

Schroder Responsible Value UK Equity Fund

April 2019

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1 Collectively these comprise the Manager's report.

Fund Information

Investment objective and policy

The Schroder Responsible Value UK Equity Fund (the 'fund') aims to provide capital growth and income 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 50 companies.

The Fund follows a responsible investment approach by using the Schroder Responsible Value UK Equity Fund Responsible Investment Policy, a process by which companies are vetted against certain responsible standards. The Responsible Investment Policy applies investment restrictions on companies involved in military products and services, non-military firearms, pornography, tobacco, gambling, alcoholic drinks, high interest rate lending and human embryonic cloning.

The Investment Manager also assesses companies on their environmental and social impact as well as the strength of their corporate governance.

The Fund focuses on companies that have certain 'value' characteristics. Value is assessed by looking at indicators such as cash flows, dividends and earnings to identify securities which the manager believes have been undervalued by the market.

The Fund may also invest in collective investment schemes, fixed and floating rate securities, warrants and money market instruments, and hold cash.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

Financial highlights

Dealing price	10.4.19	10.4.18	% change
I Accumulation units	304.40p	284.40p	7.03
S Income units	50.07p	–	–
S Accumulation units	53.66p	50.00p	7.32
X Accumulation units	211.00p	195.70p	7.82
Z Accumulation units	53.49p	50.00p	6.98
	10.6.19	10.6.18	
Final distribution per I Accumulation units	10.6552p	7.9868p	

Fund Information (continued)

Fund information

Launch date	27 March 2006	
Launch price	115.40p per I Accumulation unit	
	72.92p per X Accumulation unit	
Launch date	10 April 2018	
Launch price	50.00p per S Accumulation unit	
	50.00p per Z Accumulation unit	
Launch date	6 July 2018	
Launch price	50.00p per S Income unit	
	Interim	Final
Accounting dates	10 October	10 April
Revenue allocation date		10 June

Ongoing charges figure

	For the year to 10.4.19	For the period from 11.4.18	For the year to 10.4.18
I Accumulation units	0.78%	0.78%	0.78%
S Income units	0.55% ¹	–	–
S Accumulation units	0.55%	0.56% ²	0.00%
X Accumulation units ³	0.03%	0.03%	0.03%
Z Accumulation units	0.93%	0.93% ²	0.00%

- 1 The Ongoing charges figure is annualised based on the fees incurred during the accounting period.
- 2 The Ongoing charges figure is a projected figure based on the latest expenses of these unit classes.
- 3 The Annual management charge for X Accumulation units is invoiced directly to unitholders and is therefore not included in the Ongoing charges figure for that unit class.

Review of Investment Activities

From 10 April 2018 to 10 April 2019, the price of I Accumulation units on a dealing price to dealing price basis rose 7.03%. In comparison, the FTSE¹ All Share Index generated a total return of 5.67%².

The fund outperformed the market over the period under review. While we usually prefer to comment on the stocks that we do hold rather than those that we don't, our outperformance of the market was in part characterised by not owning very expensive so-called 'bond proxy' businesses, such as British American Tobacco, which performed poorly.

This should serve as a reminder that in investment safety stems from the price you pay, and not the underlying dynamics of the businesses you buy. There are no equities that are always safe or always risky. There are only equities that are too cheap or too expensive. A business could have the most volatile earnings stream in the world but, if you buy it at a 90% discount to fair value, you are giving yourself a very good chance of making money from that investment.

In the same way, you could identify the business that boasts the most stable earnings stream in history and yet, if you pay 10 times what it is worth, you are highly unlikely to make money. In fact you are more likely to end up losing money. To us, that is the definition of risk and it has nothing to do with the supposed predictability and stability of an asset – only the price you pay for it.

What this means is that seemingly safe and stable businesses can become very dangerous investments as their valuations rise. It is our firm view that the downward share price moves of some of the so-called bond proxies were just the tip of the iceberg when it comes to the unwinding of market's love affair with those equities.

Attractive income investments should come from the intersection of income and value. History shows that valuations are the key to future returns and if you overpay for stock with a high dividend you will struggle to make money.

Conversely, in our opinion, the fund's portfolio is comprised of undervalued, unloved businesses (including our top contributor over the period, Anglo American) many of which have had near-death experiences in the recent past and are therefore prudently managed with the view to weather various market economic disruption, whenever it may come.

