 2013 the price of A Accumulation units on a selling price to selling price basis rose 23.60%. In comparison, the FTSE All Share Index generated a total return of 12.89%<sup>1</sup>.**

**<sup>1</sup> Source: Thomson Reuters Datastream.**

The period was another volatile one for global equities, but ended in strong fashion. Evidence that global economic activity was stabilising and positive news from the eurozone supported equities, while the US economy showed signs of recovery with the housing market, employment and consumer confidence improving.

The fund significantly outperformed the market as investors shifted their focus from macro musings to company fundamentals, which continued to show progress. Our consumer services holdings performed particularly strongly, with retailers Dixons Retail and Next, Daily Mail & General Trust and bookmakers Ladbrokes and William Hill all seeing improvements in both profits and share prices. In addition, IT services firm Logica was bought by a rival at a 70% premium to its share price – a significant contributor to fund performance. Our long standing position in UK banks also showed strong results, with significant management progress on reducing risks reflected in improved share prices.

We have taken profits on easyJet, Legal & General Group, packaging company Smith (DS) and housebuilder Taylor Wimpey after strong performances in these companies. In the twelve month period we built positions in Morrison (WM) Supermarkets and ICAP, the inter-dealer broking company.

Although the UK market's upward trend remains intact, we expect economic uncertainty to continue to cause short term share price volatility. Instead of trying to second guess the market, we focus on identifying companies that have become significantly undervalued relative to their long term earnings potential. We cannot forecast exactly when the market will recognise the intrinsic value of our selected holdings. However, we believe the fund is well positioned to capture both the capital returns generated by lowly valued companies improving, and the significant income such companies produce through paying growing dividends over time.



**Co-Fund Managers:**  
**Kevin Murphy**  
**Nick Kirrage**

# Fund Information

	Interim	Final
Accounting dates	25 August	25 February
Revenue allocation dates	25 October	25 April
<b>Ongoing charges figure</b>	For the year to 25.2.13	For the year to 25.2.12
A Income units	1.66%	1.66%
A Accumulation units	1.66%	1.66%
Z Income units	0.91%	0.91% <sup>1</sup>
Z Accumulation units	0.91%	0.91% <sup>1</sup>

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 have been restated in line with the new requirement.

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

## Performance Record

	Net Asset Value as at 25.2.13 pence per unit	Net Asset Value as at 25.2.12 pence per unit	Net Asset Value % change
<b>Fund performance</b>			
A Income units	896.82	755.59	18.69
A Accumulation units	5,921.03	4,794.99	23.48
Z Income units	55.49	46.35	19.72
Z Accumulation units	59.57	47.88	24.42
	3 months	1 year	5 years
<b>Schroder Income Fund</b>	13.29%	23.60%	53.81%
FTSE All Share Index	10.72%	12.89%	31.16%

Fund Source: A Accumulation units on a selling price to selling price basis to 25.2.13.

Index Source: Thomson Reuters Datastream, total return to 25.2.13.

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 buying p	Lowest selling p	Highest buying p	Lowest selling p
Year to 31 December				
2008	867.50	502.60	4,480.00	2,725.00
2009	832.50	455.00	4,796.00	2,580.00
2010	880.70	706.50	5,183.00	4,146.00
2011	900.90	647.30	5,359.00	3,997.00
2012	890.90	686.00	5,738.00	4,353.00
2013 to 25 February	928.70	857.90	5,981.00	5,525.00

	Z Income units		Z Accumulation units	
	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
Year to 31 December				
2008	–	–	–	–
2009	–	–	–	–
2010	–	–	–	–
2011	50.30	39.45	50.30	39.84
2012	53.61	42.16	55.83	43.55
2013 to 25 February	57.79	53.31	60.17	55.52

Net revenue	A Income units	A Accumulation units
Year to 31 December	pence per unit	pence per unit
2008	34.8678	182.1535
2009	33.3219	183.2154
2010	25.4770	145.4671
2011	28.2998	171.6146
2012	32.4636	198.5865
2013 to 25 February	22.5853	147.7268

	Z Income units	Z Accumulation units
Year to 31 December	pence per unit	pence per unit
2008	–	–
2009	–	–
2010	–	–
2011	0.3925	0.3925
2012	1.4651	1.4662
2013 to 25 February	1.7133	1.7875

# Portfolio Information

	% of net assets as at 25.2.13	% of net assets as at 25.2.12
<b>Spread of investments</b>		
Oil & Gas	7.93	8.56
Industrials	6.29	6.84
Consumer Goods	2.87	4.21
Health Care	17.47	18.92
Consumer Services	20.90	14.93
Telecommunications	7.82	11.05
Financials	29.05	31.31
Technology	6.67	4.26
Euro Denominated Derivatives	(0.08)	(0.07)
US Dollar Denominated Derivatives	(0.52)	0.07
Net other assets/(liabilities)	1.60	(0.08)

	% of net assets as at 25.2.13		% of net assets as at 25.2.12
<b>Major holdings</b>			
AstraZeneca	5.72	Vodafone Group	6.13
GlaxoSmithKline	4.77	AstraZeneca	5.91
BP	4.64	Legal & General Group	5.31
Vodafone Group	4.64	GlaxoSmithKline	4.90
Legal & General Group	4.19	BP	4.57
Barclays	4.14	RSA Insurance Group	4.40
Royal Bank of Scotland Group	3.87	Old Mutual	4.30
Resolution	3.77	Logica	4.26
Ladbrokes	3.55	Royal Dutch Shell B	3.99
Daily Mail & General Trust A Non-Voting	3.54	Lloyds Banking Group	3.64



## Investment Objective & Policy

The fund's investment objective is to provide a growing income, predominantly from investment in UK equities.

In seeking a yield higher than that offered by the major UK equity indices, the fund will invest primarily in above average yielding equities rather than fixed interest securities.

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

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## 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.

## 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 invests predominantly in the securities of a particular country. There may be a greater risk than investing in funds that hold securities in a range of countries.

The fund invests in a smaller number of stocks. This carries more risk than funds spread across a larger number of companies.

As a result of the annual management charge being charged wholly to capital, the distributable revenue of the fund may be higher, but the capital value of fund the 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.

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## Report & Accounts

This document is a short report for the Schroder Income Fund for the year ended 25 February 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, RLTX-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 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](http://www.schroders.co.uk)**.

**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.**

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 Services Authority. **Trustee:** J.P. Morgan Trustee and Depositary Company Limited, Chaseside, Bournemouth, BH7 7DA. Authorised and regulated by the Financial Services 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).**





