

Schroder

Gilt & Fixed Interest Fund

Interim Short Report

1 September 2012 to 28 February 2013



Schroders

Schroder Gilt & Fixed Interest Fund

Review of Investment Activities

From 31 August 2012 to 28 February 2013 the price of A Accumulation units on a selling price to selling price basis fell 2.52%. In comparison, the Investment Management Association UK Gilt Sector average generated a negative total return of 2.76%¹.

1 Source: Lipper Investment Management.

The yields on UK gilts rose during the period under review as investor sentiment improved and demand for so called 'safe haven' assets generally declined. The improved overall market atmosphere was largely down to the actions and reassurances of central banks, as well as signs of improvement in economic data.

The ten year gilt yield rose by fifty one basis points over the period and the equivalent three year yield rose by sixteen basis points.

Although the rise in gilt yields had a negative impact on absolute returns the fund's relative performance benefitted from off benchmark exposure to corporate bonds from high quality issuers and an underweight exposure to gilts.

We tactically adjusted the fund's duration exposure (sensitivity to movements in gilt yields) throughout the six month period, and by the end of February the fund was positioned with 8.9 years of duration.

Looking ahead, we think the outlook for the global economy will continue to gradually improve in 2013 and central banks will keep interest rates extremely low. However, the economic outlook for the UK continues to be uncertain, with subtrend Gross Domestic Product growth and the UK housing market recovery still struggling to make any headway.



Fund Manager:
Thomas Sartain

Fund Information

	Interim	Final
Accounting dates	28 February	31 August
Revenue allocation dates	30 April	31 October
Ongoing charges figure	For the period to 28.2.13	For the year to 31.8.12
A Income units	0.57% ¹	0.57%
A Accumulation units	0.57% ¹	0.57%

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

Performance Record

	Net Asset Value as at 28.2.13 pence per unit	Net Asset Value as at 31.8.12 pence per unit	Net Asset Value % change
Fund performance			
A Income units	61.17	63.69	(3.96)
A Accumulation units	185.65	190.76	(2.68)
	3 months	6 months	5 years
Schroder Gilt & Fixed Interest Fund	(1.95)%	(2.52)%	29.79%
Investment Management Association UK Gilt Sector Average	(2.16)%	(2.76)%	34.86%

Fund Source: A Accumulation units on a selling price to selling price basis to 28.2.13.

Index Source: Lipper Investment Management, total return to 28.2.13.

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.

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	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	67.13	60.36	198.10	178.50
2013 to 28 February	62.19	60.87	186.30	182.30

Performance Record (continued)

Distribution Year to 31 December	A Income units pence per unit	A Accumulation units pence per unit
2008	2.0170	5.2259
2009	1.8469	4.9589
2010	1.5327	4.2841
2011	1.8872	5.3757
2012	1.6954	4.9785
2013 to 28 February	0.8120	2.4322

Portfolio Information

Spread of investments	% of net assets as at 28.2.13	% of net assets as at 31.8.12
Euro Denominated Derivatives	0.02	0.00
Euro Denominated Short Term Bonds	6.44	0.00
Sterling Denominated Short Term Bonds	28.90	24.68
Sterling Denominated Medium Term Bonds	29.42	35.14
Sterling Denominated Long Term Bonds	35.02	39.57
Sterling Denominated Derivatives	0.01	0.00
US Dollar Denominated Derivatives	0.01	0.01
Net other assets	0.18	0.60

Major holdings	% of net assets as at 28.2.13	% of net assets as at 31.8.12
Treasury 4.75% Stock 2015	9.42	7.68
Treasury 2% Stock 2016	7.34	7.51
Germany Federal Republic 0.50% Notes 2018	6.44	6.11
Treasury 3.75% Stock 2019	5.95	5.91
Treasury 3.75% Stock 2020	4.99	5.21
Treasury 4.25% Stock 2036	4.91	4.77
Treasury 4.75% Stock 2020	4.82	4.54
Treasury 5% Stock 2025	4.38	4.18
Treasury 2.75% Stock 2015	3.87	4.09
Treasury 4.25% Stock 2032	3.72	3.83



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

Lower risk

Potentially lower reward

Higher risk

Potentially higher reward



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. 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 may be invested in 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.

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 Gilt & Fixed Interest Fund for the period ended 28 February 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.



