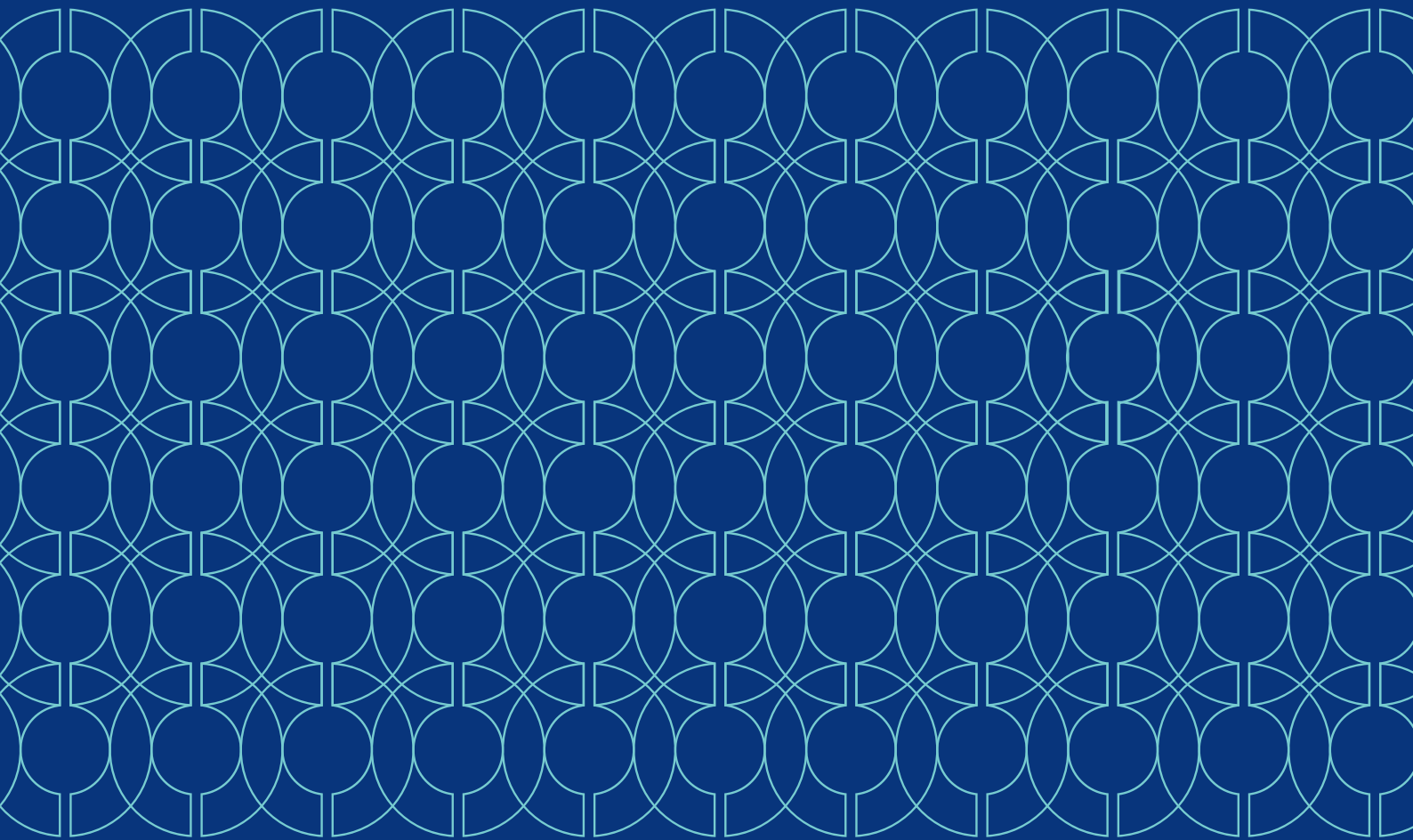


Schroders

Schroder Investment Fund
Company

Final Report and Accounts

December 2018



Schroder Investment Fund Company

December 2018

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1 Collectively these comprise the Authorised Corporate Director's (ACD's) report.

Company Information

General information

Schroder Investment Fund Company (SIFCo or the company) is an umbrella company comprising ten sub funds which have their own investment objectives and policies. As at 31 December 2018 the company had the following sub funds available:

Schroder UK Opportunities Fund
Schroder UK Dynamic Smaller Companies Fund
Schroder Sterling Corporate Bond Fund
Schroder European Recovery Fund
Schroder Core UK Equity Fund
Schroder UK Alpha Income Fund
Schroder Strategic Credit Fund
Schroder European Alpha Income Fund
Schroder Global Recovery Fund
Schroder Multi-Asset Total Return Fund

Principle activities

The company's principle activity is to carry on business as an Open Ended Investment Company (OEIC). The company is structured as an umbrella company and different sub funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the Financial Conduct Authority (FCA).

The sub funds are operated separately and the assets of each sub fund are managed in accordance with the investment objective and policy applicable to that sub fund.

Liabilities of the company

The sub funds are segregated portfolios of assets and, accordingly, the assets of each sub fund belong exclusively to that sub fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the company, or any other sub fund, and shall not be available for any such purpose. Subject to the above, each sub fund will be charged with the liabilities, expenses, costs and charges attributable to that sub fund and within each sub fund charges will be allocated as far as possible according to the net asset value of that particular share class. Any assets, liabilities, expenses, costs or charges not attributable to a particular sub fund may be allocated by the ACD in a manner which it believes is fair to the shareholders generally. This will normally be pro rata to the net asset value of the relevant sub funds.

Shareholders are not liable for the debts of the company.

Shareholders are not liable to make any further payments to the company after they have paid the purchase price of the share.

Significant events

With effect from 14 May 2018, Schroder European Opportunities Fund changed its name to Schroder European Recovery Fund.

Statement of the Authorised Corporate Director's Responsibilities

The FCA's Collective Investment Schemes sourcebook (COLL) requires the ACD 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 company and of its net revenue and the net capital losses on the property of the company for the year. In preparing the accounts the ACD 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 company 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 ACD is responsible for the management of the company in accordance with The Open Ended Investment Companies Regulations 2001 (SI 2001/1228) ('the OEIC Regulations'), the Company's Instrument of Incorporation, 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 ACD's report and accounts for the year ended 31 December 2018 were signed on 14 March 2019 on behalf of the ACD by:

J.A. Walker-Hazell
Directors

P. Middleton

Report of the Depositary

Statement of the Depositary's responsibilities in respect of the Scheme and report of the Depositary to the shareholders of the Schroder Investment Fund Company ('the company') for the year ended 31 December 2018

The Depositary must ensure that the company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the regulations'), the company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

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

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

The Depositary must ensure that:

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

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

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

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

J.P. Morgan Europe Limited

Depositary
Bournemouth
28 January 2019

Independent Auditors' Report to the Shareholders of Schroder Investment Fund Company

Report on the audit of the financial statements

Opinion

In our opinion, Schroder Investment Fund Company's financial statements:

- give a true and fair view of the financial position of the company and each of the sub funds as at 31 December 2018 and of the net revenue and the net capital losses on the scheme property of the company and each of the sub funds 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 Instrument of Incorporation.

Schroder Investment Fund Company (the 'company') is an Open Ended Investment Company ('OEIC') with ten sub funds. The financial statements of the company comprise the financial statements of each of the sub funds. We have audited the financial statements, included within the Final Report and Accounts (the 'Annual Report') which comprise: the balance sheet as at 31 December 2018; the statement of total return and the statement of change in net assets attributable to shareholders for the year then ended; the distribution tables; the accounting policies; and the notes to the financial statements.

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 company 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 Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's or any of the sub funds' 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.

Independent Auditors' Report to the Shareholders of Schroder Investment Fund Company (continued)

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's or any of the sub funds' ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's business and the wider economy.

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 Authorised Corporate Director 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.

Authorised Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director'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 Authorised Corporate Director for the financial statements

As explained more fully in the Statement of the Authorised Corporate Director's Responsibilities set out on page 11, the Authorised Corporate Director 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 Authorised Corporate Director 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 Authorised Corporate Director is responsible for assessing the company's and each of the sub funds 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 Authorised Corporate Director either intends to wind up or terminate the company or individual sub fund, or has no realistic alternative but to do so.

Independent Auditors' Report to the Shareholders of Schroder Investment Fund Company (continued)

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.

Use of this report

This report, including the opinions, has been prepared for and only for the company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 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.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh
14 March 2019

Statement of Cross Holdings

As at 31 December 2018 there were no sub fund cross holdings within the company.

Accounting policies

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 and real estate income distributions receivable from equity investments and distributions receivable from authorised unit trusts and other collective investment schemes are recognised net of attributable tax credits and are credited to revenue when they are first quoted ex-dividend. The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the company. Any enhancement above the cash dividend is treated as capital. Interest receivable from bank balances and futures clearing houses and brokers are accounted for on an accruals basis. Interest receivable from debt securities is accounted for on an effective yield basis. The dividend equivalent values on contracts for difference (CFD) received on long positions are recognised when the underlying securities are quoted ex-dividend. These are included in Revenue as Net revenue return from derivative contracts. Option premium received by the company is amortised to revenue over the period to maturity where the option is out of the money at the time the contract is written. Option premium is taken to capital for options that are in the money at the time of writing. The revenue policies for derivatives are described below.

The Annual management charge and Administration charge in respect of the Schroder funds in which the company invests are rebated to the company so that no double charging occurs. All rebates are treated as revenue or capital based on the underlying fund's treatment.

Special dividends

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

Equalisation

Equalisation on distributions received by the fund is deducted from the cost of investments. As such the equalisation on distributions received by the fund does not form part of the fund's distributions.

Interest on debt securities bought or sold

Interest on debt securities bought or sold is excluded from the capital cost of securities, and is dealt with as part of the revenue of the company.

Expenses

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

All expenses are initially charged to revenue but ultimately borne by the capital of Schroder Sterling Corporate Bond Fund, Schroder Core UK Equity Fund, Schroder UK Alpha Income Fund, Schroder Strategic Credit Fund and Schroder European Alpha Income Fund.

For Schroder Multi-Asset Total Return Fund, the Annual management charge is invoiced directly to X Income shareholders and X Accumulation shareholders.