Co-Fund Manager:

Kevin Murphy



Value fund manager with nineteen years investment experience

Previously a sector analyst for Pan European Construction and Building Materials

Investment career commenced in 2000 at Schroders

Chartered Financial Analyst

Degree in Economics, Manchester University

Co-Fund Manager:

Nick Kirrage



Value fund manager with eighteen years investment experience

Previously a sector analyst responsible for a number of UK sectors including Transport and Metals & Mining

Investment career commenced in 2001 at Schroders

Chartered Financial Analyst

Degree in Aeronautical Engineering, Bristol University

Co-Fund Manager:

Value Team

The Value Team consists of nine investment professionals, including co-heads Kevin and Nick, who manage recovery, income and ethically orientated value portfolios across UK, European and Global equities. The team has over 100 years combined investment experience, and is responsible for over £13 billion assets (as at 31 March 2019), managed in a disciplined value style

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² Source: Thomson Reuters Datastream.

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.

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.

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.

Specific risks

The fund is index unconstrained and has the potential for greater volatility.

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.

The fund may invest in a wide range of derivatives in order to meet its investment objectives and for leverage. The use of leverage can increase gains as well as losses and expose the fund to increased risk.

The fund may use 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.

For these reasons, the purchase of units should not normally be regarded as a short term investment.

Statement of the Manager's Responsibilities

The Financial Conduct Authority's Collective Investment Schemes sourcebook (COLL) 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 year. 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 (SORP) for UK Authorised Funds issued by the Investment Management Association (IMA (now the Investment Association (IA))) 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 COLL, 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 year ended 10 April 2019 were signed on 12 June 2019 on behalf of the Manager by:

J.A. Walker-Hazell
Directors

P. Middleton

Report of the Trustee

Statement of the Trustee's responsibilities in respect of the Scheme and report of the Trustee to the unitholders of the Schroder Responsible Value UK Equity Fund ('the fund') for the year ended 10 April 2019

The Trustee of the Schroder Responsible Value UK Equity Fund must ensure that the fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the regulations'), the Trust Deed and Prospectus (together 'the Scheme documents') as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the fund and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the fund in accordance with the regulations.

The Trustee must ensure that:

- the fund's cash flows are properly monitored and that cash of the fund is booked in cash accounts in accordance with the regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the regulations;
- the value of units of the fund are calculated in accordance with the regulations;
- any consideration relating to transactions in the fund's assets is remitted to the fund within the usual time limits;
- the fund's income is applied in accordance with the regulations; and
- the instructions of the Authorised Fund Manager ('the Manager'), which is the UCITS Management Company, are carried out (unless they conflict with the regulations).

The Trustee also has a duty to take reasonable care to ensure that the fund is managed in accordance with the regulations and the Scheme documents of the fund in relation to the investment and borrowing powers applicable to the fund.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the fund, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the fund, acting through the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the fund's units and the application of the fund's income in accordance with the regulations and the Scheme documents of the fund; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the fund in accordance with the regulations and the Scheme documents of the fund.

J.P. Morgan Europe Limited

Trustee
Bournemouth
8 May 2019

Independent Auditors' Report to the Unitholders of Schroder Responsible Value UK Equity Fund

Report on the audit of the financial statements

Opinion

In our opinion, Schroder Responsible Value UK Equity Fund's financial statements:

- give a true and fair view of the financial position of the fund as at 10 April 2019 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Final Report and Accounts (the 'Annual Report'), which comprise: the balance sheet as at 10 April 2019; the statement of total return and the statement of change in net assets attributable to unitholders for the year then ended; the notes to the financial statements, which include a description of the significant accounting policies, and the distribution tables.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Financial Reporting Council's (FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the fund's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the fund's business and the wider economy.

Independent Auditors' Report to the Unitholders of Schroder Responsible Value UK Equity Fund (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' Report thereon. The Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Manager's Report

In our opinion, the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 7, the Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to wind up or terminate the fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Independent Auditors' Report to the Unitholders of Schroder Responsible Value UK Equity Fund (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the fund's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh
12 June 2019

Comparative Tables

I Accumulation units

Financial year to 10 April	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	284.69	268.37	215.76
Return before operating charges	22.36	18.46	54.51
Operating charges	(2.32)	(2.14)	(1.90)
Return after operating charges*	20.04	16.32	52.61
Distributions ¹	(10.66)	(7.99)	(7.72)
Retained distributions ¹	10.66	7.99	7.72
Closing net asset value	304.73	284.69	268.37
*after direct transaction costs of	(0.18)	(0.19)	(0.24)
Performance			
Return after charges (%)	7.04	6.08	24.38
Other information			
Closing net asset value (£000's)	42,735	42,814	48,206
Closing number of units	14,024,092	15,038,518	17,962,053
Operating charges (%)	0.78	0.78	0.78
Direct transaction costs (%)**	0.06	0.07	0.10
Prices			
Highest dealing price (p)	316.80	292.50	272.70
Lowest dealing price (p)	273.80	259.60	204.80

Comparative Tables (continued)

S Income units

Financial year to 10 April	2019 p per unit
Change in net asset value	
Opening net asset value	50.00
Return before operating charges	0.34
Operating charges	(0.21)
Return after operating charges*	0.13
Distributions ¹	(1.26)
Closing net asset value	48.87
*after direct transaction costs of	(0.03)
Performance	
Return after charges (%)	0.26
Other information	
Closing net asset value (£000's)	2,457
Closing number of units	5,027,526
Operating charges (%)	0.42
Direct transaction costs (%)**	0.06
Prices	
Highest dealing price (p)	50.83
Lowest dealing price (p)	45.01

The unit class was launched on 6 July 2018.

