

Schroder Tokyo Fund

Final Short Report

1 March 2013 to 28 February 2014



Schroders

Schroder Tokyo Fund

Review of Investment Activities

From 28 February 2013 to 28 February 2014 the price of A Accumulation units on a selling price to selling price basis rose 4.48%. In comparison, the Tokyo Stock Exchange First Section Index generated a total return of 3.65%¹ in sterling terms.

From launch on 1 July 2013 to 28 February 2014, the price of GBP Hedged A Accumulation units on a selling price to selling price basis rose 4.32%. In comparison, A Accumulation units on a selling price to selling price fell 5.28% and the Tokyo Stock Exchange First Section Index generated a negative total return of 5.70%¹ in local currency terms.

1 Source: Thomson Reuters Datastream.

The fund rose during the period under review and outperformed the benchmark. The largest positive contribution came from our overweight position in telecommunications operator KDDI. The company has benefited from growth in its market share and smartphone adoption. Nidec, a manufacturer of hard disc drive motors, contributed to performance over the period due to increased orders for automotive motors. Sakata Inx, a manufacturer of printing ink also contributed to performance. Not owning Softbank (also a telecommunications company) was negative. In addition to market share growth the company also benefitted from holding stakes in overseas internet companies. Commodity price sensitive areas also detracted, such as Mitsui & Co after concerns about China's macroeconomic outlook continued to depress commodity prices. We believe this will reverse over the longer term as its valuations and fundamentals are attractive.

We have invested new cash across the portfolio and increased the exposure to financials and beneficiaries of domestic corporate spending. We took profits on some of the better performing small cap positions and weak yen beneficiaries such as office equipment manufacturers.

Whilst headwinds are greater than 2013 the market outlook remains reasonably positive. Profits momentum and valuations are attractive whilst the policy background should also be supportive.



Fund Manager:
Andrew Rose

Fund Information

	Interim	Final
Accounting dates	31 August	28 February
Revenue allocation date		30 April

Ongoing charges figure	For the year to 28.2.14	For the year to 28.2.13
A Income units	1.66%	1.67%
A Accumulation units	1.66%	1.67%
GBP Hedged A Income units	1.67% ¹	–
GBP Hedged A Accumulation units	1.66% ¹	–
GBP Hedged Z Income units	0.91% ¹	–
GBP Hedged Z Accumulation units	0.91% ¹	–
H Income units	0.66% ¹	–
H Accumulation units	0.66% ¹	–
L Income units	0.84% ¹	–
L Accumulation units	0.84% ¹	–
S Income units	0.54% ¹	–
Z Income units	0.91%	0.91%
Z Accumulation units	0.91%	0.91%

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

Performance Record

Fund performance	Net Asset Value as at to 28.2.14 pence per unit	Net Asset Value as at to 28.2.13 pence per unit	Net Asset Value % change
A Income units	202.05	194.40	3.94
A Accumulation units	208.77	200.66	4.04
GBP Hedged A Income units	51.90	–	–
GBP Hedged A Accumulation units	51.92	–	–
GBP Hedged Z Income units	52.09	–	–
GBP Hedged Z Accumulation	52.32	–	–
H Income units	47.42	–	–
H Accumulation units	47.42	–	–
L Income units	48.00	–	–
L Accumulation units	48.00	–	–
S Income units	49.50	–	–
Z Income units	60.09	57.84	3.89
Z Accumulation units	61.74	58.88	4.86

Performance Record (continued)

	3 months	1 year	5 years
Schroder Tokyo Fund	(4.33)%	4.48%	57.20%
Tokyo Stock Exchange First Section Index	(5.47)%	3.65%	44.95%

Fund Source: A Accumulation units on a selling price to selling price basis to 28.2.14.

Index Source: Thomson Reuters Datastream, total return in sterling terms to 28.2.14.

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 currency 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 buying p	Lowest selling p	Highest buying p	Lowest selling p	Highest buying	Lowest selling
Year to 31 December						
2009	169.90	123.10	172.70	125.20	—	—
2010	194.00	150.00	197.20	152.60	—	—
2011	196.90	151.20	200.30	154.30	—	—
2012	195.20	163.30	199.30	167.70	—	—
2013	231.40	174.60	238.80	179.30	55.89	47.57
2014 to 28 February	217.60	197.80	224.50	204.10	56.51	49.38

	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	55.86	47.45	56.04	47.50	56.16	47.60
2014 to 28 February	56.50	49.38	56.75	49.66	56.85	49.75

