

Schroder European Fund

July 2020

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¹ Collectively these comprise the Manager's report.

Fund Information

Investment objective and policy

The Schroder European Fund (the 'Fund') aims to provide capital growth in excess of the FTSE World Series Europe ex UK (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 European companies, excluding the UK.

The Fund is actively managed and invests at least 80% of its assets in equity and equity related securities of large and mid sized European companies, excluding the UK. These are companies that, at the time of purchase, are considered to be in the top 90% by market capitalisation of the European equities market.

The Fund may also invest directly or indirectly in other securities (including in other asset classes), countries (including the UK), regions, industries or currencies, collective investment schemes (including Schroder funds), warrants and money market instruments, and hold cash.

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

Fund characteristics

The Fund's performance should be assessed against its target benchmark, being to exceed the FTSE World Series Europe ex UK (Gross Total Return) index, and compared against the Investment Association Europe ex UK 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.

Significant events

With effect from 22 June 2020, Schroder Unit Trust Limited were replaced by HSBC Bank Plc as the Registrar.

Total purchases and sales

	For the period to 15.7.20 £000's	For the year to 15.1.20 £000's
Total purchases	657,899	1,045,838
Total sales	918,695	1,141,610

Fund Performance

	Number of units in issue 15.7.20	Net asset value per unit 15.7.20	Net asset value per unit 15.1.20
A Income units	992,022	104.34p	105.55p
A Accumulation units	22,776,746	111.85p	113.14p
GBP Hedged A Income units	20,000	78.17p	84.72p
GBP Hedged A Accumulation units	26,486	81.90p	88.77p
GBP Hedged Z Income units	10,915,497	78.74p	85.00p
GBP Hedged Z Accumulation units	1,445,102	86.45p	93.85p
I Income units	7,178,773	1,433.78p	1,443.89p
I Accumulation units	8,754,609	2,273.67p	2,289.69p
L Income units	169,340,978	78.56p	79.14p
L Accumulation units	121,446,366	86.63p	87.28p
Q Euro Accumulation units	57,580,079	103.75¢	110.51¢
S Income units	19,293,084	77.40p	77.86p
Y Accumulation units	592,326,327	76.90p	77.27p
Z Income units	13,149,451	112.81p	113.69p
Z Accumulation units	100,844,745	125.11p	126.09p

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 15 January 2020 to 15 July 2020, the price of I Accumulation units on a dealing price to dealing price basis fell 0.91%. In the same period, the FTSE¹ World European ex UK Index generated a total negative return of 0.60%² in sterling terms.

The period under review was extremely volatile for European equities. An outbreak of novel coronavirus swiftly led to lockdowns across the world as governments tried to slow the spread of the virus. Economic activity ground to a halt in many sectors, and markets tumbled. However, support from both fiscal and monetary authorities helped markets to recover in the second half of the period. Economic activity gradually resumed as most lockdown restrictions were lifted in Europe.

The fund narrowly underperformed the benchmark. Our holdings in aerospace and defence groups Leonardo and Thales were among the main individual detractors. Both groups have well-diversified defence assets but also have some exposure as suppliers to the civil aviation sector, where activity has been very weak due to the pandemic. We expect the nascent recovery to spread into this sector as economic activity resumes. The leading individual contributor was semiconductor equipment maker ASM International. Its innovative technology continues to draw strong demand. Another contributor was tech investor Prosus, benefiting from the robust sales growth at Tencent and its other e-commerce businesses.

New positions in the portfolio include Bayer, which has best-in-class crop science capabilities as well as healthcare assets. We also added healthcare exposure via pharmaceutical group Merck and eyecare specialist Alcon. Exchange operator Deutsche Boerse is another new holding.

The market has moved very swiftly to price the recent improvement in economic activity. Support from central banks means there is ample liquidity in the financial system and this is finding its way into share prices. Cyclical and some value parts of the market may outperform if equity markets continue to rise. We have some exposure to these while focusing on balance in the portfolio overall.