Comparative Tables (continued)

S Accumulation units		
Financial year to 10 April	2019 p per unit	2018 p per unit
Change in net asset value		
Opening net asset value	50.06	50.00
Return before operating charges	3.95	0.06
Operating charges	(0.29)	0.00
Return after operating charges*	3.66	0.06
Distributions ¹	(2.01)	Nil
Retained distributions ¹	2.01	Nil
Closing net asset value	53.72	50.06
*after direct transaction costs of	(0.03)	0.00
Performance		
Return after charges (%)	7.31	0.12
Other information		
Closing net asset value (£000's)	3,012	1
Closing number of units	5,606,080	2,000
Operating charges (%)	0.55	0.00
Direct transaction costs (%)**	0.06	0.07
Prices		
Highest dealing price (p)	55.73	50.00
Lowest dealing price (p)	48.24	50.00

The unit class was launched on 10 April 2018.

Comparative Tables (continued)

X Accumulation units			
Financial year to 10 April	2019 p per unit	2018 p per unit	2017 p per unit
Change in net asset value			
Opening net asset value	195.89	183.28	146.26
Return before operating charges	15.42	12.66	37.06
Operating charges	(0.06)	(0.05)	(0.04)
Return after operating charges*	15.36	12.61	37.02
Distributions ¹	(8.90)	(6.89)	(6.48)
Retained distributions ¹	8.90	6.89	6.48
Closing net asset value	211.25	195.89	183.28
*after direct transaction costs of	(0.12)	(0.13)	(0.17)
Performance			
Return after charges (%)	7.84	6.88	25.31
Other information			
Closing net asset value (£000's)	5,998	46,528	44,010
Closing number of units	2,839,385	23,752,228	24,012,549
Operating charges (%)	0.03	0.03	0.03
Direct transaction costs (%)**	0.06	0.07	0.10
Prices			
Highest dealing price (p)	218.20	200.90	186.00
Lowest dealing price (p)	189.40	177.40	139.10

Comparative Tables (continued)

Z Accumulation units		
Financial year to 10 April	2019 p per unit	2018 p per unit
Change in net asset value		
Opening net asset value	50.06	50.00
Return before operating charges	3.97	0.06
Operating charges	(0.48)	0.00
Return after operating charges*	3.49	0.06
Distributions ¹	(1.83)	Nil
Retained distributions ¹	1.83	Nil
Closing net asset value	53.55	50.06
*after direct transaction costs of	(0.03)	0.00
Performance		
Return after charges (%)	6.97	0.12
Other information		
Closing net asset value (£000's)	270	1
Closing number of units	504,125	2,000
Operating charges (%)	0.93	0.00
Direct transaction costs (%)**	0.06	0.07
Prices		
Highest dealing price (p)	55.71	50.00
Lowest dealing price (p)	48.13	50.00

The unit class was launched on 10 April 2018.

1 These figures have been rounded to 2 decimal places

** Direct transaction costs have been stated after deducting the proportion of the amounts collected from dilution adjustments.

The Operating charges are calculated on an ex-post basis and as such may differ from the Ongoing charges figure where the Ongoing charges figure has been annualised for a unit class that has not been in existence for a full year.

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.

Portfolio Statement

	Holding at 10.4.19	Market Value £000's	% of net assets
Equities 94.76% (96.68%)			
Oil & Gas 13.26% (13.09%)			
BP	578,746	3,333	6.12
Eni	104,967	1,438	2.64
Royal Dutch Shell B	97,736	2,454	4.50
		7,225	13.26
Basic Materials 8.24% (7.79%)			
Anglo American	120,653	2,685	4.93
BHP Group	92,732	1,802	3.31
		4,487	8.24
Industrials 1.78% (0.00%)			
Royal Mail	384,584	973	1.78
		973	1.78
Health Care 8.14% (10.67%)			
GlaxoSmithKline	174,599	2,754	5.06
Sanofi	25,066	1,680	3.08
		4,434	8.14
Consumer Services 21.09% (20.68%)			
J Sainsbury	268,814	629	1.16
Marks & Spencer Group	604,056	1,704	3.13
Next	8,947	502	0.92
Pearson	294,841	2,424	4.45
Reach	295,511	183	0.33
Tesco	1,139,750	2,761	5.07
Wm Morrison Supermarkets	967,597	2,143	3.93
WPP	130,955	1,142	2.10
		11,488	21.09

