

Schroder UK Alpha Plus Fund

November 2019

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¹ Collectively these comprise the Manager's report.

Fund Information

Investment objective and policy

The Schroder UK Alpha Plus Fund (the 'fund') aims to provide capital growth in excess of the FTSE All Share (Gross Total Return) index (after fees have been deducted) over a three to five year period by investing in equity and equity related securities of UK companies.

The Fund is actively managed and invests at least 80% of its assets in a concentrated range of equity and equity related securities of UK companies. These are companies that are incorporated, headquartered or have their principal business activities in the UK. The Fund typically holds 30 to 60 companies.

'Alpha' funds invest in companies in which the Investment Manager has a high conviction that the current share price does not reflect the future prospects for that business.

The Fund may also invest in companies headquartered or quoted outside the UK which derive a significant proportion of their revenues or profits from the UK.

The Fund may also invest directly or indirectly in other equity and equity related securities, collective investment schemes (including Schroder funds), fixed income securities, warrants and money market instruments, and hold cash.

The Fund may use derivatives with the aim of reducing risk and managing the Fund more efficiently (for more information please refer to section 6 of Appendix I of the Prospectus).

With effect from 7 August 2019 the fund's Investment objective and policy changed, previously it was:

The Fund aims to provide capital growth in excess of the FTSE All Share Total Return index (net of fees*) over the market cycle (typically three to five years) by investing in equity and equity related securities of UK companies.

The Fund invests at least 80% of its assets in a concentrated range of equity and equity related securities of UK companies. These are companies that are incorporated, headquartered or have their principal business activities in the UK. The Fund typically holds 30 to 60 companies. As the Fund is index-unconstrained it is managed without reference to an index.

'Alpha' funds invest in companies in which the Investment Manager has a high conviction that the current share price does not reflect the future prospects for that business.

The Fund may also invest in equity and equity related securities of non-UK companies, collective investment schemes, fixed income securities, warrants and money market instruments, and hold cash.

The Fund may use derivatives with the aim of reducing risk and managing the Fund more efficiently.

* Net of fees is after the deduction of the Fund's ongoing charge.

Fund characteristics

The Fund's performance should be assessed against its target benchmark, being to exceed the FTSE All Share (Gross Total Return) index, and compared against the Investment Association UK All Companies sector average return. The Investment Manager invests on a discretionary basis and is not limited to investing in accordance with the composition of the benchmark. The target benchmark has been selected because it is representative of the type of investments in which the Fund is likely to invest, and it is, therefore, an appropriate target in relation to the return that the Fund aims to provide. The comparator benchmark has been selected because the Investment Manager and the Manager believe that this benchmark is a suitable comparison for performance purposes given the Fund's investment objective and policy.

Total purchases and sales

	For the period to 30.11.19 £000's	For the year to 31.5.19 £000's
Total purchases	271,199	586,210
Total sales	361,945	699,541

Fund Performance

	Number of units in issue 30.11.19	Net asset value p per unit 30.11.19	Net asset value p per unit 31.5.19
A Income units	48,829,991	176.62	167.88
A Accumulation units	123,393,130	221.45	210.45
L Income units	11,650,661	59.53	56.35
L Accumulation units	74,540,880	69.04	65.34
S Income units	45,778,850	56.85	53.74
S Accumulation units	13,895,889	67.52	63.81
Z Income units	43,453,058	74.45	70.51
Z Accumulation units	205,742,086	89.34	84.58

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

Review of Investment Activities

From 31 May 2019 to 29 November 2019, the price of A Accumulation units on a dealing price to dealing price basis rose 6.19%. In the same period, the FTSE¹ All Share Index generated a positive total return of 5.84%².

UK equities made progress as did equities in general as risk appetite improved towards the end of the period following signs that the global economic outlook had stabilised. The US Federal Reserve cut base rates three times, spurring other central banks to follow suit, including the European Central Bank which also announced it was restarting quantitative easing. Many domestically focussed areas of the UK equity market performed well in line with a reduction in Brexit and political uncertainty.