Fund Manager:

Martin Skanberg



Martin joined Schroders in 2004 as an Industrials analyst, before taking on portfolio management responsibilities in 2006 and is now a fund manager for the Schroder European Fund and Schroder ISF EURO Equity

Investment career commenced in 1994 when he joined SEB Asset Management as an investment analyst for Nordic Industrials and Basic Materials. In 1999 he became Head of European Research

Also previously worked at American Express Asset Management as a senior investment analyst responsible for Industrials and Telecommunications

Masters in Financial Economics

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2 Source: Thomson Reuters Datastream.

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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 risk and reward indicator changed from 5 to 6 with effect from 26 June 2020 for A Income units, A Accumulation units, I Income units, I Accumulation units, L Income units, L Accumulation units, Y Accumulation units and Z Income units.

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 losses 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 15 July 2020 were signed on 7 September 2020 on behalf of the Manager by:

P. Chislett
Directors

P. Truscott

Portfolio Statement

	Holding at 15.7.20	Market Value £000's	% of net assets
Equities 98.77% (98.73%)			
Austria 1.01% (3.85%)			
ams	892,071	12,608	1.01
		12,608	1.01
Belgium 1.77% (1.35%)			
UCB	217,942	22,019	1.77
		22,019	1.77
Finland 10.79% (9.50%)			
Neste	1,183,911	39,564	3.19
Nokia	8,437,529	28,976	2.33
Nordea Bank	610,389	3,648	0.29
Sampo A	1,301,987	39,298	3.16
Stora Enso R	191,629	1,868	0.15
Wartsila	3,032,970	20,705	1.67
		134,059	10.79
France 15.73% (19.75%)			
Air Liquide	296,855	36,986	2.98
Alstom	638,374	27,372	2.20
AXA	534,114	9,009	0.73
Bouygues	749,272	22,106	1.78
Carrefour	1,683,109	21,290	1.71
Danone	512,301	28,094	2.26
Publicis Groupe	556,243	13,855	1.12
Thales	425,313	27,486	2.21
Worldline	134,511	9,161	0.74
		195,359	15.73
Germany 31.28% (22.19%)			
Bayer	621,213	36,031	2.90
Beiersdorf	373,085	33,475	2.69
Brenntag	695,540	31,928	2.57
Deutsche Boerse	252,292	37,617	3.03
Deutsche Wohnen	1,024,437	37,493	3.02

	Holding at 15.7.20	Market Value £000's	% of net assets
Evonik Industries	751,630	16,965	1.37
Fresenius	820,707	33,420	2.69
GEA Group	689,715	19,605	1.58
Krones	141,131	7,155	0.58
Merck	474,138	48,848	3.93
Porsche Automobil Holding Preference	714,530	35,131	2.83
RWE	1,260,323	36,932	2.97
SAP	50,462	6,280	0.50
Software	225,021	7,671	0.62
		388,551	31.28
Greece 1.12% (1.72%)			
Hellenic Telecommunications Organization	1,258,851	13,871	1.12
		13,871	1.12
Ireland 0.00% (0.50%)			
Italy 0.26% (4.39%)			
Leonardo	557,780	3,259	0.26
		3,259	0.26
Luxembourg 0.00% (2.35%)			
Netherlands 11.26% (7.92%)			
ASM International	381,468	49,792	4.01
Prosus	649,695	50,875	4.10
STMicroelectronics	1,693,884	39,170	3.15
		139,837	11.26
Norway 0.50% (0.79%)			
DNB	486,782	6,151	0.50
		6,151	0.50

Portfolio Statement (continued)

	Holding at 15.7.20	Market Value £000's	% of net assets
Spain 0.81% (2.44%)			
Industria de Diseno Textil	480,060	10,109	0.81
		10,109	0.81
Sweden 16.11% (7.00%)			
BillrudKorsnas	3,057,730	35,783	2.88
Fastighets AB Balder B	446,722	14,428	1.16
Getinge B	1,963,972	31,939	2.57
Industrivarden C	855,514	16,549	1.33
Munters Group	1,793,078	8,569	0.69
Mycronic	384,938	6,115	0.49
Saab B	1,048,480	23,034	1.86
SKF B	1,768,586	29,869	2.41
Svenska Handelsbanken A	4,269,494	33,827	2.72
		200,113	16.11
Switzerland 8.13% (14.59%)			
Alcon	815,920	38,834	3.13
Cie Financiere Richemont	181,968	9,852	0.79
Julius Baer Group	264,231	9,338	0.75
Lonza Group	31,504	14,915	1.20
Partners Group Holding	16,319	12,221	0.99
Roche Holding	55,302	15,788	1.27
		100,948	8.13
United States of America 0.00% (0.39%)			
Equities total			
		1,226,884	98.77