Portfolio Statement (continued)

	Holding at 10.4.19	Market Value £000's	% of net assets
Telecommunications 5.86% (4.26%)			
BT Group	401,964	902	1.66
Orange Belgium	95,593	1,629	2.99
Vodafone Group	471,786	660	1.21
		3,191	5.86
Utilities 5.84% (6.40%)			
Centrica	1,946,586	2,160	3.97
Drax Group	272,185	1,019	1.87
		3,179	5.84
Financials 28.51% (31.62%)			
Aviva	495,896	2,132	3.92
Barclays	1,105,658	1,782	3.27
HSBC Holdings	406,172	2,650	4.86
Legal & General Group	321,517	908	1.67
Lloyds Banking Group	2,780,367	1,746	3.21
Old Mutual	339,564	426	0.78
Quilter	109,467	166	0.30
Royal Bank of Scotland Group	976,768	2,472	4.54
Standard Chartered	316,585	2,050	3.76
TP ICAP	437,377	1,196	2.20
		15,528	28.51
Technology 2.04% (2.17%)			
Cisco Systems	15,443	656	1.20
Computacenter	43,471	456	0.84
		1,112	2.04
Equities total		51,617	94.76

Portfolio Statement (continued)

	Market Value £000's	% of net assets
Portfolio of investments	51,617	94.76
Net other assets	2,855	5.24
Net assets attributable to unitholders	54,472	100.00

The comparative percentage figures in brackets are as at 10 April 2018.

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

Summary of Portfolio Transactions

Largest purchases

For the year ended 10 April 2019	Cost £000's
BT Group	2,916
TP ICAP	1,849
Royal Mail	1,463
WPP	1,121
Sanofi	868
Marks & Spencer Group	689
Eni	658
Centrica	571
Orange Belgium	543
Schroder Sterling Liquidity Plus Fund I Accumulation GBP [†]	512

Largest sales

For the year ended 10 April 2019	Proceeds £000's
Pearson	3,870
AstraZeneca	3,851
Anglo American	3,186
BP	2,696
Royal Dutch Shell B	2,454
HSBC Holdings	2,251
BT Group	2,246
GlaxoSmithKline	2,199
Wm Morrison Supermarkets	1,894
Tesco	1,835

[†] A related party to the fund (Note 11).

Statement of Total Return

For the year ended 10 April 2019

		2019	2018
	Notes	£000's	£000's
Income			
Net capital gains	2	887	2,652
Revenue	3	3,543	3,267
Expenses	4	(361)	(350)
Net revenue before taxation		3,182	2,917
Taxation	5	(56)	(1)
Net revenue after taxation		3,126	2,916
Total return before distributions		4,013	5,568
Distributions	6	(3,109)	(2,916)
Change in net assets attributable to unitholders from investment activities		904	2,652

Statement of Change in Net Assets Attributable to Unitholders

For the year ended 10 April 2019

	2019		2018	
	£000's	£000's	£000's	£000's
Opening net assets attributable to unitholders		89,344		92,216
Amounts receivable on issue of units	14,506		1,631	
Amounts payable on cancellation of units	(52,204)		(9,999)	
		(37,698)		(8,368)
Dilution adjustment		53		7
Change in net assets attributable to unitholders from investment activities		904		2,652
Retained distribution on Accumulation units		1,869		2,837
Closing net assets attributable to unitholders		54,472		89,344

Balance Sheet

As at 10 April 2019

		2019	2018
	Notes	£000's	£000's
Assets			
Investments		51,617	86,382
Current assets			
Debtors	8	449	501
Cash and bank balances		2,551	2,621
Total assets		54,617	89,504
Liabilities			
Creditors			
Distributions payable		(63)	0
Other creditors	9	(82)	(160)
Total liabilities		(145)	(160)
Net assets attributable to unitholders			
		54,472	89,344

Notes to the Accounts

1 Accounting policies

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 SORP for UK Authorised Funds issued by the IMA 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)).

Revenue

Dividends receivable from equity investments and distributions receivable from authorised unit trusts are recognised net of attributable tax credits and are credited to revenue when they are first quoted ex-dividend. Interest receivable from bank balances is accounted for on an accruals basis.

Special dividends

Special dividends are treated as revenue or capital depending on the facts of each particular case.

Expenses

Expenses of the fund are charged against revenue except for costs associated with the purchase and sale of investments which are allocated to the capital of the fund. All expenses are accounted for on an accruals basis.

For I Accumulation units, S Income units, S Accumulation units and Z Accumulation units the Annual management charge is charged against revenue and is accrued within the unit price. This charge is invoiced directly to X Accumulation unitholders.

Taxation

Corporation tax is provided for on the revenue liable to corporation tax less deductible expenses.