Budget airline easyJet was our top individual contributor following reassuring results and a reduction in European short-haul capacity as a number of competitors went out of business and grappled with aircraft delivery delays. Our underweight in HSBC Holdings (we disposed of the position in October) was another key positive. HSBC Holdings performed poorly as sentiment was negatively impacted by a combination of factors, including social unrest in Hong Kong, lower-for-longer US interest rates and growing expectations of a long and painful restructuring. Meanwhile, UK student accommodation provider UNITE Group performed well in line with the improved sentiment towards UK domestic assets.

On the negative side, not owning AstraZeneca detracted from performance and global cinema operator Cineworld Group underperformed due to market concerns around US box office trends. Subsequent to the period under review Cineworld Group published a reassuring full-year trading update, reporting good progress integrating the Regal Cinemas business. We are keeping the faith in a very capable management team who are well aligned with shareholder interests. Insurer Hiscox performed poorly after pushing out profitability targets for its retail business due to US claims inflation. As we head into 2020 there are signs that the pricing environment in Hiscox's end markets is firming up and the earnings outlook improving.

Co-Fund Manager:

Bill Casey



Bill joined from Janus Henderson where he spent six years as an Equity portfolio manager and research analyst for both long only and long-short funds

Research responsibilities included coverage of European large and mid cap stocks. Bill was also the co-manager of the European Best Ideas Fund alongside John Bennett and laterally Nick Kissack

Previously an Equity Analyst at Bank of America Merrill Lynch and Bradshaw Asset Management

Investment career commenced in 2003

BSc Management (Finance) from Dublin Institute of Technology

CFA Charterholder

Co-Fund Manager:

Nick Kissack



Nick joined from Janus Henderson where he spent four years as an Equity portfolio manager and research analyst for both long only and long-short funds

Previously portfolio manager at the Universities Superannuation Scheme with responsibility for both research analysis and portfolio management for the pan European equities portfolio

Nick has worked as both a generalist (Clareville, Henderson) and a sector specialist (Consumer Staples & Discretionary at USS)

Investment career commenced in 2004 at Clareville Capital Partners as a portfolio manager for the long-short Pegasus Fund

Degree in Economics and Finance from the University of York
CFA Charterholder

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² Source: Thomson Reuters Datastream.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

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'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.

For specific risks, including the risk and reward profile, please refer to the Key Investor Information Document available on the following website www.schroders.com.

Statement of the Manager's Responsibilities

The Financial Conduct Authority's Collective Investment Schemes sourcebook requires the Manager to prepare accounts for each annual and half yearly accounting period, in accordance with United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the financial position of the fund and of its net revenue and the net capital gains on the property of the fund for the period. In preparing the accounts the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association (now the Investment Association) in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- prepare the accounts on the basis that the fund will continue in operation unless it is inappropriate to do so;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements;
- make judgements and estimates that are prudent and reasonable.

The Manager is responsible for the management of the fund in accordance with its Trust Deed, the Prospectus and the Collective Investment Schemes sourcebook, and for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

The Manager's report and accounts for the period ended 30 November 2019 were signed on 24 January 2020 on behalf of the Manager by:

P. Chislett
Directors

P. Truscott

Portfolio Statement

	Holding at 30.11.19	Market Value £000's	% of net assets
Equities 99.11% (94.75%)			
Oil & Gas 10.06% (17.16%)			
BP	10,786,611	51,797	7.74
Royal Dutch Shell B	708,929	15,522	2.32
		67,319	10.06
Basic Materials 4.65% (3.55%)			
BHP Group	1,820,170	31,125	4.65
		31,125	4.65
Industrials 14.51% (11.74%)			
DS Smith	3,687,826	14,076	2.10
Ferguson	135,534	9,111	1.36
G4S	7,754,044	16,206	2.42
Meggitt	2,663,149	17,124	2.56
Melrose Industries	8,079,080	18,542	2.77
Renishaw	204,890	8,118	1.21
Smurfit Kappa Group	510,857	13,946	2.09
		97,123	14.51
Consumer Goods 15.70% (18.87%)			
Burberry Group	908,215	19,100	2.85
Imperial Brands	1,223,858	20,845	3.11
Kerry Group A	231,787	22,999	3.44
Persimmon	607,894	15,550	2.32
Reckitt Benckiser Group	319,376	19,373	2.90
Unilever	157,848	7,224	1.08
		105,091	15.70
Health Care 9.13% (8.77%)			
Eurofins Scientific	16,624	6,742	1.01
GlaxoSmithKline	3,101,187	54,395	8.12
		61,137	9.13