	Holding at 15.7.20	Market Value £000's	% of net assets
Forward Foreign Currency Contracts 0.00% ((0.01)%)			
Buy CHF 114,921 Sell GBP 97,916 31/07/2020	CHF 114,921	(1)	0.00
Buy EUR 143,179 Sell GBP 128,211 31/07/2020	EUR 143,179	2	0.00
Buy EUR 244,170 Sell GBP 221,842 31/07/2020	EUR 244,170	(1)	0.00
Buy SEK 690,991 Sell GBP 59,664 31/07/2020	SEK 690,991	1	0.00
Sell CHF 1,144,779 Buy GBP 972,034 31/07/2020	CHF (1,144,779)	8	0.00
Sell EUR 31 Buy GBP 29 31/07/2020	EUR (31)	0	0.00
Sell EUR 8,250,037 Buy GBP 7,462,037 31/07/2020	EUR (8,250,037)	(15)	0.00
Sell SEK 19,046,830 Buy GBP 1,639,650 31/07/2020	SEK (19,046,830)	(28)	0.00
Forward Foreign Currency Contracts total		(34)	0.00
Portfolio of investments		1,226,850	98.77
Net other assets		15,324	1.23
Net assets attributable to unitholders		1,242,174	100.00

The comparative percentage figures in brackets are as at 15 January 2020.

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

Statement of Total Return (unaudited)

For the six months ended 15 July 2020

	15.7.20		15.7.19	
	£000's	£000's	£000's	£000's
Income				
Net capital (losses)/gains		(49,900)		167,791
Revenue	19,540		35,797	
Expenses	(4,179)		(4,934)	
Net revenue before taxation	15,361		30,863	
Taxation	(454)		(2,182)	
Net revenue after taxation		14,907		28,681
Total return before distributions		(34,993)		196,472
Distributions		(690)		(338)
Change in net assets attributable to unitholders from investment activities		(35,683)		196,134

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

For the six months ended 15 July 2020

	15.7.20		15.7.19	
	£000's	£000's	£000's	£000's
Opening net assets attributable to unitholders		1,557,678 [^]		1,395,821
Amounts receivable on issue of units	26,338		70,520	
Amounts payable on cancellation of units	(306,343)		(104,577)	
		(280,005)		(34,057)
Dilution adjustment		183		67
Change in net assets attributable to unitholders from investment activities		(35,683)		196,134
Unclaimed distributions		1		0
Closing net assets attributable to unitholders		1,242,174		1,557,965[^]

[^] 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 15 July 2020

	15.7.20	15.1.20
	£000's	£000's
Assets		
Investments	1,226,895	1,537,857
Current assets		
Debtors	7,771	13,598
Cash and bank balances	19,597	28,157
Total assets	1,254,263	1,579,612
Liabilities		
Investment liabilities	(45)	(64)
Creditors		
Distributions payable	0	(4,457)
Other creditors	(12,044)	(17,413)
Total liabilities	(12,089)	(21,934)
Net assets attributable to unitholders	1,242,174	1,557,678

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 15 January 2020 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

To 21 June 2020
Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU
Authorised and regulated by the Financial Conduct Authority

From 22 June 2020
HSBC Bank Plc
8 Canada Square
London E14 8HQ
Authorised and regulated by the Financial Conduct Authority