Deferred taxation is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences regarded as permanent. Any liability to deferred taxation is provided for at the average rate of taxation expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Distributions

The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on 10 June to Income unitholders. For Accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units.

Dilution adjustment

In certain circumstances the Manager may apply a dilution adjustment on subscriptions and redemptions of units. If applied, the dilution adjustment is paid to the fund. See Prospectus for further details.

Valuation

Listed investments of the fund have been valued at market value at 18:00 on the balance sheet date. Market value is defined by the SORP as fair value which generally is the bid value of each security.

Forward foreign currency contracts

The net gains are reflected under Net capital gains in the Notes to the Accounts.

Notes to the Accounts (continued)

Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate prevailing on the date of the transaction. Assets and liabilities valued in foreign currencies have been translated into sterling at the exchange rates prevailing at the balance sheet date and the net losses are reflected under Net capital gains in the Notes to the Accounts.

2 Net capital gains

The net capital gains during the year comprise:

	2019 £000's	2018 £000's
Non-derivative securities	890	2,659
Forward foreign currency contracts	11	0
Foreign currency losses	(11)	(5)
Transaction costs	(3)	(2)
Net capital gains	887	2,652

3 Revenue

	2019 £000's	2018 £000's
UK dividends	3,258	3,157
Overseas dividends	277	107
Bank interest	8	3
Total revenue	3,543	3,267

Notes to the Accounts (continued)

4 Expenses

	2019 £000's	2018 £000's
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	337	327
Administration charge	5	0
	342	327
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee's fees	8	10
Safe custody fees	1	1
	9	11
Other expenses:		
Audit fee	10	12
Total expenses	361	350

5 Taxation

(a) Analysis of the tax charge for the year

	2019 £000's	2018 £000's
Overseas withholding tax	56	1
Total current tax (Note 5(b))	56	1

Corporation tax has not been provided for as expenses exceed the revenue liable to corporation tax.

Notes to the Accounts (continued)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for authorised unit trusts of 20% (2018 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2019 £000's	2018 £000's
Net revenue before taxation	3,182	2,917
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	636	583
Effects of:		
Revenue not subject to corporation tax	(707)	(653)
Movement in excess management expenses	71	70
Irrecoverable overseas withholding tax	56	1
Current tax charge for the year (Note 5(a))	56	1

(c) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £718,415 (2018 – £647,914) in respect of unutilised management expenses. It is unlikely the fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year or prior year.

6 Distributions

Distributions

The distribution takes account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprises:

	2019 £000's	2018 £000's
Final Dividend distribution	1,932	2,837
Add: Revenue deducted on cancellation of units	1,514	95
Deduct: Revenue received on issue of units	(337)	(16)
Distributions	3,109	2,916
Net revenue after taxation	3,126	2,916
Equalisation on conversions	(17)	0
Distributions	3,109	2,916

Details of the distribution per unit are set out in the Distribution Table on page 34.

Notes to the Accounts (continued)

7 Fair value hierarchy

Instruments held at the year end are presented in line with amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland Fair value hierarchy disclosures.

Basis of valuation	2019 Assets £000's	2018 Assets £000's
Level 1: Quoted prices	51,617	86,382
Level 2: Observable market data	0	0
Level 3: Unobservable data	0	0
Total	51,617	86,382

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3: Valuation techniques using unobservable inputs.

Unobservable data

Unobservable data has been used only where relevant observable market data is not available. Where there was no reputable price source for an investment, the Manager has assessed information available from internal and external sources in order to arrive at an estimated fair value. The fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. The Manager of the fund also makes judgements and estimates based on their knowledge of recent investment performance, historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions used are under continuous review by the Manager with particular attention paid to the carrying value of the investments.

8 Debtors

	2019 £000's	2018 £000's
Amounts receivable for issue of units	35	2
Accrued revenue	386	499
Overseas withholding tax recoverable	28	0
Total debtors	449	501

9 Other creditors

	2019 £000's	2018 £000's
Amounts payable for cancellation of units	32	136
Accrued expenses	50	24
Total other creditors	82	160

Notes to the Accounts (continued)

10 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2018 – Nil).

11 Related party transactions

The Manager exercises control over the fund and is therefore a related party by virtue of its controlling influence.

Amounts paid during the year or due to the Manager at the balance sheet date are disclosed under Expenses and within Accrued expenses under Other creditors in the Notes to the Accounts.

The Manager acts as principal on all transactions of units in the fund. The aggregate monies received through the issue and cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and Distributions in the Notes to the Accounts. Amounts due from or to the Manager in respect of unit transactions at the balance sheet date are disclosed under Debtors and Other creditors in the Notes to the Accounts.

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's net asset value at the balance sheet date were 78.70% (2018 – 46.08%).

Any significant purchases and sales of related party holdings are disclosed in the Summary of Portfolio Transactions.