	Holding at 30.11.19	Market Value £000's	% of net assets
Consumer Services 18.52% (12.35%)			
Cineworld Group	5,975,091	12,410	1.85
easyJet	1,270,062	16,987	2.54
Flutter Entertainment	228,241	20,085	3.00
Next	226,802	15,327	2.29
RELX	1,588,011	29,736	4.44
Tesco	12,828,548	29,429	4.40
		123,974	18.52
Telecommunications 2.27% (1.58%)			
Koninklijke KPN	6,388,546	15,227	2.27
		15,227	2.27
Financials 24.27% (20.73%)			
Ashmore Group	2,928,450	13,939	2.08
Close Brothers Group	962,755	14,316	2.14
Hiscox	905,406	12,341	1.84
Legal & General Group	10,554,902	29,649	4.43
Lloyds Banking Group	62,264,571	38,069	5.69
Prudential	2,129,278	29,309	4.38
Sherborne Investors Guernsey C	10,000,000	5,800	0.86
UNITE Group	1,523,958	19,065	2.85
		162,488	24.27
Equities total			
		663,484	99.11
Portfolio of investments			
		663,484	99.11
Net other assets			
		5,979	0.89
Net assets attributable to unitholders			
		669,463	100.00

The comparative percentage figures in brackets are as at 31 May 2019.

Unless otherwise stated, all securities are admitted to official stock exchange listings.

Statement of Total Return (unaudited)

For the six months ended 30 November 2019

	30.11.19		30.11.18	
	£000's	£000's	£000's	£000's
Income				
Net capital gains/(losses)		29,627		(85,806)
Revenue	12,530		15,021	
Expenses	(4,671)		(5,875)	
Net revenue before taxation	7,859		9,146	
Taxation	(5)		0	
Net revenue after taxation		7,854		9,146
Total return before distributions		37,481		(76,660)
Distributions		(492)		(153)
Change in net assets attributable to unitholders from investment activities		36,989		(76,813)

Statement of Change in Net Assets Attributable to Unitholders (unaudited)

For the six months ended 30 November 2019

	30.11.19		30.11.18	
	£000's	£000's	£000's	£000's
Opening net assets attributable to unitholders		764,726 [^]		923,238
Amounts receivable on issue of units	2,502		20,314	
Amounts payable on cancellation of units	(134,823)		(65,433)	
		(132,321)		(45,119)
Dilution adjustment		68		165
Change in net assets attributable to unitholders from investment activities		36,989		(76,813)
Unclaimed distributions		1		0
Closing net assets attributable to unitholders		669,463		801,471[^]

[^] The opening net assets attributable to unitholders for the current period do not equal the closing net assets attributable to unitholders for the comparative period as they are not consecutive periods.

Balance Sheet (unaudited)

As at 30 November 2019

	30.11.19	31.5.19
	£000's	£000's
Assets		
Investments	663,484	724,552
Current assets		
Debtors	6,522	18,890
Cash and bank balances	1,410	30,140
Total assets	671,416	773,582
Liabilities		
Creditors		
Distributions payable	0	(6,050)
Other creditors	(1,953)	(2,806)
Total liabilities	(1,953)	(8,856)
Net assets attributable to unitholders	669,463	764,726

Notes to the Accounts (unaudited)

Basis of preparation

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014 and in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 (The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)).

Accounting policies

The accounting policies applied are consistent with those of the annual accounts for the year ended 31 May 2019 and are described in those annual accounts.

