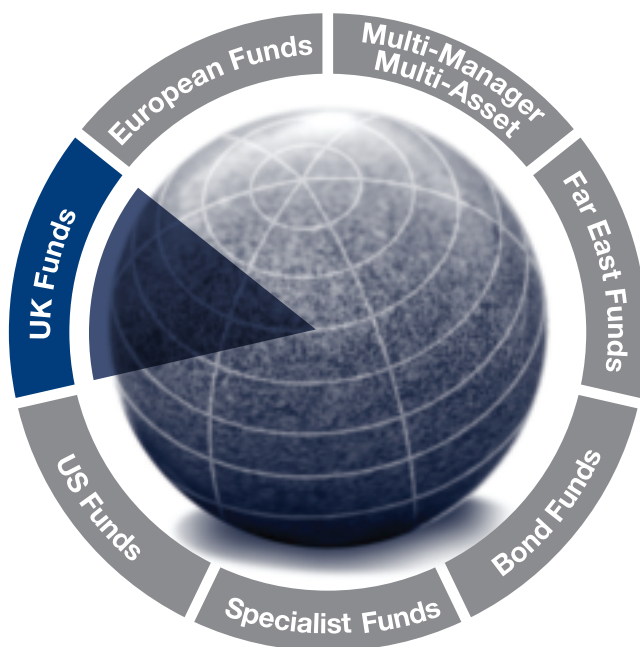


# Schroder Recovery Fund

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## Final Short Report

16 July 2012 to 15 July 2013



**Schroders**

# Schroder Recovery Fund

## Review of Investment Activities

**From 13 July 2012 to 15 July 2013, the price of A Accumulation units on a selling price to selling price basis rose 53.69%. In comparison, the FTSE All Share Index generated a total return of 23.14%<sup>1</sup>.**

**1 Source: Thomson Reuters Datastream.**

The past twelve months proved to be a banner year for the fund as the market reversed its 2011 pre-occupation with economic themes, choosing instead to focus on the green shoots of recovery and company fundamentals. This environment drove a significant increase in the value of many of the stocks we had invested in during the dark days of 2011, and consequently the fund increased by over 50%.

Our consumer services holdings performed particularly strongly, with retailers Dixons Retail and Home Retail Group, and publishers Trinity Mirror and St Ives, all seeing improvements in both profits and share prices. Our long standing position in UK banks also showed strong results, with significant progress on reducing risks reflected in improved share prices.

We have taken profits and trimmed positions in companies that increased considerably, attempting to ensure position sizes reflect opportunity rather than recent performance. Stocks such as Taylor Wimpey, Legal & General Group and Lloyds Banking Group were all trimmed after strong performances.

Reinvesting these funds has been made more difficult by an increasingly buoyant market, with rapid price appreciation reducing the number of ideas that meet our strict risk and reward criteria. Three new companies entered the fund: Aviva and ICAP, which operate in the financials sector, and high street retailer Debenhams – all of which we believe to be fundamentally sound with considerable long term potential.

Our focus remains on identifying companies that have become significantly undervalued relative to their long term earnings potential. The increasing paucity of these ideas, given rising market levels, has seen the fund's cash balances increase. Despite this we believe there is still opportunity within key parts of the UK equity market, which form large positions within the fund (UK banking for example). The allocation to overseas companies, which account for circa 15% of the fund, is also likely to add meaningful value over time. Nevertheless, it would be unreasonable to extrapolate the dramatic outperformance of the past year and we remain cognisant of the historically lumpy nature of returns from our investment style. However, over the longer term there is considerable opportunity to extend the fund's strong performance track record.