12 Unit classes

The fund currently has five unit classes: I Accumulation units, S Income units, S Accumulation units, X Accumulation units and Z Accumulation units. The Annual management charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the Manager, the Investment Adviser and their overhead expenses and for each unit class is as follows:

I Accumulation units	0.75%
S Income units	0.375%
S Accumulation units	0.375%
Z Accumulation units	0.75%

The expense is invoiced directly to X Accumulation unitholders, resulting in a 0% charge to the fund.

The closing net asset value of each unit class, the closing net asset value per unit and the closing number of units in issue are given in the Comparative Tables on pages 12 to 16. The distribution per unit class is given in the Distribution Table on page 34. All classes have the same rights on winding up.

13 Derivative and other financial instruments

In accordance with the investment objective, the fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policy;
- cash and short term debtors and creditors arising directly from operations.

Under normal circumstances, the Manager would expect substantially all of the assets of the fund to be invested in securities appropriate to the fund's investment objective. The fund may invest in deposits without limitation, only with an approved bank and which are repayable on demand or has the right to withdraw and maturing in no more than twelve months. Cash and near cash may only be held in order to assist in the redemption of units, the efficient management of the fund or purposes regarded as ancillary to the fund.

Notes to the Accounts (continued)

The fund has little exposure to credit risk. The main risks arising from the fund's financial instruments are market price, foreign currency, liquidity and interest rate risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year and the prior year.

Market price risk

The fund's investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Prospectus and in the COLL mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

The fund invests in overseas securities valued in foreign currencies may cause the balance sheet to be significantly affected by movements in foreign exchange rates.

Revenue received in other currencies is translated to sterling on or near the date of receipt. The fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Currency risk profile

The currency risk profile of the fund's net assets at the balance sheet date was as follows:

Currency	Monetary exposure £000's	Non-monetary exposure £000's	Total £000's
Euro			
2019	23	4,747	4,770
2018	0	5,522	5,522
South African rand			
2019	18	0	18
2018	0	0	0
Sterling			
2019	2,810	46,214	49,024
2018	2,956	79,998	82,954
US dollar			
2019	4	656	660
2018	6	862	868

Liquidity risk

The primary source of this risk to the fund is the liability to unitholders for any cancellation of units. This risk is minimised by holding cash, readily realisable securities and access to overdraft facilities up to the amount prescribed by the COLL.

Interest rate risk

Interest receivable on bank balances will be affected by fluctuations in interest rates.

Notes to the Accounts (continued)

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of financial assets and liabilities at the balance sheet date was as follows:

Currency	Floating rate financial assets £000's	Financial assets not carrying interest £000's	Total £000's
Euro			
2019	0	4,770	4,770
2018	0	5,522	5,522
South African rand			
2019	0	18	18
2018	0	0	0
Sterling			
2019	2,551	46,618	49,169
2018	2,621	80,493	83,114
US dollar			
2019	0	660	660
2018	0	868	868

Currency	Financial liabilities not carrying interest £000's	Total £000's
Sterling		
2019	145	145
2018	160	160

There are no material amounts of non-interest bearing financial assets, other than equities, which do not have a maturity date.

Floating rate financial assets and financial liabilities

Sterling denominated bank balances bear interest at rates based on the Sterling Overnight Index Average rate. Foreign currency bank balances bear interest at rates based on the London Interbank Offer Rate or its international equivalent.

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Notes to the Accounts (continued)

Global risk exposure

Commitment approach

When using derivatives, the Manager uses a risk management process that enables it to monitor the risk of a fund's derivative positions. The global risk exposure of a fund is calculated daily either by means of the commitment approach or the Value-at-Risk (VaR) approach.

Under the commitment approach, the global risk exposure is defined as the underlying market value of derivatives, after netting and hedging as permitted by the regulation, not exceeding the Net Asset Value of a fund. This is typically used on funds where derivative usage is low or funds which limit their derivatives commitment to 100% or less of their Net Asset Value.

The global risk exposure of the fund is calculated using the commitment approach. During the year ended 10 April 2019 the global risk exposure of the fund did not exceed 100% of its Net Asset Value. The lowest, highest, average and actual level of leverage for the fund as at the balance sheet date was as follows:

Leverage

	Lowest	Highest	Average	Leverage at 10 April
2019	0.00%	1.35%	0.01%	0.00%
2018	0.00%	4.56%	0.05%	0.00%

14 Direct transaction costs

In the case of shares, broker commissions and transfer taxes/stamp duty are paid by the fund on each transaction. In addition, there is a dealing spread between buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

2019	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Equities	15,901	6	67	15,974	0.04	0.42
Funds	512	0	0	512	0.00	0.00
	16,413	6	67	16,486		
Sales						
Equities	51,643	(14)	(1)	51,628	(0.03)	0.00
Funds	512	0	0	512	0.00	0.00
	52,155	(14)	(1)	52,140		
Total cost of the fund's average net asset value (%)						
		0.02	0.09			

Notes to the Accounts (continued)

2018	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Equities	15,946	6	55	16,007	0.04	0.34
Sales						
Equities	19,784	(7)	0	19,777	(0.04)	0.00
Total cost of the fund's average net asset value (%)		0.02	0.06			

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.07% (2018 – 0.06%).

