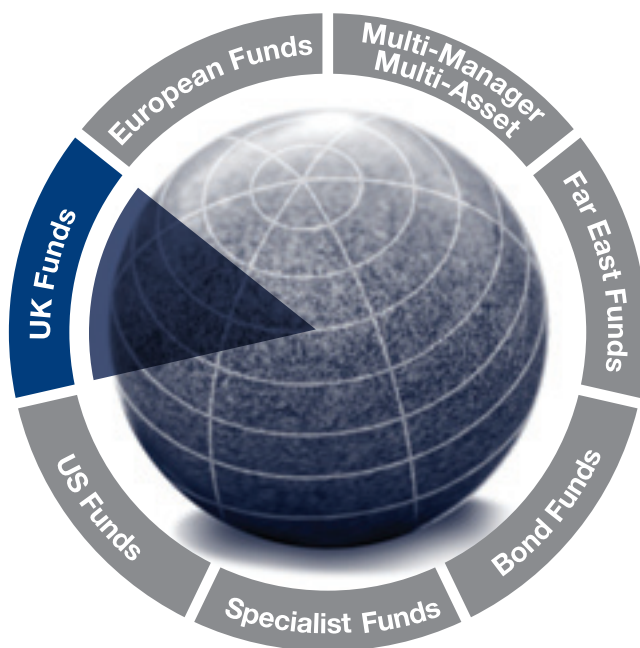


Schroder Income Maximiser

Interim Short Report

1 September 2013 to 28 February 2014



Schroders

Schroder Income Maximiser

Review of Investment Activities

From 30 August 2013 to 28 February 2014 the price of A Accumulation units on a selling price to selling price basis, which reflects the reinvestment of the distributions paid to unitholders, rose 10.06%. The fund does not measure its performance against a benchmark because the options overlay strategy is expected to result in diverging performance according to market conditions. However, for comparison purposes, the FTSE All Share Index and the Investment Management Association UK Equity Income Sector Average generated total returns of 8.79%¹ and 10.05%² respectively over the same period.

1 Source: Thomson Reuters Datastream.

2 Source: Lipper Investment Management.

The fund has also continued to deliver to target in terms of the income, having now delivered its 7% per annum distribution for the eighth year running.

The backdrop over the past six months has been one of rising share prices as investors have bought into cheap businesses with the potential to benefit from the broader economic upturn.

The fund's exposure to the UK consumer was beneficial in this environment, with Trinity Mirror and Home Retail Group performing strongly. Our focus on the potential for dividends to grow was rewarded as several businesses increased their distributions to shareholders, including Legal & General Group. Our long held position in out of favour pharmaceutical company AstraZeneca also showed strong results, and our overseas holdings, including Deutsche Telekom and Hewlett Packard, also added value. Some of the strong gain from these names was foregone as a result of the income enhancement strategy (the fund is able to benefit from the first phase of any growth, but the trade off for the extra income is the sale of potential gains above a certain level). Some of the options on these names rose above this level; however, the fund was still able to outperform the wider market, while delivering on its income requirement.

We have taken profits and trimmed holdings in companies that increased considerably, attempting to ensure position sizes reflect opportunity rather than recent performance. Higher average valuation levels across the UK equity market present great sale opportunities but offer fewer reinvestment ideas. One new idea, however, is Direct Line Insurance, which we see as significantly undervalued and well placed to grow its dividend.



**Co-Fund
Manager:**
**Dr
Thomas
See**



**Co-Fund
Manager:**
**Nick
Kirrage**



**Co-Fund
Manager:**
**Kevin
Murphy**

Fund Information

	Quarterly	Interim	Quarterly	Final
Accounting dates	30 November	28 February	31 May	31 August
Revenue allocation dates	31 January	30 April	31 July	31 October

	For the period to 28.2.14	For the year to 31.8.13
Ongoing charges figure		
A Income units	1.66% ¹	1.66%
A Accumulation units	1.66% ¹	1.66%
L Income units	0.83% ¹	–
L Accumulation units	0.83% ¹	–
S Income units	0.53% ¹	–
Z Income units	0.91% ¹	0.91%
Z Accumulation units	0.91% ¹	0.91%

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

Performance Record

	Net Asset Value as at 28.2.14 pence per unit	Net Asset Value as at 31.8.13 pence per unit	Net Asset Value % change
Fund performance			
A Income units	50.31	46.67	7.80
A Accumulation units	92.75	83.40	11.21
L Income units	53.38	–	–
L Accumulation units	54.76	–	–
S Income units	52.06	–	–
Z Income units	57.98	53.62	8.13
Z Accumulation units	70.26	62.99	11.54

	3 months	6 months	5 years
Schroder Income Maximiser	3.75%	10.06%	131.61%
FTSE All Share Index ¹	3.90%	8.79%	126.18%
Investment Management Association UK Equity Income Sector Average ²	4.76%	10.05%	122.02%

Fund Source: A Accumulation units on a selling price to selling price basis to 28.2.14.

Indices Source: 1 Thomson Reuters Datastream 2 Lipper Investment Management, total returns to 28.2.14.

