

Schroder

Monthly High Income Fund

Interim Short Report

28 July 2012 to 27 January 2013



Schroders

Schroder Monthly High Income Fund

Review of Investment Activities

From 27 July 2012 to 25 January 2013 the price of A Accumulation units on a selling price to selling price basis rose 11.43%. In comparison, the Investment Management Association Sterling High Yield Sector Average generated a total return of 10.50%¹.

¹ Source: Lipper Investment Management.

The fund performed strongly over the period as credit markets rallied thanks to improved market sentiment. The positive environment for credit markets was caused largely by the actions and assurances of central banks, particularly the European Central Bank (ECB). Indeed, ECB president Mario Draghi pledged in the summer that he would do 'whatever it takes' to ensure the survival of the euro and followed this up with the launch of a bond buying programme that effectively provided a backstop to the peripheral eurozone.

Investors increasingly sought sources of yield over the period, leading to corporate bonds outperforming government bonds. High yield bonds performed particularly strongly and the fund benefited for much of the period from its bias towards the financial sector.

We rotated some of the portfolio away from the financials sector in the final few months of the year to focus more on the higher quality high yield issuers and the less economically sensitive sectors.

Looking ahead, we think that although high yield valuations are around their long term average, we believe that in a low interest rate and low growth world, the market continues to offer attractive risk adjusted returns versus other asset classes.



Co-Fund Manager:
**Konstantin
Leidman**



Co-Fund Manager:
**Michael
Scott**

Fund Information

	Interim	Final
Accounting dates	27 January	27 July

The fund's accounting dates are on the 27th of each month with associated revenue allocation dates on the 25th of the following month.

Ongoing charges figure	For the period to 27.1.13	For the year to 27.7.12
A Income units	1.37% ¹	1.38%
A Accumulation units	1.37% ¹	1.38%
Z Income units	0.72% ¹	0.84% ²
Z Accumulation units	0.72% ¹	0.72% ^{1,3}

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

2 From 27 February 2012, the annual management charge was reduced from 0.75% to 0.60%. The estimated Ongoing charges figure annualised for the period following this change would have been 0.72%.

3 The Ongoing charges figure has been restated for the comparative period.

Performance Record

Fund performance	Net Asset Value as at 27.1.13 pence per unit	Net Asset Value as at 27.7.12 pence per unit	Net Asset Value % change
A Income units	44.69	41.09	8.76
A Accumulation units	96.70	86.56	11.71
Z Income units	49.02	44.93	9.10
Z Accumulation units	57.10	50.93	12.11

	3 months	6 months	5 years
Schroder Monthly High Income Fund	4.55%	11.43%	41.46%
Investment Management Association Sterling High Yield Sector Average	4.49%	10.50%	43.09%

Fund Source: A Accumulation units on a selling price to selling price basis to 25.1.13.

Index Source: Lipper Investment Management, total return to 25.1.13.

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	46.94	32.45	73.17	53.41
2009	47.46	32.97	85.11	54.88
2010	50.43	43.35	94.42	79.96
2011	50.55	37.31	98.52	74.93
2012	46.44	39.40	99.61	80.38
2013 to 27 January	45.61	44.86	98.21	96.57

	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	54.49	46.88	–	–
2011	54.88	40.61	–	–
2012	49.32	42.93	56.92	49.34
2013 to 27 January	50.02	48.70	57.96	56.43

Net revenue	A Income units	A Accumulation units
Year to 31 December	pence per unit	pence per unit
2008	2.4814	3.9756
2009	3.0307	5.2195
2010	2.9937	5.5287
2011	2.7633	5.4453
2012	2.2817	4.7742
2013 to 27 January	0.2250	0.4846

	Z Income units	Z Accumulation units
Year to 31 December	pence per unit	pence per unit
2008	–	–
2009	–	–
2010	3.0477	–
2011	3.0084	–
2012	2.4937	1.6625
2013 to 27 January	0.2468	0.2848

Portfolio Information

	% of net assets as at 27.1.13	% of net assets as at 27.7.12
Spread of investments		
Euro Denominated Short Term Bonds	29.01	24.86
Euro Denominated Medium Term Bonds	32.10	29.28
Euro Denominated Long Term Bonds	9.29	11.79
Euro Denominated Derivatives	(1.50)	0.00
Sterling Denominated Short Term Bonds	6.75	11.91
Sterling Denominated Medium Term Bonds	12.13	8.32
Sterling Denominated Long Term Bonds	5.84	9.51
Swiss Franc Denominated Medium Term Bonds	0.17	0.00
US dollar Denominated Medium Term Bonds	3.17	0.00
US Dollar Denominated Long Term Bonds	0.86	0.00
US Dollar Denominated Derivatives	(0.05)	0.00
Net other assets	2.23	4.33

	% of net assets as at 27.1.13		% of net assets as at 27.7.12
Major holdings			
New World Resources 7.875% Notes 2021	1.66	Treasury 0% Stock 2013	3.24
Virgin Media Finance 5.125% Notes 2022	1.61	Treasury 0% Stock 19.11.12	2.16
Bank of Scotland 7.286% Perpetual Bonds	1.52	Treasury 0% Stock 10.12.12	2.16
BPCE 12.5% Perpetual Notes	1.48	Treasury 4.5% Stock 2042	1.90
TVN Finance 10.75% Bonds 2017	1.44	Germany (Federal Republic) 1.75% Index Linked Stock 2020	1.82
Investec 7.075% Perpetual Bonds	1.25	Investec 7.075% Perpetual Bonds	1.43
Fiat Finance & Trade 7.75% Notes 2016	1.23	BPCE 12.5% Perpetual Notes	1.40
Wind Acquisition Finance 11.75% Notes 2017	1.22	Treasury 0% Stock 29.10.12	1.30
Thames Water Utilities 7.75% Bonds 2019	1.18	Royal Bank of Scotland 6.934% Notes 2018	1.29
Boardriders 8.875% Bonds 2017	1.16	GKN 6.75% Bonds 2019	1.10

Investment Objective & Policy

The fund's investment objective is to achieve a high level of income from a diversified portfolio of debt securities. The full spectrum of available securities, including unrated issues and those of non-investment grade, will be utilised.

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.

Specific risks

The fund invests in higher yielding bonds (non-investment grade). The risk of default is higher with non-investment grade bonds than with investment grade bonds. Higher yielding bonds may also have an increased potential to erode your capital sum than lower yielding bonds.

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.

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 Monthly High Income Fund for the period ended 27 January 2013. 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 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**.

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.