The costs of establishing and maintaining the hedging programme for the hedged share classes, the liabilities, expenses and charges directly attributable to a hedged share class will be allocated to the capital of that specific hedged share class.

Interest on CFDs is recognised on an earned basis and is included in Interest payable and similar charges.

Accounting policies (continued)

Taxation

Schroder Sterling Corporate Bond Fund and Schroder Strategic Credit Fund satisfied the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 throughout the year. All distributions made are therefore made as interest distributions.

Corporation tax on the other sub funds is provided for on the revenue liable to corporation tax less deductible expenses. The tax effect of different items of revenue or expenses is allocated between revenue and capital using the marginal basis.

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 company, less deductible expenses and taxation charged to revenue. For the purpose of calculating the distribution, revenue on debt securities is calculated on a coupon basis where this exceeds the amount determined on an effective yield basis. As a consequence, the capital value of the company may be eroded. Schroder Sterling Corporate Bond Fund is on a coupon basis and Schroder Strategic Credit Fund is on an effective yield basis. This revenue is distributed annually on 28 February to Income shareholders for Schroder European Recovery Fund, Schroder Global Recovery Fund and Schroder Multi-Asset Total Return Fund. An interim distribution, based on available revenue at the half year, is distributed on 31 August to Income shareholders for Schroder UK Opportunities Fund, Schroder UK Dynamic Smaller Companies Fund, Schroder Core UK Equity Fund, Schroder UK Alpha Income Fund and Schroder Strategic Credit Fund, and two quarterly distributions are distributed on 31 May and 30 November respectively to Income shareholders for Schroder Sterling Corporate Bond Fund and Schroder European Alpha Income Fund. For Accumulation shares this revenue is not distributed but automatically reinvested in the company and is reflected in the value of these shares.

The ordinary element of scrip dividends is treated as revenue and forms part of the distribution, with the exception of the following sub funds where scrip dividends do not form part of the distribution. The distribution is in accordance with the COLL.

Schroder UK Dynamic Smaller Companies Fund
Schroder European Recovery Fund

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the company.

Dilution adjustment

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

Valuation

Listed investments of the company have been valued at market value, dual priced authorised unit trusts have been valued at cancellation price, single priced authorised unit trusts have been valued at the dealing price open ended investment companies have been valued at the latest available bid price at 18:00 on the balance sheet date, net of any accrued interest which is included in the balance sheet as a revenue related item. Market value is defined by the SORP as fair value which generally is the bid value of each security and the offer value for short positions. Unquoted, illiquid and suspended investments are valued by the Investment Adviser by an independent broker at a best assessment of fair value. Suspended securities which have previously been reported as having no value and expected to have no value in the future, are not included within the Portfolio Statement.

Accounting policies (continued)

Forward foreign currency contracts

Open forward foreign exchange contracts are shown in the Portfolio Statements at market value and the net (losses)/gains are reflected under Net capital (losses)/gains in the Notes to the Accounts. On Schroder European Alpha Income Fund these relate to the GBP hedged share classes only.

Contracts for differences

Open CFDs are shown in the Portfolio Statements and are priced at fair value using valuation models and data sourced from market data providers. The upfront fees received on a mark to market basis are split between capital and revenue as appropriate. The capital element is reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts and the revenue element is reflected within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts. Net (losses)/gains are reflected within derivative contracts under Net capital (losses)/gains in the Notes to the Accounts.

Futures contracts

Open futures contracts are shown in the Portfolio Statement at market value and the net (losses)/gains are reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts. Other returns are included within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts.

Credit default swaps

Open credit default swaps are shown in the Portfolio Statements at market value and are priced at fair value using valuation models and data sourced from market data providers. The upfront fees received on a mark to market basis are split between capital and revenue as appropriate. The capital element is reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts and the revenue element is reflected within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts. Net losses are reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts. For sell protections, periodic premiums are accounted for on an accruals basis and are included within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts.

Interest rate swaps

Open interest rate swaps are shown in the Portfolio Statement and are priced at fair value using valuation models and data sourced from market data providers. Net losses are reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts. Interest receivable or payable on interest rate swaps is accounted for on an accruals basis and is included within Net revenue return from derivative contracts under Revenue in the Notes to the Accounts.

Options contracts

Over the counter option contracts are shown in the Portfolio Statement and are priced at fair value using valuation models and data sourced from market data providers. Net losses are reflected within Derivative contracts under Net capital (losses)/gains in the Notes to the Accounts.

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. Net gains/(losses) are reflected under Net capital (losses)/gains in the Notes to the Accounts.

Accounting policies (continued)

GBP hedged share classes

Hedged share classes allow the ACD to use currency hedging transactions to seek to minimise the effect of exchange rate fluctuations between the base currency and the portfolio currencies of the company. Currency hedging transactions include entering into over the counter currency forward contracts and foreign exchange agreements.

Where undertaken, the effect of hedging will be reflected in the net asset value and therefore, in the performance of the relevant hedged share class. Any benefits or losses of the hedging transactions will accrue to shareholders in that hedged share class only.

The ACD will aim to hedge the capital currency exposure of the net asset value attributable to a hedged share class, however, the hedge may not always be at 100%. This is to avoid the transaction costs of making small and frequent adjusting transactions. The ACD will review the relevant hedging positions daily and, if appropriate, adjust the hedge to reflect any change in currency exposure and the flow of shareholder issue and cancellation of shares.

Fund Information

Investment objective and policy

The Schroder UK Opportunities Fund (the 'fund') aims to achieve capital growth and income by investing in equity and equity related securities of companies in the UK.

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 40 to 50 companies.

The fund aims to take advantage of investment opportunities in varying market conditions. The fund follows an investment approach based around the business cycle, where the Investment Manager attempts to identify turning points in the cycle and then focuses on the types of companies that will benefit from this.

The fund may also invest in other equity and equity related securities, collective investment schemes, 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.

Financial highlights

Dealing price	31.12.18	29.12.17	% change
A Accumulation shares	374.10p	445.80p	(16.08)
C Income shares	281.90p	341.80p	(17.52)
C Accumulation shares	416.80p	494.00p	(15.63)
D Income shares	45.61p	55.28p	(17.49)
D Accumulation shares	51.62p	60.99p	(15.36)
S Income shares	44.10p	53.46p	(17.51)
Z Income shares	376.60p	456.50p	(17.50)
Z Accumulation shares	442.60p	523.30p	(15.42)
	28.2.19	28.2.18	
Final distribution per Z Income share	4.4699p	4.0487p	

Fund Information (continued)

Fund information

Launch date	2 July 1999	
Launch price	135.27p per C Income share	
	135.27p per C Accumulation share	
	135.27p per Z Accumulation share	
Launch date	25 February 2002	
Launch price	110.56p per A Accumulation share	
Launch date	1 December 2011	
Launch price	250.64p per Z Income share	
Launch date	1 October 2013	
Launch price	50.00p per D Income share	
	50.00p per D Accumulation share	
Launch date	1 November 2013	
Launch price	50.00p per S Income share	
	Interim	Final
Accounting dates	30 June	31 December
Revenue allocation dates	31 August	28 February

Ongoing charges figure

	For the year to 31.12.18	For the year to 31.12.17
A Accumulation shares	1.67%	1.67%
C Income shares	1.17%	1.17%
C Accumulation shares	1.17%	1.17%
D Income shares	0.84%	0.84%
D Accumulation shares	0.84%	0.84%
S Income shares	0.54%	0.54%
Z Income shares	0.92%	0.92%
Z Accumulation shares	0.92%	0.92%

Review of Investment Activities

From 29 December 2017 to 31 December 2018, the price of Z Accumulation shares on a dealing price to dealing price basis fell 15.42%. In comparison, the FTSE¹ All Share Index generated a negative total return of 9.47%².

The FTSE All Share Index fell in the year as global activity slowed and liquidity support was removed from markets as the Federal Reserve raised US interest rates. Financials and industrial cyclicals struggled in the year while growth defensives were the best performers despite their high valuations. Commodity cyclicals also held up relatively, while value defensives were mixed.

It was a challenging year for the fund after a good 2017. Overall business cycle positioning was a small positive contributor given the underweight in Financials and modest defensive skew in growth and value defensives. At the stock level, key holdings in GlaxoSmithKline, QinetiQ Group, Smith & Nephew and Hiscox added value alongside Games Workshop Group and GKN. However, overall stock selection was negative as overweight positions in Thomas Cook Group, British American Tobacco, TP ICAP and Weir Group held back returns while in the growth category XLMedia, Sophos Group and Smart Metering Systems impacted returns negatively.

New positions in the year were a combination of defensive assets and special situations with the fund adding to British American Tobacco and Close Brothers Group. Other purchases were XLMedia, Smart Metering Systems and Huntsworth. These were funded by exiting positions in Shire, easyJet, Essentra and GKN among others.

It is already late in the business cycle and the risks to growth are rising. Short term the market has priced in some downside but the UK's exit from the EU adds further uncertainty. UK equities are trading in around twelve times the price earnings ratio with a prospective yield of over 4.4% which appears good value, especially against other equity markets.

Fund Manager:
Matthew Hudson



Matthew Hudson joined Schroders in July 2013 following the acquisition of Cazenove Capital

He joined Cazenove Capital in 2001 from AIB Govett Investment Management. Prior to this he was a chartered accountant at PricewaterhouseCoopers

He is the Head of the Pan European Business Cycle equity Team at Schroders with responsibility for UK equity income and UK opportunities portfolios

He manages the Schroder UK Alpha Income Fund, Schroder UK Opportunities Fund, SIF UK Alpha Income Fund and SUTL Cazenove Charity Equity Income Fund, a Charity Authorised Investment Fund

He Graduated from Cambridge University with a degree in history and has 20 years' investment experience

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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 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 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.