Administration Details

Schroders Investor Services
PO BOX 1402
Sunderland
SR43 4AF

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Authorisation

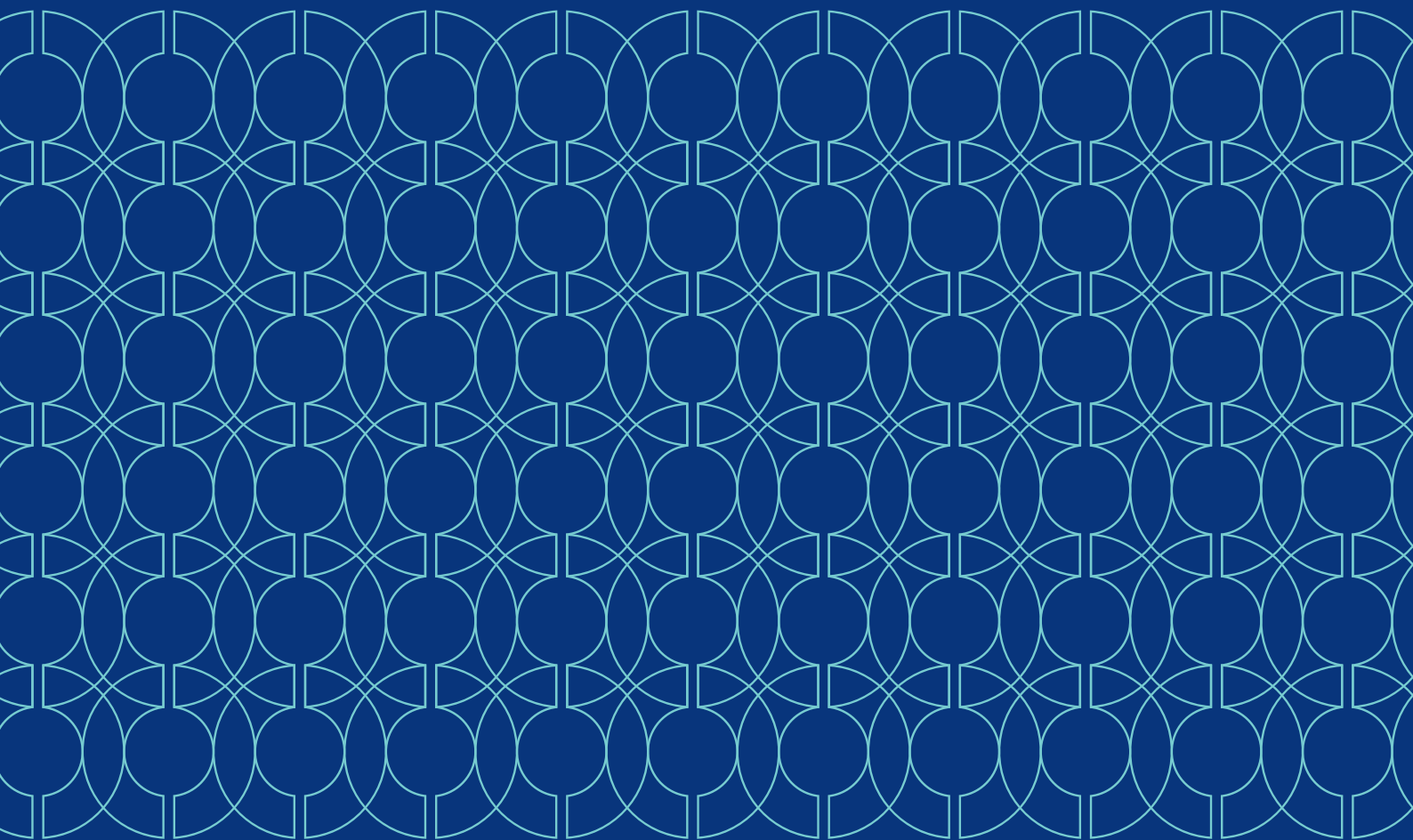
The Fund is an authorised unit trust and is constituted pursuant to the Collective Investment Schemes sourcebook and is structured as a Trust. The Fund is a UCITS scheme for the purpose of the categorisation of the Collective Investment Schemes sourcebook.

Value assessment

A statement on the Assessment of Value is published on the Global Fund Centre in the Fund Literature section at www.Schroders.com within 4 months of the annual 'reference date' 31 December.

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.com.



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