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

15 Units in issue reconciliation

	Number of units in issue as at 10.4.18	Number of units issued	Number of units cancelled	Number of units converted	Number of units in issue as at 10.4.19
I Accumulation units	15,038,518	1,263,139	(2,277,565)	0	14,024,092
S Income units	0	2,209,214	0	2,818,312	5,027,526
S Accumulation units	2,000	8,186,911	46,637	(2,629,468)	5,606,080
X Accumulation units	23,752,228	2,628,014	(23,540,857)	0	2,839,385
Z Accumulation units	2,000	541,611	(39,486)	0	504,125

UCITS remuneration disclosures for Schroder Unit Trusts Limited ('SUTL') for the year to 31 December 2018

These disclosures form part of the non-audited section of this annual report and accounts and should be read in conjunction with the Schroders plc Remuneration Report on pages 68 to 90 of the 2018 Annual Report & Accounts (available on the Group's website – www.schroders.com/ir), which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

The UCITS Material Risk Takers ('UCITS MRTs') of SUTL are individuals whose roles within the Schroders Group can materially affect the risk of SUTL or any UCITS fund that it manages. These roles are identified in line with the requirements of the UCITS Directive and guidance issued by the European Securities and Markets Authority.

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the UCITS Directive are met for all UCITS MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SUTL are responsible for the adoption of the remuneration policy, for reviewing its general principles at least annually, for overseeing its implementation and for ensuring compliance with relevant local legislation and regulation. During 2018 the Remuneration Policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made.

The implementation of the remuneration policy is, at least annually, subject to independent internal review for compliance with the policies and procedures for remuneration adopted by the Board of SUTL and the Remuneration Committee. The most recent review found no fundamental issues but resulted in a range of more minor recommendations, principally improvements to process and policy documentation.

The total spend on remuneration is determined based on a profit share ratio, measuring variable remuneration charge against pre-bonus profit, and from a total compensation ratio, measuring total remuneration expense against net income. This ensures that the interests of employees are aligned with Schroders financial performance. In determining the remuneration spend each year, the underlying strength and sustainability of the business is taken into account, along with reports on risk, legal, compliance and internal audit matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2018.

- The total amount of remuneration paid by SUTL to its staff was nil as SUTL has no employees. SUTL has two independent Non Executive Directors who receive fees in respect of their role on the Board of SUTL¹. Employees of other Schroders Group entities who serve as Directors of SUTL receive no additional fees in respect of their role on the Board of SUTL.
- The following disclosures relate to UCITS MRTs of SUTL. Most of those UCITS MRTs were employed by and provided services to other Schroders group companies and clients. As a result, only a portion of remuneration for those individuals is included in the aggregate remuneration figures that follow, based on an objective apportionment to reflect the balance of each role using relevant regulated AUM as a proportion of the total AUM within the scope of each role. The aggregate total remuneration paid to the 142 UCITS MRTs of SUTL in respect of the financial year ended 31 December 2018, and attributed to SUTL or the UCITS funds that it manages, is £12.6 million, of which £4.8 million was paid to senior management, £7.3 million was paid to MRTs deemed to be taking risk on behalf of SUTL or the UCITS funds that it manages and £0.5 million was paid to Control Function MRTs.

For additional qualitative information on remuneration policies and practices see www.schroders.com/rem-disclosures.

1 The fees are not disclosed due to confidentiality and data protection considerations. The amount is not material to SUTL.

Distribution Table

Final distribution for the year ended 10 April 2019

Group 1 Units purchased prior to 11 April 2018

Group 2 Units purchased on or after 11 April 2018

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution payable 10.6.19 p per unit	Distribution paid 10.6.18 p per unit
I Accumulation units				
Group 1	10.6552	–	10.6552	7.9868
Group 2	3.3302	7.3250	10.6552	7.9868
S Accumulation units				
Group 1	2.0112	–	2.0112	–
Group 2	1.0984	0.9128	2.0112	–
X Accumulation units				
Group 1	8.9003	–	8.9003	6.8893
Group 2	3.4309	5.4694	8.9003	6.8893
Z Accumulation units				
Group 1	1.8331	–	1.8331	–
Group 2	0.4373	1.3958	1.8331	–

Final distribution for the period ended 10 April 2019

Group 1 Units purchased on 6 July 2018

Group 2 Units purchased after 6 July 2018

	Net revenue 2019 p per unit	Equalisation 2019 p per unit	Distribution payable 10.6.19 p per unit
S Income units			
Group 1	1.2558	–	1.2558
Group 2	0.4079	0.8479	1.2558

Corporate unitholders (unaudited)

Corporate unitholders receive the dividend distribution payments as detailed below:

100.00% of the total distribution is received as franked investment income.