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

# Fund Information

	Interim	Final
Accounting dates	15 January	15 July
Revenue allocation date		15 September
<b>Ongoing charges figure</b>	For the year to 15.7.13	For the year to 15.7.12
A Income units	1.52%	1.52%
A Accumulation units	1.52%	1.52%
Z Income units	0.92%	0.91% <sup>1</sup>
Z Accumulation units	0.91%	0.92% <sup>1</sup>

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

## Performance Record

<b>Fund performance</b>	Net Asset Value as at 15.7.13 pence per unit	Net Asset Value as at 15.7.12 pence per unit	Net Asset Value % change
A Income units	9,421.67	6,203.59	51.87
A Accumulation units	15,459.69	10,031.91	54.11
Z Income units	73.67	48.46	52.02
Z Accumulation units	77.22	49.81	55.03

	3 months	1 year	5 years
<b>Schroder Recovery Fund</b>	11.11%	53.69%	129.75%
FTSE All Share Index	5.42%	23.14%	59.85%

Fund Source: A Accumulation units on a selling price to selling price basis to 15.7.13.

Index Source: Thomson Reuters Datastream, total return to 15.7.13.

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	6,238.00	3,534.00	8,964.00	5,272.00
2009	6,715.00	3,328.00	10,340.00	4,964.00
2010	7,332.00	5,598.00	11,260.00	8,606.00
2011	7,794.00	5,348.00	12,140.00	8,470.00
2012	7,967.00	5,807.00	12,880.00	9,197.00
2013 to 15 July	9,645.00	7,657.00	15,600.00	12,390.00

	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	52.40	41.89	52.40	41.90
2012	60.42	45.52	62.11	45.54
2013 to 15 July	75.79	59.97	77.91	61.65

Net revenue	A Income units	A Accumulation units
Year to 31 December	pence per unit	pence per unit
2008	174.1478	250.2293
2009	145.3776	216.8860
2010	78.6501	122.7432
2011	113.0134	176.1499
2012	130.4179	206.4827
2013 to 15 July	138.6882	224.3907

	Z Income units	Z Accumulation units
Year to 31 December	pence per unit	pence per unit
2008	–	–
2009	–	–
2010	–	–
2011	Nil	Nil
2012	1.3473	1.3473
2013 to 15 July	1.4595	1.5009

# Portfolio Information

	% of net assets as at 15.7.13	% of net assets as at 15.7.12
<b>Spread of investments</b>		
Oil & Gas	0.88	1.16
Industrials	16.15	17.44
Consumer Goods	1.63	4.26
Health Care	10.16	14.37
Consumer Services	25.34	18.86
Telecommunications	3.56	5.16
Financials	25.89	22.96
Technology	10.05	10.19
Euro Denominated Derivatives	(0.05)	0.12
US Dollar Denominated Derivatives	(0.41)	(0.40)
Net other assets	6.80	5.88

	% of net assets as at 15.7.13		% of net assets as at 15.7.12
<b>Major holdings</b>			
AstraZeneca	4.99	AstraZeneca	5.86
Royal Bank of Scotland Group	4.01	Legal & General Group	4.84
Hewlett Packard	3.96	Vodafone Group	4.66
Barclays	3.66	GlaxoSmithKline	4.53
Rentokil Initial	3.57	Logica	3.98
Dixons Retail	3.52	Seagate Technology	3.31
GlaxoSmithKline	3.37	Resolution	3.18
Lloyds Banking Group	3.30	Dixons Retail	3.06
Vodafone Group	3.08	Lloyds Banking Group	2.99
Resolution	3.04	Royal Bank of Scotland Group	2.88



## Investment Objective & Policy

The fund's investment objective is to achieve capital growth for investors through investment in companies that have suffered a severe setback.

The fund invests primarily in UK quoted shares. The investments are selected from those companies that have suffered a severe setback in terms of profits or share prices, but where the management and the prospects are believed to be good.

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

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## Risk Profile

### Risk and reward indicator

#### Lower risk

Potentially lower reward

#### Higher risk

Potentially higher reward



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 is index unconstrained and has the potential for greater volatility.

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 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.

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 Recovery Fund for the year ended 15 July 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 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)**.

**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 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).**