	H Income units		H Accumulation units		L Income units	
	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
Year to 31 December						
2009	—	—	—	—	—	—
2010	—	—	—	—	—	—
2011	—	—	—	—	—	—
2012	—	—	—	—	—	—
2013	—	—	—	—	51.92	48.87
2014 to 28 February	50.92	46.32	50.92	46.32	51.55	46.89

Performance Record (continued)

Year to 31 December	L Accumulation units		S Income units		Z Income units	
	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
2009	–	–	–	–	–	–
2010	–	–	–	–	–	–
2011	–	–	–	–	53.95	46.66
2012	–	–	–	–	55.15	48.66
2013	51.92	48.87	–	–	68.97	52.24
2014 to 28 February	51.55	46.89	50.18	48.37	65.16	59.26

Year to 31 December	Z Accumulation units	
	Highest buying p	Lowest selling p
2009	–	–
2010	–	–
2011	53.95	46.67
2012	55.17	48.94
2013	70.22	52.55
2014 to 28 February	66.33	60.33

Net revenue	A Income units	A Accumulation units	GBP Hedged
Year to 31 December	pence per unit	pence per unit	Z Income units pence per unit
2009	0.8450	0.8535	–
2010	0.1300	0.1346	–
2011	0.6293	0.6409	–
2012	1.0737	1.0987	–
2013	1.0444	1.0780	–
2014 to 28 February	0.2392	0.2486	0.1362

Year to 31 December	GBP Hedged		Z Income units pence per unit
	Z Accumulation units pence per unit	S Income units pence per unit	
2009	–	–	–
2010	–	–	–
2011	–	–	Nil
2012	–	–	0.2978
2013	–	–	0.7018
2014 to 28 February	0.1407	0.0047	0.5475

Performance Record (continued)

Year to 31 December	Z Accumulation units pence per unit
2009	–
2010	–
2011	Nil
2012	0.2978
2013	0.7321
2014 to 28 February	0.5648

The GBP Hedged A Income units, GBP Hedged A Accumulation units, H Income units, H Accumulation units and L Income units have made no distributions to date. There will not be a distribution for the L Accumulation units as the total amount distributable was below the de minimis.

Portfolio Information

Spread of investments	% of net assets as at 28.2.14	% of net assets as at 28.2.13		% of net assets as at 28.2.14	% of net assets as at 28.2.13
Oil & Gas	2.12	2.18	Utilities	0.31	0.34
Basic Materials	8.65	8.50	Financials	15.23	16.18
Industrials	21.59	22.16	Technology	5.94	7.78
Consumer Goods	19.22	16.69	Japanese Yen Denominated Derivatives	(0.06)	0.00
Health Care	3.79	4.31	Net other assets	2.81	2.19
Consumer Services	15.11	15.13			
Telecommunications	5.29	4.54			

Major holdings	% of net assets as at 28.2.14		% of net assets as at 28.2.13
Toyota Motor	4.49	Toyota Motor	5.05
Mitsui & Co	3.44	Mitsui & Co	3.73
Bridgestone	3.03	Bridgestone	3.15
East Japan Railway	3.03	East Japan Railway	3.10
KDDI	3.02	Sumitomo Mitsui Financial Group	2.99
Sumitomo Mitsui Financial Group	2.92	SK Kaken	2.78
SK Kaken	2.57	NKSJ Holdings	2.56
NKSJ Holdings	2.54	Hi-Lex	2.43
Nippon Telegraph & Telephone	2.27	KDDI	2.39
Mitsubishi Financial Group	2.27	Mitsubishi Financial Group	2.29



Investment Objective & Policy

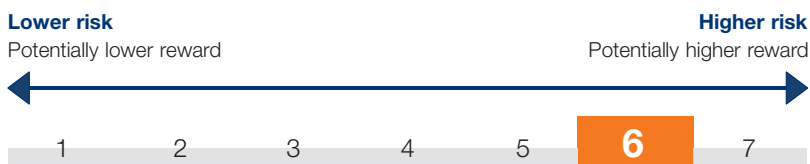
The fund's investment objective is to achieve capital appreciation through participation in the growth of the Japanese economy.

Investment will be based primarily on Japan's economic strengths, such as its manufacturing industry (in particular on those parts of it that are demonstrating an ability to exploit newly emerging technology) and on sectors benefiting from structural change in the economy.

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. 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 currency.

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

Risk Profile (continued)

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.

The fund invests solely 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.

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 Tokyo Fund for the year ended 28 February 2014. The long form Report & Accounts for the fund are available on our website www.schroders.co.uk or upon written request to Schroders, FREEPOST, RL TZ-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 currency 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.

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, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX.

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.