General Information

Manager

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Authorised and regulated by the Financial Conduct Authority

Investment Adviser

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU

Authorised and regulated by the Financial Conduct Authority

Trustee

J.P. Morgan Europe Limited
Chaseside
Bournemouth BH7 7DA

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

Registrar

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Authorised and regulated by the Financial Conduct Authority

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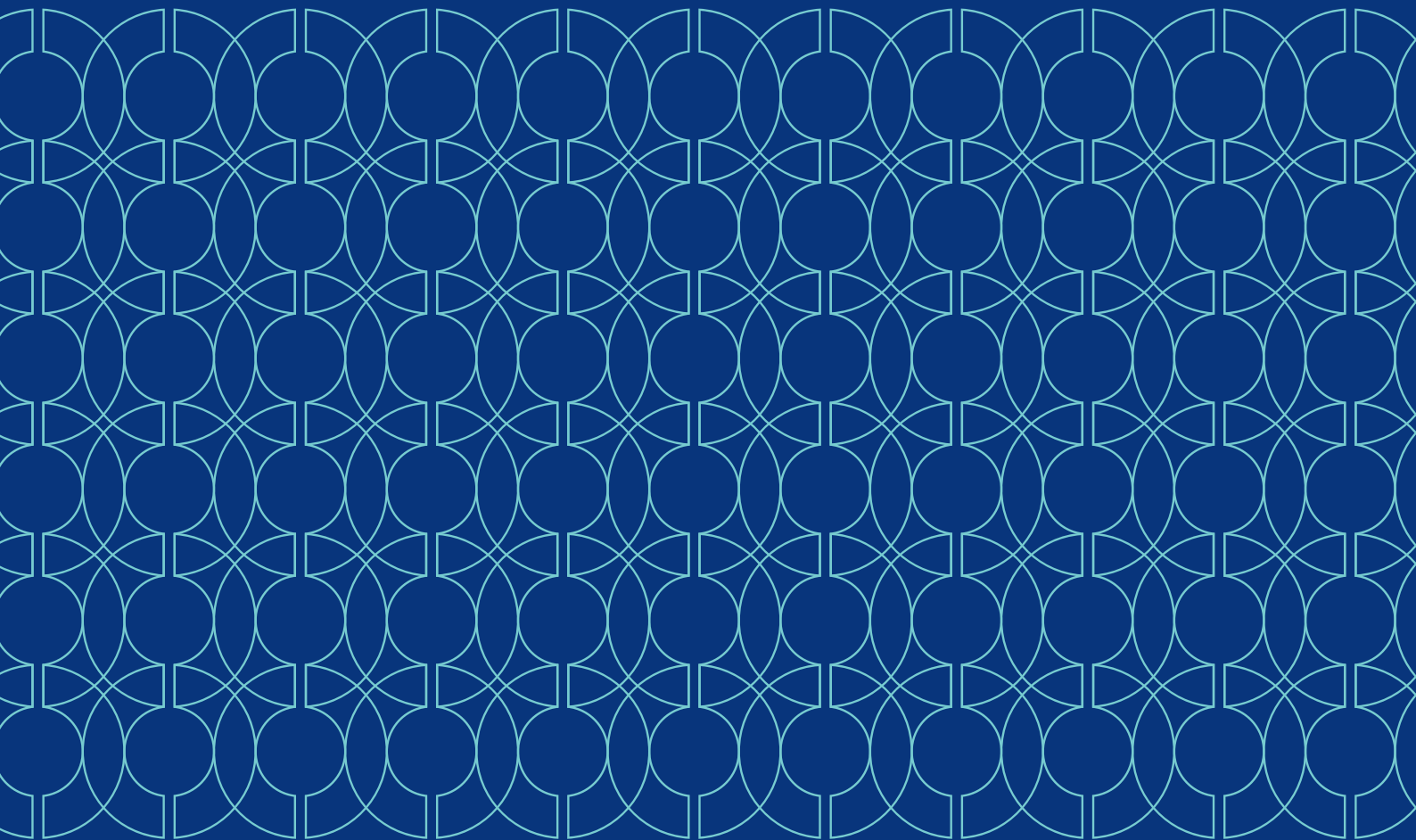
Authorisation

The fund is an authorised unit trust and is constituted pursuant to the Collective Investment Schemes sourcebook and is structured as a trust. The fund is a UCITS scheme for the purpose of the categorisation of the Collective Investment Schemes sourcebook.

Other information

With effect from 14 November 2019 the minimum Initial investment for Z Income units and Z Accumulation units decreased from £1 million to £0.05 million.

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.com.



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