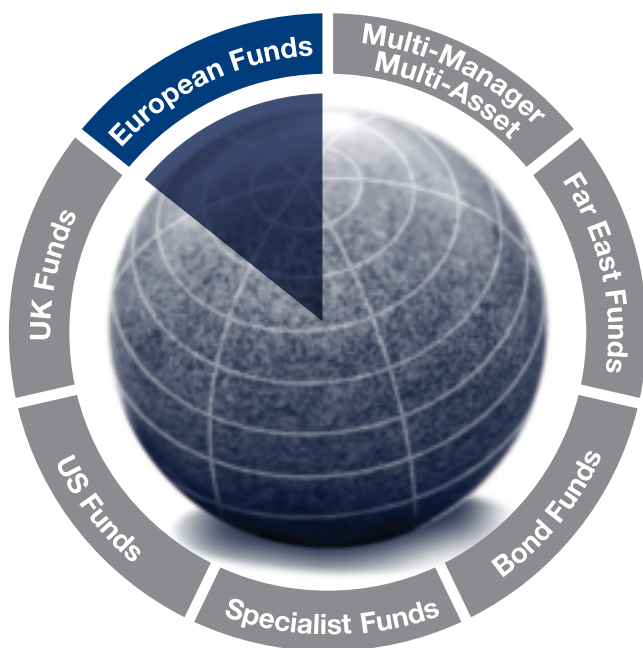


# Schroder European Fund

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## Final Short Report

16 January 2013 to 15 January 2014



**Schroders**

# Schroder European Fund

## Review of Investment Activities

**From 15 January 2013 to 15 January 2014, the price of I Accumulation units on a dealing price to dealing price basis rose 24.06%. In comparison, the FTSE World Europe ex UK Index generated a total return of 21.73%<sup>1</sup> in sterling terms.**

**From launch on 1 July 2013 to 15 January 2014, the price of GBP Hedged A Accumulation units on a dealing price to dealing price basis rose 17.30%. In comparison, I Accumulation units on a dealing price to dealing price rose 13.82% and the FTSE World Europe ex UK Index generated a total return of 18.25%<sup>1</sup> in local currency terms.**

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

European equities delivered strong returns for the period, helped by accommodative monetary policy and a more stable political backdrop. The European Central Bank cut interest rates to 0.5% in May and again to 0.25% in November. In Italy, a new government was formed in April and survived a confidence vote in the autumn, with Silvio Berlusconi leaving the political scene. Angela Merkel was reelected as chancellor in Germany. The eurozone emerged from recession in the second quarter with a growth rate of 0.3%, though this slowed to 0.1% in the third quarter.

The fund outperformed the benchmark, helped by strong stock selection. The consumer services sector was the leading contributor to relative returns, followed by financials. At stock level, Kabel Deutschland Holding was the biggest contributor amid good growth in subscribers and revenues, as well as a takeover bid from Vodafone. Spanish IT stock Amadeus IT Holdings was another contributor as it diversified into areas such as airports and hotels. Among financials, the fund's holdings in Belgian insurer Ageas, Swedish holding company Kinnevik Investment and French bank Societe Generale all aided relative performance. The consumer goods sector was the main detractor with investors preferring more economically sensitive areas of the market.

Consumer confidence and business confidence are both rising in Europe but consumer trends appear to be slowing in emerging markets. This slowdown is particularly affecting luxury goods stocks and certain beverages firms. We therefore prefer stocks that are plays on the eurozone consumer recovery. Over the year we increased exposure to consumer services which is now the fund's biggest overweight allocation, followed by industrials and health care.



The largest underweight allocations are to the consumer goods and telecommunications sectors.