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				
2009	47.55	28.09	63.88	36.45
2010	49.64	39.53	69.24	56.02
2011	48.89	34.51	71.61	53.56
2012	44.88	35.89	76.08	58.14
2013	50.08	43.28	90.65	73.35
2014 to 28 February	51.14	48.32	92.75	87.62

	L Income units		L Accumulation units	
	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
Year to 31 December				
2009	–	–	–	–
2010	–	–	–	–
2011	–	–	–	–
2012	–	–	–	–
2013	53.45	49.69	53.45	49.69
2014 to 28 February	54.76	51.71	54.76	51.71

	S Income units		Z Income units	
	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
Year to 31 December				
2009	–	–	–	–
2010	–	–	–	–
2011	–	–	50.30	39.18
2012	–	–	49.73	40.92
2013	–	–	57.60	49.52
2014 to 28 February	52.46	49.53	58.94	55.66

	Z Accumulation units	
	Highest buying p	Lowest selling p
Year to 31 December		
2009	–	–
2010	–	–
2011	50.30	39.97
2012	55.42	43.57
2013	68.60	55.18
2014 to 28 February	70.26	66.35

Performance Record (continued)

Net revenue Year to 31 December	A Income units pence per unit	A Accumulation units pence per unit
2009	2.5493	3.3363
2010	3.0767	4.3100
2011	3.0637	4.6046
2012	2.7708	4.4902
2013	3.2001	5.5600
2014 to 28 February	0.8281	1.5031

Year to 31 December	L Income units pence per unit	L Accumulation units pence per unit
2009	–	–
2010	–	–
2011	–	–
2012	–	–
2013	–	–
2014 to 28 February	1.3854	1.3854

Year to 31 December	S Income units pence per unit	Z Income units pence per unit
2009	–	–
2010	–	–
2011	–	1.6190
2012	–	3.1567
2013	–	3.6676
2014 to 28 February	0.3934	0.9559

Year to 31 December	Z Accumulation units pence per unit
2009	–
2010	–
2011	1.6627
2012	3.3625
2013	4.1891
2014 to 28 February	1.1376

Portfolio Information

Spread of investments	% of net assets as at 28.2.14	% of net assets as at 31.8.13		% of net assets as at 28.2.14	% of net assets as at 31.8.13
Oil & Gas	8.06	8.13	Technology	4.99	6.00
Industrials	7.58	7.33	Euro Denominated Derivatives	(0.05)	(0.03)
Consumer Goods	0.70	0.73	Sterling Denominated Derivatives	(1.54)	(0.60)
Health Care	19.08	18.78	US Dollar Denominated Derivatives	(0.30)	0.04
Consumer Services	17.85	18.72	Net other assets	0.88	1.42
Telecommunications	8.60	9.75			
Financials	34.15	29.73			
Major holdings	% of net assets as at 28.2.14			% of net assets as at 31.8.13	
AstraZeneca	7.87		AstraZeneca	6.92	
Resolution	5.35		Vodafone Group	5.33	
BP	5.21		GlaxoSmithKline	5.30	
GlaxoSmithKline	4.78		BP	5.19	
Vodafone Group	4.56		Resolution	5.08	
Rentokil Initial	3.99		Morrison (Wm) Supermarkets	4.12	
Lloyds Banking Group	3.84		Rentokil Initial	3.82	
Legal & General Group	3.71		Lloyds Banking Group	3.76	
Barclays	3.42		Barclays	3.45	
Hewlett Packard	3.17		Royal Bank of Scotland Group	3.29	

Investment Objective & Policy

The fund's investment objective is to provide income with potential for capital growth primarily through investment in equity and equity related securities of UK companies. The fund will also use derivative instruments to generate additional income.

The Manager may selectively sell short dated call options over securities or portfolios of securities held by the fund or indices, in order to generate additional income by setting target 'strike' prices at which those securities may be sold in the future. The Manager is also permitted to sell put options on securities or portfolios of securities which are not held by the fund, or indices, at target prices that are pre-set below the current market level. The Manager may also, for the purpose of efficient management, use derivative instruments which replicate the performance of a basket of short dated call options or a combination of equity securities and short dated call options.

Investment will be in directly held transferable securities. The fund may also invest in collective investment schemes, derivatives, cash, deposits, 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 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 a smaller number of stocks. This carries more risk than funds spread across a larger number of companies.

The fund uses derivatives to achieve its investment objective. The way in which derivatives are used will increase the revenue paid to investors and reduce volatility, but there is the potential that performance or capital value may be eroded.

As a result of the expenses 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.

The target yield quoted is an estimate and is not guaranteed. It is quoted net of basic rate tax, however, higher rate tax payers should note that they may be liable for further deductions.

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 Schroder Income Maximiser for the period ended 28 February 2014. 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 October 2013 the minimum investment for Z Income units and Z Accumulation units decreased from £3 million to £1 million.

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, the Key Investor Information Document and details of investment charges and costs 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 Conduct Authority. **Trustee:** J.P. Morgan Trustee and Depositary Company Limited, Chaseside, Bournemouth, BH7 7DA. Authorised and regulated by the Financial Conduct Authority. **Independent Auditors:** PricewaterhouseCoopers LLP, Atria One, 114 Morrison Street, Edinburgh, EH3 8EX.

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.