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

Comparative Tables

A Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	447.51	388.39	361.60
Return before operating charges	(65.28)	66.07	32.79
Operating charges	(7.27)	(6.95)	(6.00)
Return after operating charges*	(72.55)	59.12	26.79
Distributions ¹	(8.13)	(6.92)	(6.31)
Retained distributions ¹	8.13	6.92	6.31
Closing net asset value	374.96	447.51	388.39
*after direct transaction costs of	(1.47)	(1.59)	(1.00)
Performance			
Return after charges (%)	(16.21)	15.22	7.41
Other information			
Closing net asset value (£000's)	24,556	55,482	61,817
Closing number of shares	6,548,872	12,397,866	15,916,242
Operating charges (%)	1.67	1.67	1.67
Direct transaction costs (%)**	0.34	0.38	0.28
Prices			
Highest dealing price (p)	464.80	445.80	387.40
Lowest dealing price (p)	366.50	389.60	317.80

Comparative Tables (continued)

C Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	340.48	300.29	284.62
Return before operating charges	(49.18)	50.86	25.37
Operating charges	(3.82)	(3.74)	(3.29)
Return after operating charges*	(53.00)	47.12	22.08
Distributions ¹	(7.90)	(6.93)	(6.41)
Closing net asset value	279.58	340.48	300.29
*after direct transaction costs of	(1.11)	(1.22)	(0.79)
Performance			
Return after charges (%)	(15.57)	15.69	7.76
Other information			
Closing net asset value (£000's)	4,458	6,123	23,078
Closing number of shares	1,594,531	1,798,294	7,684,942
Operating charges (%)	1.17	1.17	1.17
Direct transaction costs (%)**	0.34	0.38	0.28
Prices			
Highest dealing price (p)	354.30	341.80	301.50
Lowest dealing price (p)	276.10	301.30	250.30

Comparative Tables (continued)

C Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	495.96	428.30	396.77
Return before operating charges	(72.67)	73.03	36.14
Operating charges	(5.61)	(5.37)	(4.61)
Return after operating charges*	(78.28)	67.66	31.53
Distributions ¹	(11.58)	(9.96)	(8.98)
Retained distributions ¹	11.58	9.96	8.98
Closing net asset value	417.68	495.96	428.30
*after direct transaction costs of	(1.62)	(1.75)	(1.11)
Performance			
Return after charges (%)	(15.78)	15.80	7.95
Other information			
Closing net asset value (£000's)	6,755	9,308	17,403
Closing number of shares	1,617,271	1,876,831	4,063,375
Operating charges (%)	1.17	1.17	1.17
Direct transaction costs (%)**	0.34	0.38	0.28
Prices			
Highest dealing price (p)	516.10	494.00	426.70
Lowest dealing price (p)	408.20	429.80	348.90

Comparative Tables (continued)

D Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	54.98	48.49	45.97
Return before operating charges	(7.94)	8.21	4.11
Operating charges	(0.46)	(0.43)	(0.39)
Return after operating charges*	(8.40)	7.78	3.72
Distributions ¹	(1.42)	(1.29)	(1.20)
Closing net asset value	45.16	54.98	48.49
*after direct transaction costs of	(0.18)	(0.19)	(0.13)
Performance			
Return after charges (%)	(15.28)	16.04	8.09
Other information			
Closing net asset value (£000's)	39	262	2,672
Closing number of shares	86,137	475,903	5,511,424
Operating charges (%)	0.84	0.84	0.84
Direct transaction costs (%)**	0.34	0.38	0.28
Prices			
Highest dealing price (p)	57.29	55.28	48.75
Lowest dealing price (p)	44.68	48.66	40.44

Comparative Tables (continued)

D Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	61.23	52.70	48.66
Return before operating charges	(8.99)	9.01	4.46
Operating charges	(0.51)	(0.48)	(0.42)
Return after operating charges*	(9.50)	8.53	4.04
Distributions ¹	(1.61)	(1.41)	(1.26)
Retained distributions ¹	1.61	1.41	1.26
Closing net asset value	51.73	61.23	52.70
*after direct transaction costs of	(0.20)	(0.21)	(0.14)
Performance			
Return after charges (%)	(15.52)	16.19	8.30
Other information			
Closing net asset value (£000's)	99	313	1,700
Closing number of shares	192,087	511,894	3,226,315
Operating charges (%)	0.84	0.84	0.84
Direct transaction costs (%)**	0.34	0.38	0.28
Prices			
Highest dealing price (p)	63.80	60.99	52.51
Lowest dealing price (p)	50.56	52.90	42.80

Comparative Tables (continued)

S Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	53.10	46.82	44.38
Return before operating charges	(7.69)	7.95	3.96
Operating charges	(0.28)	(0.27)	(0.24)
Return after operating charges*	(7.97)	7.68	3.72
Distributions ¹	(1.55)	(1.40)	(1.28)
Closing net asset value	43.58	53.10	46.82
*after direct transaction costs of	(0.17)	(0.20)	(0.12)
Performance			
Return after charges (%)	(15.01)	16.40	8.38
Other information			
Closing net asset value (£000's)	30,694	40,430	821
Closing number of shares	70,427,540	76,144,318	1,753,483
Operating charges (%)	0.54	0.54	0.54
Direct transaction costs (%)**	0.34	0.38	0.28
Prices			
Highest dealing price (p)	55.39	53.46	47.14
Lowest dealing price (p)	43.19	47.00	39.05

Comparative Tables (continued)

Z Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	454.24	400.60	379.69
Return before operating charges	(65.64)	67.91	33.86
Operating charges	(4.03)	(3.93)	(3.45)
Return after operating charges*	(69.67)	63.98	30.41
Distributions ¹	(11.63)	(10.34)	(9.50)
Closing net asset value	372.94	454.24	400.60
*after direct transaction costs of	(1.48)	(1.62)	(1.05)
Performance			
Return after charges (%)	(15.34)	15.97	8.01
Other information			
Closing net asset value (£000's)	8,112	13,864	39,730
Closing number of shares	2,175,179	3,052,002	9,917,603
Operating charges (%)	0.92	0.92	0.92
Direct transaction costs (%)**	0.34	0.38	0.28
Prices			
Highest dealing price (p)	473.20	456.50	402.60
Lowest dealing price (p)	368.80	402.00	334.00

Comparative Tables (continued)

Z Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	525.36	452.54	418.18
Return before operating charges	(77.14)	77.29	38.18
Operating charges	(4.68)	(4.47)	(3.82)
Return after operating charges*	(81.82)	72.82	34.36
Distributions ¹	(13.54)	(11.75)	(10.53)
Retained distributions ¹	13.54	11.75	10.53
Closing net asset value	443.54	525.36	452.54
*after direct transaction costs of	(1.72)	(1.85)	(1.17)
Performance			
Return after charges (%)	(15.57)	16.09	8.22
Other information			
Closing net asset value (£000's)	93,219	143,963	213,932
Closing number of shares	21,016,896	27,402,967	47,273,962
Operating charges (%)	0.92	0.92	0.92
Direct transaction costs (%)**	0.34	0.38	0.28
Prices			
Highest dealing price (p)	547.30	523.30	450.90
Lowest dealing price (p)	433.50	454.20	367.80

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.

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 31.12.18	Market Value £000's	% of net assets
Equities 92.88% (99.03%)			
Oil & Gas 16.67% (10.35%)			
BP	2,247,264	11,145	6.64
Hunting	325,264	1,530	0.91
Royal Dutch Shell B	638,653	15,325	9.12
		28,000	16.67
Basic Materials 7.53% (8.67%)			
BHP Group	253,400	4,180	2.49
Croda International	58,038	2,719	1.62
Rio Tinto	128,457	4,791	2.85
Synthomer	267,570	956	0.57
		12,646	7.53
Industrials 10.11% (13.69%)			
Ferguson	42,462	2,127	1.27
Forterra	745,916	1,649	0.98
Melrose Industries	1,942,769	3,183	1.90
QinetiQ Group	1,762,297	5,047	3.00
Smart Metering Systems [#]	528,717	2,755	1.64
Weir Group	170,242	2,210	1.32
		16,971	10.11
Consumer Goods 9.15% (9.54%)			
Associated British Foods	172,471	3,524	2.10
British American Tobacco	279,698	6,993	4.16
Games Workshop Group	160,168	4,861	2.89
		15,378	9.15
Health Care 10.53% (7.03%)			
AstraZeneca	49,941	2,929	1.75
GlaxoSmithKline	668,126	9,963	5.93

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Health Care (continued)			
Smith & Nephew	327,673	4,797	2.85
		17,689	10.53
Consumer Services 11.88% (11.60%)			
B&M European Value Retail	1,383,190	3,894	2.32
Cineworld Group	1,568,299	4,127	2.46
Huntsworth	2,289,441	2,427	1.45
RELX	106,318	1,719	1.02
Whitbread	65,297	2,990	1.78
Wm Morrison Supermarkets	1,289,307	2,749	1.64
XLMedia [#]	2,788,910	2,036	1.21
		19,942	11.88
Telecommunications 0.00% (4.00%)			
Financials 21.56% (29.10%)			
Barclays	831,302	1,251	0.75
Charter Court Financial Services Group	887,866	2,220	1.32
Close Brothers Group	153,119	2,205	1.31
Hiscox	241,274	3,899	2.32
Just Group	2,083,959	1,893	1.13
Lloyds Banking Group	14,724,940	7,623	4.54
London Stock Exchange Group	138,875	5,638	3.36
RSA Insurance Group	340,177	1,740	1.03
Sherborne Investors Guernsey C	2,210,000	1,547	0.92
Standard Chartered	874,572	5,329	3.17
TP ICAP	951,368	2,863	1.71
		36,208	21.56
Technology 5.45% (5.05%)			
IQE [#]	1,652,478	1,073	0.64
Sage Group	585,766	3,519	2.10

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Technology (continued)			
Sophos Group	1,211,758	4,556	2.71
		9,148	5.45
Equities total			
		155,982	92.88
Portfolio of investments		155,982	92.88
Net other assets		11,950	7.12
Net assets attributable to shareholders		167,932	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

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

Security traded on another regulated market.

