

Schroder

Gilt & Fixed Interest Fund

Final Short Report

1 September 2011 to 31 August 2012



Schroders

Schroder Gilt & Fixed Interest Fund

Review of Investment Activities

From 31 August 2011 to 31 August 2012 the price of A Accumulation units on a selling price to selling price basis rose 10.63%. In comparison, the Investment Management Association UK Gilt Sector Average generated a total return of 11.43%¹.

¹ Source: Lipper Investment Management.

Volatility has been high in UK fixed income markets over the past twelve months. Investor sentiment has swung regularly between fear and optimism, driven mainly by developments in the ongoing eurozone debt crisis.

At the back end of 2011 the fund's exposure to credit detracted from returns, as corporate bonds underperformed perceived safe haven assets such as UK government bonds amid widespread investor risk aversion.

We reduced the fund's overweight exposure to credit in early 2011, but continued to hold high quality issuers who we believe have a low risk of defaulting on their repayments in what is a currently challenging macroeconomic environment.

With regards to the fund's exposure to gilts, the portfolio has been positioned with a neutral position in duration (sensitivity to changes in gilt yields) versus the benchmark through much of this period. We have marginally increased our duration exposure for the time being as further quantitative easing is likely to keep gilt yields at extremely low levels, although there may be further short term volatility caused by macroeconomic factors and political developments in the eurozone and US. In the eurozone we expect progress on the peripheral debt crisis to continue to take the form of 'two steps forward and one step back'.



Fund Manager:
David Scammell

Fund Information

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

	For the year to 31.8.12	For the year to 31.8.11
Ongoing charges figure		
A Income units	0.57%	0.56%
A Accumulation units	0.57%	0.56%

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.

Performance Record

	Net Asset Value as at 31.8.12 pence per unit	Net Asset Value as at 31.8.11 pence per unit	Net Asset Value % change
Fund performance			
A Income units	63.69	58.65	8.59
A Accumulation units	190.76	171.02	11.54

	3 months	1 year	5 years
Schroder Gilt & Fixed Interest Fund	1.55%	10.63%	37.77%
Investment Management Association UK Gilt Sector Average	1.54%	11.43%	42.79%

Fund Source: A Accumulation units on a selling price to selling price basis to 31.8.12.

Index Source: Lipper Investment Management, total return to 31.8.12.

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.

Distribution Year to 31 December	A Income units pence per unit	A Accumulation units pence per unit
2007	2.2823	5.6797
2008	2.0170	5.2259
2009	1.8469	4.9589
2010	1.5327	4.2841
2011	1.8872	5.3757
2012 to 31 August	1.6954	4.9785

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				
2007	59.36	53.03	151.50	133.30
2008	62.84	51.79	167.40	135.40
2009	63.07	55.84	170.70	150.70
2010	63.69	55.73	177.60	154.50
2011	66.76	56.15	194.60	159.40
2012 to 31 August	67.13	60.36	198.10	178.50

Portfolio Information

	% of net assets as at 31.8.12	% of net assets as at 31.8.11
Spread of investments		
Euro Denominated Derivatives	0.00	(0.19)
Sterling Denominated Short Term Bonds	24.68	28.49
Sterling Denominated Medium Term Bonds	35.14	35.50
Sterling Denominated Long Term Bonds	39.57	35.25
Sterling Denominated Derivatives	0.00	0.01
US Dollar Denominated Derivatives	0.01	0.00
Net other assets	0.60	0.94

	% of net assets as at 31.8.12		% of net assets as at 31.8.11
Major holdings			
Treasury 4.75% Stock 2015	7.68	Treasury 4.5% Stock 2013	6.15
Treasury 5% Stock 2018	7.51	Treasury 4.75% Stock 2015	6.14
Treasury 3.75% Stock 2019	6.11	Treasury 5% Stock 2018	6.10
Treasury 2% Stock 2016	5.91	Treasury 4% Stock 2016	5.04
Treasury 4.75% Stock 2020	5.21	Treasury 4.25% Stock 2036	4.83
Treasury 4.25% Stock 2036	4.77	Treasury 2.25% Stock 2014	4.75
Treasury 2.75% Stock 2015	4.54	Treasury 2.75% Stock 2015	4.46
Treasury 5% Stock 2025	4.18	Treasury 4% Stock 2022	4.29
Treasury 3.75% Stock 2020	4.09	Treasury 6% Stock 2028	4.16
Treasury 4.75% Stock 2038	3.83	Treasury 5% Stock 2025	3.89

Investment Objective & Policy

The fund's investment objective is to achieve a high level of income with the potential for capital growth, from investment in a diversified portfolio of sterling denominated fixed interest securities.

Investments will include British and other government securities, corporate obligations, Eurobonds, local authority loans, money market deposits and other sterling denominated fixed interest securities.

Investment will be in directly held transferable securities. The fund may also invest in collective investment schemes, derivatives, 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.

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.

More than 35% of the property of the fund consists, or is likely to consist, of Government securities.

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 fund may stock lend. There is a risk that the borrower might become insolvent or refuse to honour its obligations to return the securities causing a delay to the fund in recovering its securities and possibly incurring a loss.

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 the fund may be eroded which may affect future performance.

Report & Accounts

This document is a short report for the Schroder Gilt & Fixed Interest Fund for the year ended 31 August 2012. The long form Report & Accounts for the fund are available on our website 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 1 March 2012 the initial management charge for the units was reduced from 5.25% of the creation price to 3.25% (these are approximately 4.99% and 3.15% of the buying price respectively).

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**.

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 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, or visit our website at www.schroders.co.uk.



