

Schroder Strategic Bond Fund

Interim Short Report

27 March 2012 to 15 December 2012



Schroders

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Review of Investment Activities

From 27 March 2012 to 14 December 2012 the price of Z Accumulation units on a dealing price to dealing price basis rose 8.06%. In comparison, the Investment Management Association (IMA) Sterling Strategic Bond Sector Average generated a total return of 7.42%¹.

1 Source: Lipper Investment Management.

Risk appetite improved significantly over the six month period and led to outperformance from riskier fixed income assets such as corporate bonds and peripheral eurozone sovereign bonds. The actions of central banks played a large part in improving investor sentiment, particularly the summer pledge from the European Central Bank's (ECB) president Mario Draghi that he would do 'whatever it takes' to preserve the euro.

Over the six month period the fund outperformed the IMA Sterling Strategic Bond Sector Average. The main contributor to performance throughout the period was the fund's bias towards corporate bonds.

We also added performance through tactically trading peripheral eurozone sovereign bonds, following a 'fade rather than follow' mantra which meant buying at times of extreme market negativity and selling at times of extreme market nervousness.

Looking ahead, we expect 2013 to be less volatile than 2012. In an environment of low interest rates, abundant liquidity and high corporate cash balances, we still favour corporate bonds and the relatively attractive yields they provide. Considering the backstop effectively provided by the ECB, we also find some peripheral eurozone government bonds attractive.



**Lead Fund
Manager:**
Gareth
Isaac



**Alternate
Fund
Manager:**
Bob Jolly

Fund Information

	Interim	Final
Accounting dates ¹	15 December	15 June
Revenue allocation dates ¹	15 February	15 August

¹ X Income (Gross Quarterly) units have additional accounting dates of 15 September and 15 March with additional associated revenue allocation dates of 15 November and 15 May.

Ongoing charges figure	For the period to 15.12.12
A Income units	1.46% ¹
A Accumulation units	1.46% ¹
L Income units	0.62% ¹
L Accumulation units	0.62% ¹
X Income (Gross Quarterly) units ²	0.07% ¹
Z Income units	0.82% ¹
Z Accumulation units	0.82% ¹

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

² The annual management charge for X Income (Gross Quarterly) units is involved directly to unitholders and is therefore not included in the Ongoing charges figure for that unit class.

Performance Record

Fund performance	Net Asset Value as at 15.12.12 pence per unit
A Income units	52.30
A Accumulation units	53.68
L Income units	52.61
L Accumulation units	53.47
X Income (Gross Quarterly) units	53.52
Z Income units	52.58
Z Accumulation units	53.85

	3 months	6 months	Since launch
Schroder Strategic Bond Fund	3.66%	9.62%	8.06%
Investment Management Association Sterling Strategic Bond Sector Average	3.09%	7.51%	7.42%

Fund Source: Z Accumulation units on a dealing price to dealing price basis to 14.12.12.

Index Source: Lipper Investment Management, total return to 14.12.12.

The Schroder Strategic Bond Fund was launched on 27.3.12.

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 pence per unit	A Accumulation units pence per unit
2012 to 15 December	1.3148	1.2832

	L Income units pence per unit	L Accumulation units pence per unit
2012 to 15 December	1.3289	1.3770

	X Income (Gross Quarterly) units pence per unit	Z Income units pence per unit
2012 to 15 December	1.5555	1.3004

	Z Accumulation units pence per unit
2012 to 15 December	1.3398

Unit price range

	A Income units		A Accumulation units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2012 to 15 December	53.81	49.10	53.87	49.12

	L Income units		L Accumulation units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2012 to 15 December	54.13	49.17	54.20	49.18

	X Income (Gross Quarterly) units		Z Income units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2012 to 15 December	54.48	49.81	54.07	49.15

	Z Accumulation units	
	Highest dealing p	Lowest dealing p
2012 to 15 December	54.03	49.15

Portfolio Information

	% of net assets as at 15.12.12
Spread of investments	
Euro Denominated Short Term Bonds	22.09
Euro Denominated Medium Term Bonds	21.55
Euro Denominated Long Term Bonds	8.08
Euro Denominated Derivatives	(0.53)
Japanese Yen Denominated Derivatives	0.01
Polish Zloty Denominated Derivatives	(0.07)
Sterling Denominated Short Term Bonds	8.74
Sterling Denominated Medium Term Bonds	15.79
Sterling Denominated Long Term Bonds	7.91
Swedish Krona Denominated Derivatives	0.01
US Dollar Denominated Short Term Bonds	3.57
US Dollar Denominated Medium Term Bonds	7.26
US Dollar Denominated Long Term Bonds	2.16
US Dollar Denominated Derivatives	0.21
Net other assets	3.22

	% of net assets as at 15.12.12
Major holdings	
Portuguese OT's 4.35% Bonds 2017	4.61
Belgium 4% Bonds 2032	3.68
ING Bank 3.5% Bonds 2020	1.87
Repsol International Finance 4.375% Notes 2018	1.50
DNB Bank 4.25% Bonds 2020	1.47
Spirit Issuer 5.86% Bonds 2014	1.44
Gas Natural 6% Bonds 2020	1.43
ASML Holding 5.75% Bonds 2017	1.42
Barclays Bank 6% Notes 2021	1.41
Societe Generale 6.625% Perpetual Notes	1.36



Investment Objective & Policy

The fund's investment objective is to achieve a total return.

The fund will invest in a portfolio of debt securities and other fixed and floating rate securities denominated in various currencies issued by governments, government agencies, supra-national and corporate issuers worldwide. The fund may also invest in asset backed securities and mortgage backed securities.

Derivative instruments may also be used to take long or short exposures to credit markets, interest rates, foreign exchange currency contracts and to various sectors within these markets.

The full spectrum of available securities, including non-investment grade, may be utilised. The fund may also invest in collective investment schemes, cash, deposits, warrants and money market instruments for defensive purposes.

Risk Profile

Risk and reward indicator



The risk category was calculated using simulated 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 is index unconstrained and has the potential for greater volatility.

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.

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.

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 Strategic Bond Fund for the period ended 15 December 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 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 period, 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.