Summary of Portfolio Transactions

Largest purchases

For the year ended 31 December 2018	Cost £000's
BP	12,902
British American Tobacco	8,761
Smith & Nephew	7,128
London Stock Exchange Group	6,766
Rio Tinto	6,736
Hunting	5,172
WPP	5,028
QinetiQ Group	4,795
Thomas Cook Group	4,357
Associated British Foods	4,094

Largest sales

For the year ended 31 December 2018	Proceeds £000's
Prudential	10,474
Royal Dutch Shell B	10,320
Vodafone Group	9,381
Rio Tinto	8,375
Barclays	7,637
BHP Billiton	7,590
Balfour Beatty	6,637
Shire	6,508
Hunting	6,312
Direct Line Insurance Group	6,011

Statement of Total Return

For the year ended 31 December 2018

		2018	2017
	Notes	£000's	£000's
Income			
Net capital (losses)/gains	2	(39,117)	39,497
Revenue	3	7,978	10,460
Expenses	4	(2,209)	(3,315)
Net revenue before taxation		5,769	7,145
Taxation	5	(15)	(6)
Net revenue after taxation		5,754	7,139
Total return before distributions		(33,363)	46,636
Distributions	6	(5,756)	(7,200)
Change in net assets attributable to shareholders from investment activities		(39,119)	39,436

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	2018	2017
	£000's	£000's
Opening net assets attributable to shareholders	269,745	361,153
Amounts receivable on issue of shares	462	1,224
Amounts payable on cancellation of shares	(67,098)	(137,027)
	(66,636)	(135,803)
Dilution adjustment	22	0
Change in net assets attributable to shareholders from investment activities	(39,119)	39,436
Retained distribution on Accumulation shares	3,919	4,958
Unclaimed distributions	1	1
Closing net assets attributable to shareholders	167,932	269,745

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£000's	£000's
Assets			
Investments		155,982	267,121
Current assets			
Debtors	8	598	1,394
Cash and bank balances		12,445	2,750
Total assets		169,025	271,265
Liabilities			
Creditors			
Distributions payable		(579)	(609)
Other creditors	9	(514)	(911)
Total liabilities		(1,093)	(1,520)
Net assets attributable to shareholders			
		167,932	269,745

Notes to the Accounts

1 Accounting policies

Basis of preparation

The applicable accounting policies adopted by Schroder UK Opportunities Fund are disclosed on pages 17 to 20.

2 Net capital (losses)/gains

The net capital (losses)/gains during the year comprise:

	2018 £000's	2017 £000's
Non-derivative securities	(39,111)	39,502
Transaction costs	(6)	(5)
Net capital (losses)/gains	(39,117)	39,497

3 Revenue

	2018 £000's	2017 £000's
UK dividends	7,439	10,170
Overseas dividends	507	282
Scrip dividends	17	0
Bank interest	15	8
Total revenue	7,978	10,460

4 Expenses

	2018 £000's	2017 £000's
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD fee	1,840	2,801
Administration charge	334	463
	2,174	3,264
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	24	33
Safe custody fees	1	1
Interest payable	0	5
	25	39
Other expenses:		
Audit fee	10	12
Total expenses	2,209	3,315

Notes to the Accounts (continued)

5 Taxation

(a) Analysis of the tax charge for the year

	2018 £000's	2017 £000's
Overseas withholding tax	15	6
Total current tax (Note 5(b))	15	6

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

(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 OEICs of 20% (2017 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2018 £000's	2017 £000's
Net revenue before taxation	5,769	7,145
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	1,154	1,429
Effects of:		
Revenue not subject to corporation tax	(1,593)	(2,090)
Movement in excess management expenses	439	661
Irrecoverable overseas withholding tax	15	6
Current tax charge for the year (Note 5(a))	15	6

(c) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £13,920,268 (2017 – £13,481,455) 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.

Notes to the Accounts (continued)

6 Distributions

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2018 £000's	2017 £000's
Interim Dividend distribution	3,529	4,121
Final Dividend distribution	1,939	2,253
	5,468	6,374
Add: Revenue deducted on cancellation of shares	291	832
Deduct: Revenue received on issue of shares	(3)	(6)
Distributions	5,756	7,200
Net revenue after taxation	5,754	7,139
Equalisation on conversions	2	61
Distributions	5,756	7,200

Details of the distributions per share are set out in the Distribution Table on pages 47 and 48.

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	2018 Assets £000's	2017 Assets £000's
Level 1: Quoted prices	155,982	267,121
Level 2: Observable market data	0	0
Level 3: Unobservable data	0	0
Total	155,982	267,121

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.

Notes to the Accounts (continued)

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 ACD 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 ACD 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 ACD with particular attention paid to the carrying value of the investments.

8 Debtors

	2018 £000's	2017 £000's
Amounts receivable for issue of shares	53	20
Sales awaiting settlement	151	961
Accrued UK dividends	391	413
Accrued bank interest	3	0
Total debtors	598	1,394

9 Other creditors

	2018 £000's	2017 £000's
Amounts payable for cancellation of shares	258	680
Purchases awaiting settlement	90	0
Accrued expenses		
ACD and Agents		
ACD fee	117	181
Administration charge	22	32
	139	213
Depository and Agents		
Depository's fees	13	5
Safe custody fees	1	0
Transaction costs	3	1
	17	6
Other accrued expenses	10	12
Total other creditors	514	911

Notes to the Accounts (continued)

10 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2017 – Nil).

11 Related party transactions

The ACD 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 ACD at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

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

Shares held or managed by the ACD or associates of the ACD as a percentage of the fund's net asset value at the balance sheet date were 18.70% (2017 – 15.92%).

12 Share classes

The fund currently has eight share classes: A Accumulation shares, C Income shares, C Accumulation shares, D Income shares, D Accumulation shares, S Income shares, Z Income shares and Z Accumulation shares. The ACD charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the ACD, the Investment Adviser and their overhead expenses and for each share class is as follows:

A Accumulation shares	1.50%
C Income shares	1.00%
C Accumulation shares	1.00%
D Income shares	0.675%
D Accumulation shares	0.675%
S Income shares	0.375%
Z Income shares	0.75%
Z Accumulation shares	0.75%

The closing net asset value of each share class, the closing net asset value per share and the closing number of shares in issue are given in the Comparative Tables on pages 25 to 32. The distributions per share class are given in the Distribution Table on pages 47 and 48. 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 ACD 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 not consist of cash and near cash except to the extent that it may reasonably be regarded as necessary in order to enable the redemption of shares, management of the fund in accordance with its investment objective or other purposes which may reasonably be regarded as ancillary to the investment objectives of the fund. Within the context of the ACD's policy of active asset allocation the liquidity of the fund may vary in response to market conditions.

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

Notes to the Accounts (continued)

Market price risk

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

Liquidity risk

The primary source of this risk to the fund is the liability to shareholders for any cancellation of shares. 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.

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
Sterling			
2018	12,445	156,580	169,025
2017	2,750	268,515	271,265

Currency	Financial liabilities not carrying interest £000's	Total £000's
Sterling		
2018	1,093	1,093
2017	1,520	1,520

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 (SONIA).

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.

Global risk exposure

Commitment approach

When using derivatives, the ACD 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.

Notes to the Accounts (continued)

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 31 December 2018 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 31 December
2018	0.00%	2.79%	0.05%	0.00%
2017	0.00%	0.22%	0.01%	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.

2018	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Purchases ¹ :						
Equities	142,976	65	587	143,628	0.05	0.41
Corporate actions purchases:						
Equities	2,178	0	0	2,178	0.00	0.00
	145,154	65	587	145,806		
Sales						
Equities	217,921	(103)	0	217,818	(0.05)	0.00
Total cost of the fund's average net asset value (%)		0.08	0.26			

Notes to the Accounts (continued)

2017	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Purchases ¹ :						
Equities	155,747	172	700	156,619	0.11	0.45
Corporate actions purchases:						
Equities	420	0	0	420	0.00	0.00
	156,167	172	700	157,039		
Sales						
Equities	278,759	(293)	0	278,466	(0.11)	0.00
Total cost of the fund's average net asset value (%)		0.15	0.23			

1 Excluding corporate actions.

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.55% (2017 – 0.22%).

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 Shares in issue reconciliation

	Number of shares in issue as at 31.12.17	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31.12.18
A Accumulation shares	12,397,866	86,425	(5,918,127)	(17,292)	6,548,872
C Income shares	1,798,294	873	(133,636)	(71,000)	1,594,531
C Accumulation shares	1,876,831	3,316	(149,464)	(113,412)	1,617,271
D Income shares	475,903	0	(389,766)	0	86,137
D Accumulation shares	511,894	0	(319,807)	0	192,087
S Income shares	76,144,318	0	(7,219,947)	1,503,169	70,427,540
Z Income shares	3,052,002	27,177	(954,818)	50,818	2,175,179
Z Accumulation shares	27,402,967	(3,736)	(6,353,942)	(28,393)	21,016,896

Distribution Table

Interim distribution for the six months ended 30 June 2018

Group 1 Shares purchased prior to 1 January 2018

Group 2 Shares purchased on or after 1 January 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.8.18 p per share	<i>Distribution paid 31.8.17 p per share</i>
A Accumulation shares				
Group 1	5.3309	–	5.3309	4.5493
Group 2	3.9099	1.4210	5.3309	4.5493
C Income shares				
Group 1	4.9440	–	4.9440	4.3173
Group 2	4.2310	0.7130	4.9440	4.3173
C Accumulation shares				
Group 1	7.2130	–	7.2130	6.1567
Group 2	0.1878	7.0252	7.2130	6.1567
D Income shares				
Group 1	0.8679	–	0.8679	0.7824
Group 2	0.8679	0.0000	0.8679	0.7824
D Accumulation shares				
Group 1	0.9807	–	0.9807	0.8535
Group 2	0.9807	0.0000	0.9807	0.8535
S Income shares				
Group 1	0.9376	–	0.9376	0.8292
Group 2	0.9376	0.0000	0.9376	0.8292
Z Income shares				
Group 1	7.1598	–	7.1598	6.2893
Group 2	4.3096	2.8502	7.1598	6.2893
Z Accumulation shares				
Group 1	8.2841	–	8.2841	7.0989
Group 2	5.0629	3.2212	8.2841	7.0989

Distribution Table (continued)

Final distribution for the six months ended 31 December 2018

Group 1 Shares purchased prior to 1 July 2018
Group 2 Shares purchased on or after 1 July 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	<i>Distribution paid 28.2.18 p per share</i>
A Accumulation shares				
Group 1	2.8022	–	2.8022	2.3709
Group 2	0.8687	1.9335	2.8022	2.3709
C Income shares				
Group 1	2.9565	–	2.9565	2.6134
Group 2	1.7954	1.1611	2.9565	2.6134
C Accumulation shares				
Group 1	4.3652	–	4.3652	3.8013
Group 2	1.7326	2.6326	4.3652	3.8013
D Income shares				
Group 1	0.5500	–	0.5500	0.5079
Group 2	0.5500	0.0000	0.5500	0.5079
D Accumulation shares				
Group 1	0.6252	–	0.6252	0.5607
Group 2	0.6252	0.0000	0.6252	0.5607
S Income shares				
Group 1	0.6169	–	0.6169	0.5730
Group 2	0.6169	0.0000	0.6169	0.5730
Z Income shares				
Group 1	4.4699	–	4.4699	4.0487
Group 2	2.1626	2.3073	4.4699	4.0487
Z Accumulation shares				
Group 1	5.2557	–	5.2557	4.6553
Group 2	2.7108	2.5449	5.2557	4.6553

Distribution Table (continued)

Corporate shareholders (unaudited)

Corporate shareholders receive the dividend distribution payments as detailed below:
100.00% of the total distribution is received as franked investment income.