Equalisation

Equalisation applies to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of Group 2 units and is refunded to the holders of these units as a return of capital.

Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

General Information

Manager¹

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU
Authorised and regulated by the Financial Conduct Authority

Investment Adviser¹

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

Registrar¹

Schroder Unit Trusts Limited
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Authorised and regulated by the Financial Conduct Authority

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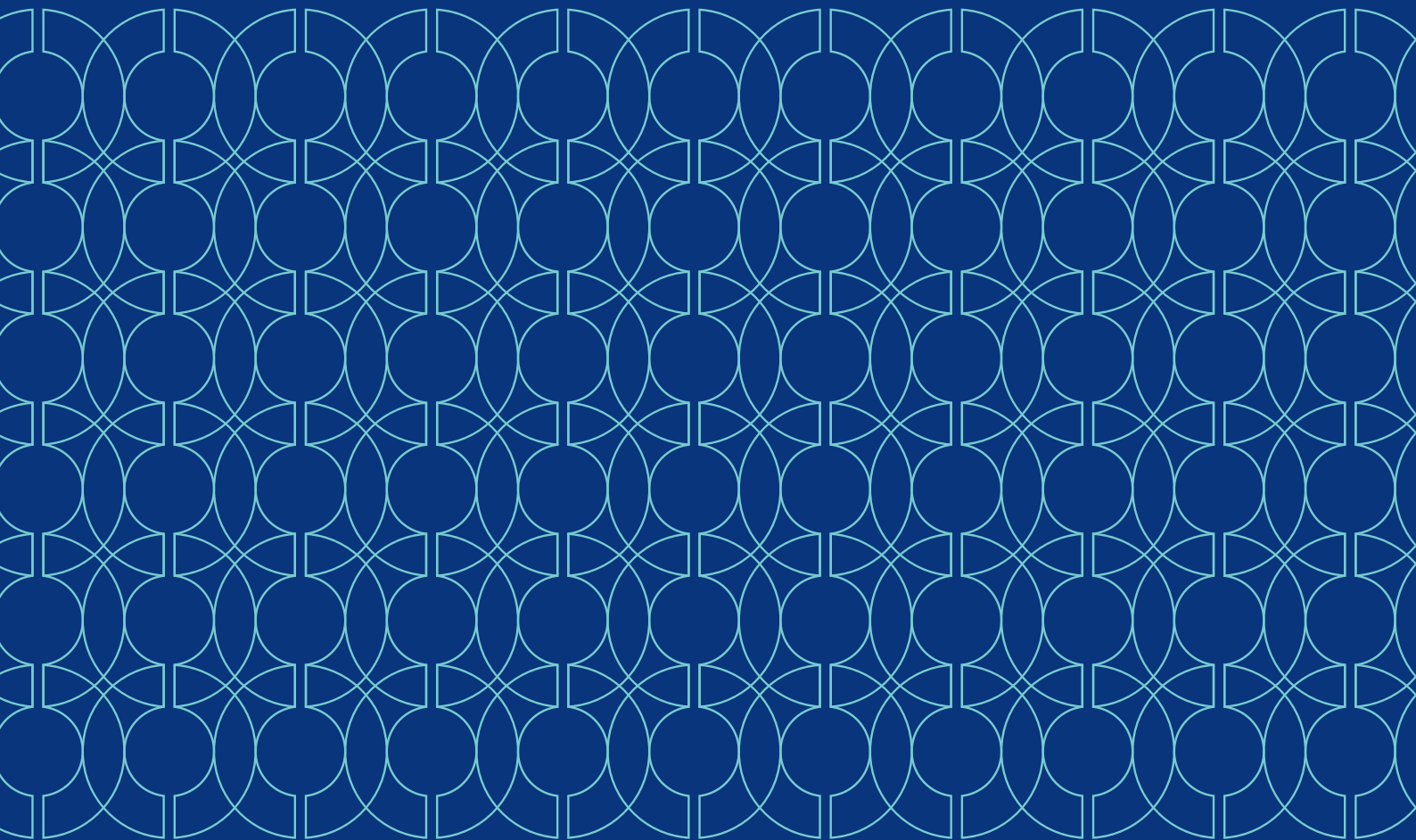
1 With effect from 4 September 2018, Schroder Unit Trusts Limited and Schroder Investment Management Limited changed address, previously it was 31 Gresham Street, London EC2V 7QA.

Authorisation

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

Other information

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.



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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.

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