**Fund Manager:**  
**Martin Skanberg**

# Fund Information

	Interim	Final
Accounting dates	15 July	15 January
Revenue allocation date		15 March

Ongoing charges figure	For the year to 15.1.14	For the year to 15.1.13
A Income units	1.70%	1.72%
A Accumulation units	1.70%	1.72%
GBP Hedged A Income units	1.70% <sup>1</sup>	–
GBP Hedged A Accumulation units	1.70% <sup>1</sup>	–
GBP Hedged Z Income units	0.95% <sup>1</sup>	–
GBP Hedged Z Accumulation units	0.95% <sup>1</sup>	–
I Income units	0.80%	0.82%
I Accumulation units	0.80%	0.82%
L Income units	0.87% <sup>1</sup>	–
L Accumulation units	0.87% <sup>1</sup>	–
Z Income units	0.95%	0.97%
Z Accumulation units	0.95%	0.97%

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

## Performance Record

Fund performance	Net Asset Value as at 15.1.14 pence per unit	Net Asset Value as at 15.1.13 pence per unit	Net Asset Value % change
A Income units	70.89	57.10	24.15
A Accumulation units	72.36	58.20	24.33
GBP Hedged A Income units	58.45	–	–
GBP Hedged A Accumulation units	58.45	–	–
GBP Hedged Z Income units	58.56	–	–
GBP Hedged Z Accumulation units	58.66	–	–
I Income units	968.61	780.26	24.14
I Accumulation units	1,387.22	1,106.15	25.41
L Income units	53.10	–	–
L Accumulation units	53.10	–	–
Z Income units	76.28	62.18	22.68
Z Accumulation units	77.08	62.15	24.02

## Performance Record (continued)

	3 months	1 year	5 years
<b>Schroder European Fund I Accumulation units</b>	4.50%	24.06%	111.13%
FTSE World Europe ex UK Index	4.45%	21.73%	86.36%

Fund Source: Dealing price to dealing price basis to 15.1.14.

Index Source: Thomson Reuters Datastream, total return in sterling terms to 15.1.14.

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.

The performance of a hedged unit class may differ from other unit classes of the fund because the return on unhedged unit classes is based on both the performance of the fund's investments and the performance of the portfolio currencies relative to sterling whereas the return on a hedged unit class is based only on the performance of the fund's investments.

Unit price range	A Income units		A Accumulation units		GBP Hedged A Income units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p	Highest dealing	Lowest dealing
Year to 31 December						
2009	—	—	—	—	—	—
2010	53.93	49.18	53.93	49.18	—	—
2011	60.38	42.09	60.38	42.09	—	—
2012	56.44	44.46	57.06	44.94	—	—
2013	70.75	56.55	72.08	57.17	57.51	49.33
2014 to 15 January	71.27	69.68	72.61	70.99	58.65	57.41

	GBP Hedged A Accumulation units		GBP Hedged Z Income units		GBP Hedged Z Accumulation units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
Year to 31 December						
2009	—	—	—	—	—	—
2010	—	—	—	—	—	—
2011	—	—	—	—	—	—
2012	—	—	—	—	—	—
2013	57.51	49.33	57.60	49.33	57.69	49.33
2014 to 15 January	58.65	57.41	58.77	57.51	58.86	57.60

## Performance Record (continued)

Year to 31 December	I Income units		I Accumulation units		L Income units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2009	707.50	416.40	935.10	550.20	–	–
2010	745.80	601.20	1,006.00	810.70	–	–
2011	825.50	577.40	1,130.00	790.40	–	–
2012	776.50	608.50	1,084.00	849.20	–	–
2013	973.00	778.10	1,379.00	1,086.00	52.79	49.81
2014 to 15 January	982.10	959.80	1,392.00	1,360.00	53.29	52.08

Year to 31 December	L Accumulation units		Z Income units		Z Accumulation units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p	Highest dealing	Lowest dealing
2009	–	–	–	–	–	–
2010	–	–	–	–	–	–
2011	–	–	50.23	44.89	50.23	44.89
2012	–	–	60.31	47.26	60.30	47.26
2013	52.79	49.81	76.58	60.43	76.66	60.43
2014 to 15 January	53.29	52.08	77.27	75.52	77.35	75.60