Equalisation

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

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

Fund Information

Investment objective and policy

The Schroder UK Dynamic Smaller Companies Fund (the 'fund') aims to provide capital growth by investing in equity and equity related securities of small sized UK companies.

The fund invests at least 80% of its assets in equity and equity related securities of small sized UK companies. These are companies that are incorporated, headquartered or have their principal business activities in the UK and, at the time of purchase, are similar in size to those comprising the bottom 10% by market capitalisation of the UK equities market.

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

The small cap universe is an extensive, diverse and constantly changing area of the UK market. Smaller companies offer investors exposure to some niche growth areas that, often, cannot be accessed through large companies. They also tend to grow more rapidly than larger firms.

The fund may also invest in other equity and equity related securities, collective investment schemes, 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.

Financial highlights

Dealing price	31.12.18	29.12.17	% change
A Accumulation shares	387.30p	441.90p	(12.36)
C Income shares	373.70p	428.00p	(12.69)
C Accumulation shares	424.60p	482.00p	(11.91)
S Income shares	65.78p	75.33p	(12.68)
S Accumulation shares	70.46p	79.49p	(11.36)
Z Income shares	427.90p	490.10p	(12.69)
Z Accumulation shares	452.60p	512.60p	(11.71)
	28.2.19	28.2.18	
Interim distribution per Z Income share	2.6741p	2.0823p	

Fund Information (continued)

Fund information

Launch date	2 July 1999	
Launch price	59.98p per C Income share	
	59.98p per C Accumulation share	
	59.98p per Z Accumulation share	
Launch date	25 February 2002	
Launch price	72.11p per A Accumulation share	
Launch date	1 December 2011	
Launch price	169.96p per Z Income share	
Launch date	1 November 2013	
Launch price	50.00p per S Income share	
Launch date	20 March 2015	
Launch price	50.00p per S Accumulation share	
	Interim	Final
Accounting dates	30 June	31 December
Revenue allocation dates	31 August	28 February

Ongoing charges figure

	For the year to 31.12.18	For the year to 31.12.17
A Accumulation shares	1.67%	1.67%
C Income shares	1.17%	1.17%
C Accumulation shares	1.17%	1.17%
S Income shares	0.54%	0.54%
S Accumulation shares	0.54%	0.54%
Z Income shares	0.92%	0.92%
Z Accumulation shares	0.92%	0.92%

Review of Investment Activities

From 29 December 2017 to 31 December 2018, the price of Z Accumulation shares on a dealing price to dealing price basis fell 11.71%. In comparison, the FTSE¹ SmallCap ex Investment Trust Index generated a negative total return of 13.80%².

The market retreated over the period as fears over the outlook for the world economy came to a head against the backdrop of tightening global monetary conditions, US-China trade tensions and European political uncertainty. Many domestic focussed sectors also performed poorly amid uncertainty related to Brexit, which has weighted heavily on sentiment.

Waste specialist Augean was our top individual contributor, bucking the falling market to deliver triple digit share price returns on the back of strong trading and hopes of progress with its HMRC tax dispute. Designer and manufacturer of gifting products IG Design Group also performed very well following robust interim results, with a strong contribution from the recent acquisition of a US peer. Thruvision Group generated high double digit share price returns as the manufacturer of portable people scanners delivered sixty scanning units in the first half of 2018, compared to fifty seven in the whole of 2017. Specialist provider of consultancy services to the asset and wealth management industry Alpha Financial Markets Consulting published robust maiden full year numbers, underlining its strong growth potential – this has been a very successful IPO for us. Meanwhile, miniatures manufacturer and tabletop gaming company Games Workshop Group confirmed robust trading for its new fiscal year, despite tough comparatives, prompting earnings upgrades against conservatively set expectations.

On the negative side, Smart Metering Systems fell amid ongoing negative commentary around the government mandated roll out of smart meters. Private hospital group Spire Healthcare Group performed poorly after the company warned that full year profits would be 'materially' lower than 2017 as a result of weakness in NHS referrals. Own label consumer goods specialist McBride fell as its interim results disappointed on the back of rising input cost inflation.

The portfolio has a barbell spread of exposures. At the one end are high growth structural change plays and at the other, unpopular contrarian UK consumer sensitive plays. This continues to feel to us like a good balance.

Co-Manager:

Luke Biermann



European Smaller Company Fund Manager, based in London

Luke has more than 12 years' experience on the European Smaller Companies team, having joined in 2006. For the majority of this tenure Luke has specialised on Continental Europe

CFA Charterholder

Investment Management Certificate (IMC)

First-class BSc (Hons) in Computer Science, University of Bath

Co-Manager:

Iain Staples



Joined Schroders in 2012 from Altium, the UK mid-cap broker, where he led the UK Generalist equity research product

Previously worked on the sell-side for 14 years having co-founded Clear Capital, the independent equity research house

Broking career commenced in 1999 at Hoare Govett in the technology team

Iain started his career at L.E.K. Consulting, the global management consulting firm, in 1995

MA in Mathematics, Cambridge University and MSc in Theoretical Physics, Manchester University

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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 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 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 smaller companies which may be less liquid than larger companies and price swings may therefore be greater than in larger company funds.

The fund may invest in a wide range of derivatives in order to meet its investment objectives.

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

Comparative Tables

A Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	437.68	349.45	313.86
Return before operating charges	(49.37)	95.17	40.88
Operating charges	(7.32)	(6.94)	(5.29)
Return after operating charges*	(56.69)	88.23	35.59
Distributions ¹	(2.28)	(0.42)	(0.30)
Retained distributions ¹	2.28	0.42	0.30
Closing net asset value	380.99	437.68	349.45
*after direct transaction costs of	(0.26)	(0.84)	(0.38)
Performance			
Return after charges (%)	(12.95)	25.25	11.34
Other information			
Closing net asset value (£000's)	84,912	115,143	107,451
Closing number of shares	22,287,173	26,307,773	30,748,752
Operating charges (%)	1.67	1.67	1.67
Direct transaction costs (%)**	0.06	0.20	0.12
Prices			
Highest dealing price (p)	469.80	452.00	355.30
Lowest dealing price (p)	383.80	354.70	281.70

Comparative Tables (continued)

C Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	422.65	337.73	303.69
Return before operating charges	(47.54)	91.94	39.52
Operating charges	(4.94)	(4.65)	(3.58)
Return after operating charges*	(52.48)	87.29	35.94
Distributions ¹	(4.33)	(2.37)	(1.90)
Closing net asset value	365.84	422.65	337.73
*after direct transaction costs of	(0.25)	(0.79)	(0.37)
Performance			
Return after charges (%)	(12.42)	25.85	11.83
Other information			
Closing net asset value (£000's)	2,483	4,479	42,431
Closing number of shares	678,683	1,059,762	12,563,570
Operating charges (%)	1.17	1.17	1.17
Direct transaction costs (%)**	0.06	0.20	0.12
Prices			
Highest dealing price (p)	452.70	437.50	344.50
Lowest dealing price (p)	370.30	342.90	273.30

Comparative Tables (continued)

C Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	477.44	379.33	339.00
Return before operating charges	(54.14)	103.33	44.34
Operating charges	(5.60)	(5.22)	(4.01)
Return after operating charges*	(59.74)	98.11	40.33
Distributions ¹	(4.91)	(2.71)	(2.07)
Retained distributions ¹	4.91	2.71	2.07
Closing net asset value	417.70	477.44	379.33
*after direct transaction costs of	(0.29)	(0.89)	(0.41)
Performance			
Return after charges (%)	(12.51)	25.86	11.90
Other information			
Closing net asset value (£000's)	5,339	7,738	30,767
Closing number of shares	1,278,081	1,620,649	8,110,982
Operating charges (%)	1.17	1.17	1.17
Direct transaction costs (%)**	0.06	0.20	0.12
Prices			
Highest dealing price (p)	514.30	492.70	385.70
Lowest dealing price (p)	420.70	385.10	305.10

Comparative Tables (continued)

S Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	74.16	59.24	53.27
Return before operating charges	(8.36)	16.16	6.94
Operating charges	(0.40)	(0.38)	(0.29)
Return after operating charges*	(8.76)	15.78	6.65
Distributions ¹	(1.23)	(0.86)	(0.68)
Closing net asset value	64.17	74.16	59.24
*after direct transaction costs of	(0.04)	(0.14)	(0.07)
Performance			
Return after charges (%)	(11.81)	26.64	12.48
Other information			
Closing net asset value (£000's)	11,725	15,531	8,861
Closing number of shares	18,272,183	20,943,674	14,956,566
Operating charges (%)	0.54	0.54	0.54
Direct transaction costs (%)**	0.06	0.20	0.12
Prices			
Highest dealing price (p)	79.52	76.93	60.60
Lowest dealing price (p)	65.18	60.15	48.09

Comparative Tables (continued)

S Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	78.74	62.17	55.21
Return before operating charges	(8.99)	16.97	7.26
Operating charges	(0.43)	(0.40)	(0.30)
Return after operating charges*	(9.42)	16.57	6.96
Distributions ¹	(1.31)	(0.91)	(0.70)
Retained distributions ¹	1.31	0.91	0.70
Closing net asset value	69.32	78.74	62.17
*after direct transaction costs of	(0.05)	(0.15)	(0.07)
Performance			
Return after charges (%)	(11.96)	26.65	12.61
Other information			
Closing net asset value (£000's)	7,051	8,928	2,716
Closing number of shares	10,172,381	11,339,772	4,368,289
Operating charges (%)	0.54	0.54	0.54
Direct transaction costs (%)**	0.06	0.20	0.12
Prices			
Highest dealing price (p)	85.18	81.18	63.21
Lowest dealing price (p)	69.82	63.12	49.84

Comparative Tables (continued)

Z Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	483.35	386.19	347.26
Return before operating charges	(54.39)	105.30	45.22
Operating charges	(4.45)	(4.20)	(3.22)
Return after operating charges*	(58.84)	101.10	42.00
Distributions ¹	(6.18)	(3.94)	(3.07)
Closing net asset value	418.33	483.35	386.19
*after direct transaction costs of	(0.29)	(0.91)	(0.42)
Performance			
Return after charges (%)	(12.17)	26.18	12.09
Other information			
Closing net asset value (£000's)	15,143	21,020	39,521
Closing number of shares	3,619,904	4,348,818	10,233,718
Operating charges (%)	0.92	0.92	0.92
Direct transaction costs (%)**	0.06	0.20	0.12
Prices			
Highest dealing price (p)	517.90	500.80	394.30
Lowest dealing price (p)	424.00	392.10	312.90

Comparative Tables (continued)

Z Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	507.71	402.34	358.67
Return before operating charges	(57.71)	109.78	47.00
Operating charges	(4.69)	(4.41)	(3.33)
Return after operating charges*	(62.40)	105.37	43.67
Distributions ¹	(6.51)	(4.13)	(3.19)
Retained distributions ¹	6.51	4.13	3.19
Closing net asset value	445.31	507.71	402.34
*after direct transaction costs of	(0.31)	(0.97)	(0.44)
Performance			
Return after charges (%)	(12.29)	26.19	12.18
Other information			
Closing net asset value (£000's)	169,937	246,159	225,114
Closing number of shares	38,161,918	48,483,739	55,950,645
Operating charges (%)	0.92	0.92	0.92
Direct transaction costs (%)**	0.06	0.20	0.12
Prices			
Highest dealing price (p)	547.80	523.70	409.10
Lowest dealing price (p)	448.50	408.50	323.20

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.

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 31.12.18	Market Value £000's	% of net assets
Collective Investment Schemes 0.00% (1.00%)			
Cash Funds 0.00% (1.00%)			
Equities 99.15% (96.71%)			
Oil & Gas 0.72% (0.00%)			
Tekmar Group [#]	2,680,318	2,144	0.72
		2,144	0.72
Basic Materials 1.97% (2.71%)			
Treant	1,404,658	5,843	1.97
		5,843	1.97
Industrials 41.22% (31.75%)			
Alpha Financial Markets Consulting [#]	3,918,829	8,621	2.91
Augean [#]	11,053,399	7,958	2.68
Boku [#]	8,436,404	5,652	1.90
Coats Group	3,479,246	2,836	0.96
Dialight	35,000	140	0.05
DiscoverIE Group	650,000	2,360	0.80
Eurocell	2,680,946	5,630	1.90
Gooch & Housego [#]	379,665	4,423	1.49
Johnson Service Group [#]	4,723,760	5,338	1.80
Midwich Group [#]	1,583,976	7,571	2.55
Polypipe Group	1,288,997	4,220	1.42
Renew Holdings [#]	2,183,258	7,205	2.43
Renold	14,464,253	4,050	1.37
Robert Walters	1,523,625	8,380	2.82
Smart Metering Systems [#]	1,585,215	8,259	2.78
Speedy Hire	2,866,817	1,691	0.57
Strix Group [#]	2,203,247	3,107	1.05
Thruvision Group [#]	20,465,633	5,423	1.83
Vp	1,485,260	13,962	4.71
Wincanton	4,824,020	11,095	3.74

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Industrials (continued)			
Xaar	1,145,104	1,624	0.55
XP Power	131,042	2,713	0.91
		122,258	41.22
Consumer Goods 18.01% (18.21%)			
Codemasters Group Holdings [#]	1,960,000	3,136	1.06
Fevertree Drinks [#]	112,934	2,477	0.83
Games Workshop Group	261,324	7,931	2.67
IG Design Group [#]	1,973,030	11,325	3.82
Mar City [^]	12,242,500	0	0.00
McBride	4,353,084	5,355	1.81
Nichols [#]	196,898	2,658	0.90
Team17 Group [#]	1,400,000	2,660	0.89
Telford Homes [#]	1,446,203	4,086	1.38
Walker Greenbank [#]	5,735,413	5,104	1.72
Warpaint London [#]	1,092,937	1,038	0.35
Watkin Jones [#]	2,606,579	5,278	1.78
Wynnstay Group [#]	596,537	2,386	0.80
		53,434	18.01
Health Care 3.24% (5.42%)			
Medica Group	3,381,957	4,065	1.37
Sensyne Health [#]	1,503,630	2,331	0.79
Spire Healthcare Group	2,969,307	3,213	1.08
		9,609	3.24
Consumer Services 15.41% (16.94%)			
Elegant Hotels Group [#]	3,891,646	2,607	0.88
Everyman Media Group [#]	4,798,090	9,692	3.27
Hollywood Bowl Group	2,217,039	5,121	1.73
Marshall Motor Holdings [#]	4,004,970	6,088	2.05
On the Beach Group	2,468,840	8,283	2.79

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Consumer Services (continued)			
Quiz [#]	1,774,198	587	0.20
System1 Group [#]	209,700	440	0.15
TEN Entertainment Group	2,211,434	4,865	1.64
XLMedia [#]	4,020,060	2,935	0.99
Young & Co's Brewery [#]	322,741	3,421	1.15
Young & Co's Brewery A [#]	129,251	1,674	0.56
		45,713	15.41
Utilities 0.60% (0.38%)			
Fulcrum Utility Services [#]	3,813,696	1,762	0.60
		1,762	0.60
Financials 8.30% (12.48%)			
Arrow Global Group	2,035,482	3,538	1.19
Brooks Macdonald Group [#]	363,530	4,926	1.66
CMC Markets	2,313,979	2,406	0.81
Record	14,083,653	4,352	1.47
Secure Income REIT [#]	1,823,651	6,857	2.31
Trufin [#]	1,300,000	2,548	0.86
		24,627	8.30
Technology 9.68% (8.82%)			
CML Microsystems	979,592	4,016	1.35
dotdigital group [#]	4,664,588	3,499	1.18
Forbidden Technologies [#]	23,930,000	1,986	0.67
NCC Group	2,310,912	4,051	1.37
Quixant [#]	3,595,463	13,124	4.43
WANDisco [#]	423,397	2,011	0.68
		28,687	9.68

Portfolio Statement (continued)

	Market Value £000's	% of net assets
Equities total	294,077	99.15
Portfolio of investments	294,077	99.15
Net other assets	2,513	0.85
Net assets attributable to shareholders	296,590	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

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

Security traded on another regulated market.

^ Unlisted, suspended or delisted security.

Summary of Portfolio Transactions

Largest purchases

For the year ended 31 December 2018	Cost £000's
Secure Income REIT	4,882
Codemasters Group Holdings	4,592
Dignity	4,407
XLMedia	4,206
CMC Markets	3,897
XP Power	3,881
Tekmar Group	3,607
Alpha Financial Markets Consulting	3,192
Renew Holdings	3,095
DiscoverIE Group	2,909

Largest sales

For the year ended 31 December 2018	Proceeds £000's
IG Design Group	11,108
Secure Income REIT	9,497
Mattioli Woods	8,426
Clinigen Group	7,504
Dignity	6,283
Midwich Group	4,964
Senior	4,695
Treatt	4,619
WANDisco	4,475
Schroder Sterling Liquidity Plus Fund I Accumulation GBP [†]	4,189

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

Statement of Total Return

For the year ended 31 December 2018

		2018	2017
	Notes	£000's	£000's
Income			
Net capital (losses)/gains	2	(46,699)	113,553
Revenue	3	8,231	8,536
Expenses	4	(4,188)	(5,473)
Net revenue before taxation		4,043	3,063
Taxation	5	0	0
Net revenue after taxation		4,043	3,063
Total return before distributions		(42,656)	116,616
Distributions	6	(4,046)	(3,128)
Change in net assets attributable to shareholders from investment activities		(46,702)	113,488

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	2018	2017
	£000's	£000's
Opening net assets attributable to shareholders	418,998	456,861
Amounts receivable on issue of shares	3,957	79,569
Amounts payable on cancellation of shares	(83,056)	(235,015)
	(79,099)	(155,446)
Dilution adjustment	0	1,739
Change in net assets attributable to shareholders from investment activities	(46,702)	113,488
Retained distribution on Accumulation shares	3,393	2,356
Closing net assets attributable to shareholders	296,590	418,998

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£000's	£000's
Assets			
Investments		294,077	409,392
Current assets			
Debtors	8	719	2,075
Cash and bank balances		3,009	9,196
Total assets		297,805	420,663
Liabilities			
Creditors			
Distributions payable		(210)	(201)
Other creditors	9	(1,005)	(1,464)
Total liabilities		(1,215)	(1,665)
Net assets attributable to shareholders			
		296,590	418,998

Notes to the Accounts

1 Accounting policies

Basis of preparation

The applicable accounting policies adopted by Schroder UK Dynamic Smaller Companies Fund are disclosed on pages 17 to 20.

2 Net capital (losses)/gains

The net capital (losses)/gains during the year comprise:

	2018 £000's	2017 £000's
Non-derivative securities	(46,693)	113,558
Transaction costs	(6)	(5)
Net capital (losses)/gains	(46,699)	113,553

3 Revenue

	2018 £000's	2017 £000's
UK dividends	7,644	8,030
Overseas dividends	140	17
Real estate income distributions	413	471
Interest distributions	19	0
Interest on debt securities	0	7
Bank interest	15	7
Administration charge rebates	0	4
Total revenue	8,231	8,536

Notes to the Accounts (continued)

4 Expenses

	2018 £000's	2017 £000's
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD fee	3,569	4,673
Administration charge	566	734
	4,135	5,407
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	41	52
Safe custody fees	2	2
	43	54
Other expenses:		
Audit fee	10	12
Total expenses	4,188	5,473

5 Taxation

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

(a) 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 OEICs of 20% (2017 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2018 £000's	2017 £000's
Net revenue before taxation	4,043	3,063
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	809	613
Effects of:		
Revenue not subject to corporation tax	(1,557)	(1,610)
Movement in excess management expenses	748	997
Current tax charge for the year	0	0

(b) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £10,002,625 (2017 – £9,254,387) 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.

