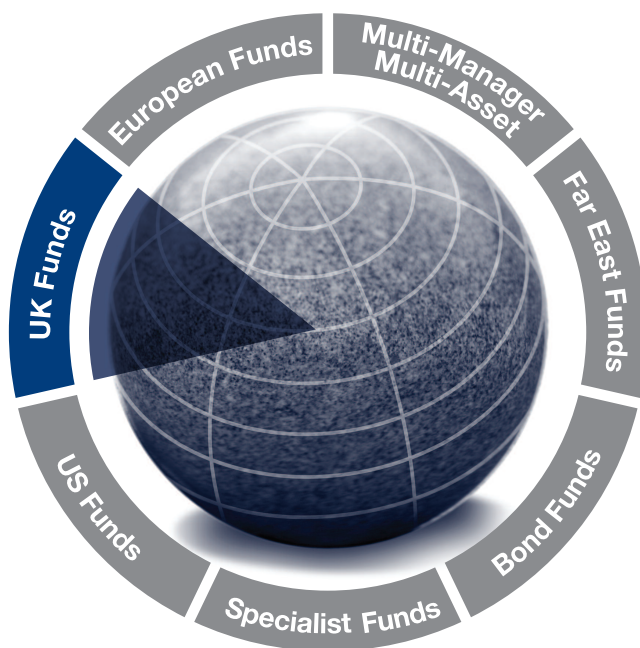


Schroder Income Fund

Interim Short Report

26 February 2012 to 25 August 2012



Schroders

Schroder Income Fund

Review of Investment Activities

From 24 February 2012 to 24 August 2012, the price of A Accumulation units on a selling price to selling price basis rose 3.44%. In comparison, the FTSE All Share Index generated a negative total return of 0.03%¹.

¹ Source: Thomson Reuters Datastream.

The muted total return of the index masks a volatile period for the UK equity market where negative sentiment and economic headwinds drove stocks lower, before recovery hopes and valuation support paired back losses towards the end of the period. IT services firm Logica performed well. It was bought by a rival that paid a 70% premium to its share price, which highlights the stark differential between certain market prices and a more realistic appraisal of true value. This kind of differential is replicated across many of our holdings. Elsewhere in the fund, retailer Next and bookmaker William Hill performed well and reported increased profits despite the difficult consumer environment. This enabled both of these domestically focused businesses to raise their dividends. There were also several strong performances from our holdings in the pharmaceuticals sector.

We sold easyJet as it approached fair value, and initiated a new position in Morrison (WM) Supermarkets, the UK food retailer. The business has a strong balance sheet, pays an attractive dividend and is significantly undervalued.

With the market paying little attention to business fundamentals, many attractive companies continue to trade at distressed valuations despite significant improvements in their corporate health. Our strategy aims to capture both the capital gains as profits improve, and the dividend growth as profit is returned to shareholders.



Co-Fund Managers:
Kevin Murphy
Nick Kirrage

Fund Information

	Interim	Final
Accounting dates	25 August	25 February
Revenue allocation dates	25 October	25 April

	For the period to 25.8.12	For the year to 25.2.12
Ongoing charges figure		
A Income units	1.66% ¹	1.66%
A Accumulation units	1.66% ¹	1.66%
Z Income units	0.91% ¹	0.91% ¹
Z Accumulation units	0.91% ¹	0.91% ¹

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.

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

Performance Record

	Net Asset Value as at 25.8.12 pence per unit	Net Asset Value as at 25.2.12 pence per unit	Net Asset Value % change
Fund performance			
A Income units	774.80	755.59	2.54
A Accumulation units	4,989.47	4,794.99	4.06
Z Income units	48.02	46.35	3.60
Z Accumulation units	50.01	47.88	4.45

	3 months	6 months	5 years
Schroder Income Fund	13.12%	3.44%	17.57%
FTSE All Share Index	9.37%	(0.03)%	12.35%

Fund Source: A Accumulation units on a selling price to selling price basis to 24.8.12.

Index Source: Thomson Reuters Datastream, total return to 24.8.12.

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.

Performance Record (continued)

Distribution	A Income units	A Accumulation units
Year to 31 December	pence per unit	pence per unit
2007	31.9945	160.5565
2008	34.8678	182.1535
2009	33.3219	183.2154
2010	25.4770	145.4671
2011	28.2998	171.6146
2012 to 25 August	32.4636	198.5865

	Z Income units	Z Accumulation units
Year to 31 December	pence per unit	pence per unit
2007	–	–
2008	–	–
2009	–	–
2010	–	–
2011	0.3925	0.3925
2012 to 25 August	1.4651	1.4662

Unit price range	A Income units		A Accumulation units	
Year to 31 December	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
2007	945.10	791.10	4,799.00	4,035.00
2008	867.50	502.60	4,480.00	2,725.00
2009	832.50	455.00	4,796.00	2,580.00
2010	880.70	706.50	5,183.00	4,146.00
2011	900.90	647.30	5,359.00	3,997.00
2012 to 25 August	827.90	686.00	5,251.00	4,353.00

	Z Income units		Z Accumulation units	
Year to 31 December	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
2007	–	–	–	–
2008	–	–	–	–
2009	–	–	–	–
2010	–	–	–	–
2011	50.30	39.45	50.30	39.84
2012 to 25 August	49.35	42.16	50.98	43.55

Portfolio Information

	% of net assets as at 25.8.12	% of net assets as at 25.2.12
Spread of investments		
Oil & Gas	8.24	8.56
Industrials	6.63	6.84
Consumer Goods	3.60	4.21
Health Care	20.92	18.92
Consumer Services	16.32	14.93
Telecommunications	10.70	11.05
Financials	27.18	31.31
Technology	0.00	4.26
Euro Denominated Derivatives	(0.03)	(0.07)
US Dollar Denominated Derivatives	0.07	0.07
Net other assets/(liabilities)	6.37	(0.08)

	% of net assets as at 25.8.12	% of net assets as at 25.2.12
Major holdings		
AstraZeneca	6.51	Vodafone Group 6.13
Vodafone Group	5.95	AstraZeneca 5.91
GlaxoSmithKline	5.38	Legal & General Group 5.31
Legal & General Group	4.40	GlaxoSmithKline 4.90
BP	4.32	BP 4.57
Royal Dutch Shell B	3.92	RSA Insurance Group 4.40
Old Mutual	3.77	Old Mutual 4.30
Lloyds Banking Group	3.66	Logica 4.26
Merck	3.53	Royal Dutch Shell B 3.99
Rentokil Initial	3.39	Lloyds Banking Group 3.64

Investment Objective & Policy

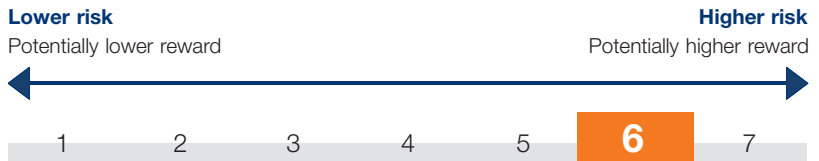
The fund's investment objective is to provide a growing income, predominantly from investment in UK equities.

In seeking a yield higher than that offered by the major UK equity indices, the fund will invest primarily in above average yielding equities rather than fixed interest securities.

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.

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.

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 invests in a smaller number of stocks. This carries more risk than funds spread across a larger number of companies.

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 fund the may be eroded which may affect future performance.

Report & Accounts

This document is a short report for the Schroder Income Fund for the period ended 25 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

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**.

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 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.