Net revenue Year to 31 December	A Income units pence per unit	A Accumulation units pence per unit	I Income units pence per unit
2009	–	–	17.5298
2010	Nil	Nil	14.1514
2011	Nil	Nil	11.0147
2012	0.5185	0.5225	12.7046
2013	0.4481	0.4567	12.4040
2014 to 15 January	0.1364	0.1454	10.0729

Year to 31 December	I Accumulation units pence per unit	Z Income units pence per unit	Z Accumulation units pence per unit
2009	22.5037	–	–
2010	18.8542	–	–
2011	14.5197	Nil	Nil
2012	17.3698	Nil	Nil
2013	17.3106	Nil	Nil
2014 to 15 January	14.1589	0.7225	0.7283

The GBP Hedged A Income units, GBP Hedged A Accumulation units, GBP Hedged Z Income units, GBP Hedged Z Accumulation units, L Income units and L Accumulation units have made no distributions to date.

## Portfolio Information

<b>Spread of investments</b>	% of net assets as at 15.1.14	% of net assets as at 15.1.13		% of net assets as at 15.1.14	% of net assets as at 15.1.13
Belgium	3.92	5.32	Norway	1.40	1.68
Finland	2.78	1.08	Portugal	1.38	1.65
France	23.69	23.78	Spain	4.26	5.29
Germany	13.97	21.38	Sweden	9.24	8.50
Italy	8.13	4.99	Switzerland	18.06	16.61
Luxembourg	1.81	0.00	Net other (liabilities)/assets	(0.27)	1.50
Netherlands	11.63	8.22			

<b>Major holdings</b>	% of net assets as at 15.1.14		% of net assets as at 15.1.13
Novartis	3.51	Bayer	3.15
Vivendi	3.29	Sandvik	2.82
Roche Holding Genusscheine	3.19	Repsol	2.74
BNP Paribas	2.73	BNP Paribas	2.73
ING Groep	2.65	Christian Dior	2.71
Societe Generale	2.64	Credit Suisse Group	2.63
Lonza Group	2.49	ING Groep	2.52
Legrand Promesse	2.39	Amadeus IT Holdings	2.46
Nordea Bank	2.35	Legrand Promesse	2.28
Amadeus IT Holdings	2.35	Kabel Deutschland Holding	2.21

## Investment Objective & Policy

The fund's investment objective is to achieve capital growth through investment in European stock markets, excluding the UK.

The core of investment will be in the larger market capitalisation stocks in the major European markets. The remainder of the portfolio will consist of investments in medium market capitalisation stocks and those drawn from the smaller European markets.

The fund may also invest in a wide range of investments including transferable securities, 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. For non-hedged unit classes exchange rates may cause the value of overseas investments and the revenue from them to rise or fall.

There is no guarantee that the hedging strategy applied in hedged unit classes will entirely eliminate the adverse effects of changes in exchange rates between the base currency and the portfolio currencies.

In addition, it should be noted that hedging transactions will be entered into whether or not the currencies of a hedged unit class is declining or increasing in value in relation to the base currency or portfolio currencies. Hedged unit classes aim to provide investors with a return correlated to the portfolio currencies performance of the fund by reducing the effect of exchange rate fluctuations between the base currency and the portfolio currencies.

As it is not possible to legally segregate unit classes' liabilities from those of other unit classes in the fund, there is a risk that, in certain limited circumstances, the hedging transactions undertaken in relation to a hedged unit class could result in liabilities which might affect the net asset value of the other unit classes in the fund.

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 European Fund for the year ended 15 January 2014. 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

GBP hedged unit classes were launched on 1 July 2013. Hedged unit classes allow the Manager to use currency hedging transactions to seek to minimise the effect of exchange rate fluctuations between the base currency and the portable currencies of the fund.

With effect from 1 October 2013 the minimum initial investment for Z Income units and Z Accumulation units decreased from £3 million to £1 million.

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, 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)**.

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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).**