Notes to the Accounts (continued)

6 Distributions

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2018 £000's	2017 £000's
Interim Dividend distribution	2,344	1,364
Final Dividend distribution	1,546	1,406
	3,890	2,770
Add: Revenue deducted on cancellation of shares	164	420
Deduct: Revenue received on issue of shares	(8)	(62)
Distributions	4,046	3,128
Net revenue after taxation	4,043	3,063
Equalisation on conversions	3	65
Distributions	4,046	3,128

Details of the distributions per share are set out in the Distribution Table on pages 77 and 78.

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	2018 Assets £000's	2017 Assets £000's
Level 1: Quoted prices	294,077	404,036
Level 2: Observable market data	0	4,187
Level 3: Unobservable data	0	1,169
Total	294,077	409,392

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.

Notes to the Accounts (continued)

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 ACD 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 ACD 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 ACD with particular attention paid to the carrying value of the investments.

8 Debtors

	2018 £000's	2017 £000's
Sales awaiting settlement	0	1,319
Accrued UK dividends	656	738
Accrued overseas dividends	54	17
Accrued bank interest	1	1
Overseas withholding tax recoverable	8	0
Total debtors	719	2,075

9 Other creditors

	2018		2017	
	£000's	£000's	£000's	£000's
Amounts payable for cancellation of shares		683		1,078
Accrued expenses				
ACD and Agents				
ACD fee	246		315	
Administration charge	39		50	
		285		365
Depositary and Agents				
Depositary's fees	23		7	
Safe custody fees	1		1	
Transaction costs	3		1	
		27		9
Other accrued expenses		10		12
Total other creditors		1,005		1,464

Notes to the Accounts (continued)

10 Contingent liabilities

The aggregate contingent liabilities not provided for at the balance sheet date are:

	2018 £000's	2017 £000's
Warrants	0	26,550
Total contingent liabilities	0	26,550

11 Related party transactions

The ACD 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 ACD at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

Administration charge rebates received or receivable from the ACD of £161 (2017 – £4,272) are disclosed under Revenue in the Notes to the Accounts.

The ACD acts as principal on all transactions of shares in the fund. The aggregate monies received through the issue and cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and Distributions in the Notes to the Accounts. Amounts due to the ACD in respect of share transactions at the balance sheet date are disclosed under Other creditors in the Notes to the Accounts.

Shares held or managed by the ACD or associates of the ACD as a percentage of the fund's net asset value at the balance sheet date were 6.94% (2017 – 6.44%).

Any significant sales of related party holdings are disclosed in the Summary of Portfolio Transactions. The revenue earned from these investments of £19,036 (2017 – Nil) is included under Revenue in the Notes to the Accounts.

12 Share classes

The fund currently has seven share classes: A Accumulation shares, C Income shares, C Accumulation shares, S Income shares, S Accumulation shares, Z Income shares and Z Accumulation shares. The ACD charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the ACD, the Investment Adviser and their overhead expenses and for each share class is as follows:

A Accumulation shares	1.50%
C Income shares	1.00%
C Accumulation shares	1.00%
S Income shares	0.375%
S Accumulation shares	0.375%
Z Income shares	0.75%
Z Accumulation shares	0.75%

The closing net asset value of each share class, the closing net asset value per share and the closing number of shares in issue in each class are given in the Comparative Tables on pages 54 to 60. The distributions per share class are given in the Distribution Table on pages 77 and 78. 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.

Notes to the Accounts (continued)

Under normal circumstances, the ACD 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 not consist of cash and near cash except to the extent that it may reasonably be regarded as necessary in order to enable the redemption of shares, management of the fund in accordance with its investment objective or other purposes which may reasonably be regarded as ancillary to the investment objectives of the fund. Within the context of the ACD's policy of active asset allocation the liquidity of the fund may vary in response to market conditions.

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 ACD'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 ACD in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the COLL mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

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.

Liquidity risk

The primary source of this risk to the fund is the liability to shareholders for any cancellation of shares. 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.

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
Sterling			
2018	3,009	294,796	297,805
2017	13,383	407,280	420,663

Currency	Financial liabilities not carrying interest £000's	Total £000's
Sterling		
2018	1,215	1,215
2017	1,665	1,665

Notes to the Accounts (continued)

There are no material amounts of non-interest bearing financial assets, other than equities and collective investment schemes, 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 SONIA.

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.

Global risk exposure

Commitment approach

When using derivatives, the ACD 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 31 December 2018 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 31 December
2018	0.00%	0.00%	0.00%	0.00%
2017	0.00%	0.00%	0.00%	0.00%

Notes to the Accounts (continued)

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.

2018	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Equities	70,975	27	127	71,129	0.04	0.18
	70,975	27	127	71,129		
Sales						
Equities	135,651	(72)	(1)	135,578	(0.05)	0.00
Funds	4,189	0	0	4,189	0.00	0.00
	139,840	(72)	(1)	139,767		
Total cost of the fund's average net asset value (%)						
		0.03	0.03			

2017	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Bonds	115,992	0	0	115,992	0.00	0.00
Equities	176,821	190	678	177,689	0.11	0.38
Funds	82,095	0	0	82,095	0.00	0.00
	374,908	190	678	375,776		
Sales						
Bonds	115,999	0	0	115,999	0.00	0.00
Equities	335,913	(389)	(1)	335,523	(0.12)	0.00
Funds	77,996	0	0	77,996	0.00	0.00
	529,908	(389)	(1)	529,518		
Total cost of the fund's average net asset value (%)						
		0.12	0.14			

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 3.29% (2017 – 2.03%).

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.

Notes to the Accounts (continued)

15 Shares in issue reconciliation

	Number of shares in issue as at 31.12.17	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31.12.18
A Accumulation shares	26,307,773	205,014	(4,005,615)	(219,999)	22,287,173
C Income shares	1,059,762	572	(145,336)	(236,315)	678,683
C Accumulation shares	1,620,649	44,356	(356,832)	(30,092)	1,278,081
S Income shares	20,943,674	166,779	(2,646,255)	(192,015)	18,272,183
S Accumulation shares	11,339,772	131,558	(966,239)	(332,710)	10,172,381
Z Income shares	4,348,818	84,687	(1,057,741)	244,140	3,619,904
Z Accumulation shares	48,483,739	409,449	(10,992,398)	261,128	38,161,918

Distribution Table

Interim distribution for the six months ended 30 June 2018

Group 1 Shares purchased prior to 1 January 2018

Group 2 Shares purchased on or after 1 January 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.8.18 p per share	<i>Distribution paid 31.8.17 p per share</i>
A Accumulation shares				
Group 1	1.5164	–	1.5164	0.1692
Group 2	1.3751	0.1413	1.5164	0.1692
C Income shares				
Group 1	2.5346	–	2.5346	1.1077
Group 2	0.6353	1.8993	2.5346	1.1077
C Accumulation shares				
Group 1	2.8620	–	2.8620	1.2599
Group 2	1.7011	1.1609	2.8620	1.2599
S Income shares				
Group 1	0.6781	–	0.6781	0.4005
Group 2	0.5035	0.1746	0.6781	0.4005
S Accumulation shares				
Group 1	0.7200	–	0.7200	0.4211
Group 2	0.4554	0.2646	0.7200	0.4211
Z Income shares				
Group 1	3.5036	–	3.5036	1.8555
Group 2	2.6858	0.8178	3.5036	1.8555
Z Accumulation shares				
Group 1	3.6812	–	3.6812	1.9393
Group 2	2.7855	0.8957	3.6812	1.9393

Distribution Table (continued)

**Final distribution
for the six
months ended
31 December 2018**

Group 1 Shares purchased prior to 1 July 2018
Group 2 Shares purchased on or after 1 July 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	Distribution paid 28.2.18 p per share
A Accumulation shares				
Group 1	0.7684	–	0.7684	0.2543
Group 2	0.3336	0.4348	0.7684	0.2543
C Income shares				
Group 1	1.7919	–	1.7919	1.2620
Group 2	0.2890	1.5029	1.7919	1.2620
C Accumulation shares				
Group 1	2.0498	–	2.0498	1.4497
Group 2	1.1288	0.9210	2.0498	1.4497
S Income shares				
Group 1	0.5506	–	0.5506	0.4609
Group 2	0.5506	0.0000	0.5506	0.4609
S Accumulation shares				
Group 1	0.5896	–	0.5896	0.4870
Group 2	0.1160	0.4736	0.5896	0.4870
Z Income shares				
Group 1	2.6741	–	2.6741	2.0823
Group 2	1.4306	1.2435	2.6741	2.0823
Z Accumulation shares				
Group 1	2.8264	–	2.8264	2.1861
Group 2	1.3902	1.4362	2.8264	2.1861

Corporate shareholders (unaudited)

Corporate shareholders receive the dividend distribution payments as detailed below:
100.00% of the total distribution is received as franked investment income.

Equalisation

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

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

Fund Information

Investment objective and policy

The Schroder Sterling Corporate Bond Fund (the 'fund') aims to provide income and capital growth by investing in fixed and floating rate securities issued by UK companies and companies worldwide.

The fund invests at least 80% of its assets in fixed and floating rate securities denominated in sterling (or in other currencies and hedged back into sterling) and issued by UK companies and companies worldwide.

The fund may also invest in fixed and floating rate securities issued by governments and non-government agencies.

The fund may invest up to 20% of its assets in below investment grade securities (as measured by Standard & Poor's or any other equivalent credit rating agencies) or in unrated securities.

The fund may also invest in collective investment schemes, equity and equity related 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. The fund may use leverage and take short positions.

Financial highlights

Dealing price	31.12.18	29.12.17	% change
A Income shares	60.38p	64.09p	(5.79)
A Accumulation shares	73.05p	74.65p	(2.14)
C Income shares	59.95p	63.47p	(5.55)
C Accumulation shares	140.20p	142.90p	(1.89)
S Income shares	53.24p	56.11p	(5.11)
S Accumulation shares	149.50p	151.70p	(1.45)
Z Income shares	116.80p	123.40p	(5.35)
Z Accumulation shares	149.20p	151.70p	(1.65)
	1.9.18 to 28.2.19	1.9.17 to 28.2.18	
Distributions per Z Income share	2.3586p	2.3786p	

Fund Information (continued)

Fund information

Launch date	11 August 1999
Launch price	57.66p per C Income share
	57.66p per C Accumulation share
Launch date	19 December 2000
Launch price	62.13p per Z Accumulation share
Launch date	25 February 2002
Launch price	60.15p per A Income share
Launch date	11 May 2012
Launch price	106.50p per Z Income share
Launch date	1 October 2013
Launch price	58.13p per A Accumulation share
Launch date	1 November 2013
Launch price	50.00p per S Income share
Launch date	15 December 2017
Launch price	151.40p per S Accumulation share

	Quarterly	Interim	Quarterly	Final
Accounting dates	31 March	30 June	30 September	31 December
Revenue allocation dates	31 May	31 August	30 November	28 February

Ongoing charges figure

	For the year to 31.12.18	For the period from 1.1.18	For the year to 31.12.17
A Income shares	1.12%	1.13%	1.13%
A Accumulation shares	1.12%	1.13%	1.13%
C Income shares	0.87%	0.88%	0.88%
C Accumulation shares	0.87%	0.88%	0.88%
S Income shares	0.42%	0.43% ¹	0.42%
S Accumulation shares	0.42%	0.43% ^{1 2}	0.38% ²
Z Income shares	0.62%	0.63%	0.63%
Z Accumulation shares	0.62%	0.63%	0.63%

1 The Ongoing charges figure was a projected figure based on the latest expenses of the share class.

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

Review of Investment Activities

From 29 December 2017 to 31 December 2018, the price of Z Accumulation shares on a dealing price to dealing price basis fell 1.65%. In comparison, the Bank of America Merrill Lynch Sterling Corporate & Collateralised Index generated a negative total return of 2.02%¹.

The sterling corporate bond market suffered its worst year since 2008. The benchmark's spread over comparable government bonds widened by nearly 50% from 120 to 178 basis points. Total returns were modestly supported by falling government bond yields. 2018 was tumultuous for financial markets with almost nowhere to hide but cash. The wheels started creaking when a long standing supportive monetary policy environment gave way to a meaningful rise in real rates. This promoted a flight from risky assets to positive real yield bearing 'risk free' assets. The worst came in the last quarter of the year when signs of global economic slowdown emerged.

The portfolio generated a negative return, outperforming the index, the biggest contributors to performance were contrarian investments in UK consumer related bonds, notably supermarkets, which delivered double digit returns. Our longstanding underweight in General Electric (no exposure) paid off too, as the company suffered a multiple notch credit rating downgrade.

The global economy has decelerated in the second half of 2018. Nonetheless, we don't expect a recession in Europe in 2019 as falling inflation, rising wages and looser fiscal policy are likely to outweigh slower global demand. If the UK does avoid a disorderly Brexit, which is no certainty, we think that the economy can pick up momentum later in the year. We focus on ample uncorrelated opportunities. Despite the slowing global economy, unstable political landscape, and increased volatility, we believe that the fund and the market are safer than at the end of 2017. Bond valuations, in many cases now, overestimate default risk. The portfolio comprises attractively priced bonds, which we think will generate healthy returns over time.

Fund Manager:

Jonathan Golan



Jonathan Golan is a Fund Manager at Schroders, which involves helping manage the European Credit Fixed Income strategy. He joined Schroders in 2013 and is based in London. Jonathan was Fixed Income Analyst at Schroders from 2013 to 2015, responsible for European Credit Fixed Income

Qualifications: MSc in Financial Economics from Oxford University; BA in Economics from The Hebrew University

¹ 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 and reward indicator changed from 3 to 4 with effect from 3 April 2018 for A Accumulation shares, C Accumulation shares, Z Accumulation shares and Z Income shares. The risk and reward indicator changed from 4 to 3 with effect from 26 October 2018 for A Accumulation shares, C Accumulation shares, Z Accumulation shares and Z Income shares. At the year end the risk and reward indicator for A Income shares, C Income shares, S Income shares and S Accumulation shares remained at 3.

There is a difference between share classes caused by the technical nature of the calculation of the 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 seeks to provide rewards whilst limiting price volatility.

Specific risks

The fund invests in assets which are exposed to currencies other than sterling. Exchange rates may cause the value of overseas investments and the revenue from them to rise or fall.

More than 35% of the property of the fund may be invested in Government securities.

The fund invests in higher yielding bonds (non-investment grade). The risk of default is higher with non-investment grade bonds than with investment grade bonds. Higher yielding bonds may also have an increased potential to erode your capital sum than lower yielding bonds.

The fund invests 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 uses derivatives for specific investment purposes. This involves a higher degree of risk and may lead to a higher volatility in the share prices of the fund. The ACD employs a risk management process to allow the ACD to measure derivative and forward positions and their contribution to the overall risk profile of the fund. As part of this risk management process, the ACD conducts daily value at risk analysis of the fund and performs both stress and back testing of the fund.

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.

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

Comparative Tables

A Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	63.20	60.95	57.45
Return before operating charges	(0.54)	5.56	7.07
Operating charges	(0.70)	(0.71)	(0.69)
Return after operating charges*	(1.24)	4.85	6.38
Distributions ¹	(2.39)	(2.60)	(2.88)
Closing net asset value	59.57	63.20	60.95
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.96)	7.96	11.11
Other information			
Closing net asset value (£000's)	14,827	15,765	30,478
Closing number of shares	24,892,280	24,944,694	50,003,103
Operating charges (%)	1.12	1.13	1.13
Prices			
Highest dealing price (p)	63.66	64.36	65.97
Lowest dealing price (p)	59.98	60.62	57.18

Comparative Tables (continued)

A Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	74.30	68.76	62.42
Return before operating charges	(0.65)	6.35	7.74
Operating charges	(0.83)	(0.81)	(0.76)
Return after operating charges*	(1.48)	5.54	6.98
Distributions ¹	(2.85)	(2.98)	(3.18)
Retained distributions ¹	2.85	2.98	2.54
Closing net asset value	72.82	74.30	68.76
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.99)	8.06	11.18
Other information			
Closing net asset value (£000's)	35,132	39,453	38,690
Closing number of shares	48,248,086	53,100,839	56,264,990
Operating charges (%)	1.12	1.13	1.13
Prices			
Highest dealing price (p)	74.87	74.65	73.06
Lowest dealing price (p)	72.57	68.39	62.14

Comparative Tables (continued)

C Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	62.59	60.22	56.61
Return before operating charges	(0.54)	5.48	6.98
Operating charges	(0.54)	(0.54)	(0.53)
Return after operating charges*	(1.08)	4.94	6.45
Distributions ¹	(2.37)	(2.57)	(2.84)
Closing net asset value	59.14	62.59	60.22
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.73)	8.20	11.39
Other information			
Closing net asset value (£000's)	9,094	11,301	42,119
Closing number of shares	15,375,793	18,055,421	69,943,338
Operating charges (%)	0.87	0.88	0.88
Prices			
Highest dealing price (p)	63.06	63.69	65.11
Lowest dealing price (p)	59.55	59.90	56.37

Comparative Tables (continued)

C Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	142.26	131.34	118.93
Return before operating charges	(1.25)	12.12	14.74
Operating charges	(1.24)	(1.20)	(1.12)
Return after operating charges*	(2.49)	10.92	13.62
Distributions ¹	(5.47)	(5.69)	(6.06)
Retained distributions ¹	5.47	5.69	4.85
Closing net asset value	139.77	142.26	131.34
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.75)	8.31	11.45
Other information			
Closing net asset value (£000's)	6,357	7,366	11,330
Closing number of shares	4,547,942	5,177,780	8,626,451
Operating charges (%)	0.87	0.88	0.88
Prices			
Highest dealing price (p)	143.40	142.90	139.40
Lowest dealing price (p)	139.30	130.60	118.40

Comparative Tables (continued)

S Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	55.34	52.99	49.60
Return before operating charges	(0.48)	4.85	6.12
Operating charges	(0.23)	(0.23)	(0.23)
Return after operating charges*	(0.71)	4.62	5.89
Distributions ¹	(2.10)	(2.27)	(2.50)
Closing net asset value	52.53	55.34	52.99
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.28)	8.72	11.88
Other information			
Closing net asset value (£000's)	72,113	73,862	4,847
Closing number of shares	137,292,003	133,481,085	9,146,317
Operating charges (%)	0.42	0.42	0.43
Prices			
Highest dealing price (p)	55.75	56.24	57.20
Lowest dealing price (p)	52.86	52.73	49.41

Comparative Tables (continued)

S Accumulation shares		
Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	150.97	151.40
Return before operating charges	(1.33)	(0.41)
Operating charges	(0.64)	(0.02)
Return after operating charges*	(1.97)	(0.43)
Distributions ¹	(5.82)	(1.39)
Retained distributions ¹	5.82	1.39
Closing net asset value	149.00	150.97
*after direct transaction costs of	0.00	0.00
Performance		
Return after charges (%)	(1.30)	(0.28)
Other information		
Closing net asset value (£000's)	8,134	8,980
Closing number of shares	5,459,231	5,947,881
Operating charges (%)	0.42	0.04
Prices		
Highest dealing price (p)	152.30	151.70
Lowest dealing price (p)	147.90	150.50

The share class was launched on 15 December 2017.

Comparative Tables (continued)

Z Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	121.64	116.73	109.47
Return before operating charges	(1.04)	10.65	13.50
Operating charges	(0.75)	(0.75)	(0.73)
Return after operating charges*	(1.79)	9.90	12.77
Distributions ¹	(4.62)	(4.99)	(5.51)
Closing net asset value	115.23	121.64	116.73
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.47)	8.48	11.67
Other information			
Closing net asset value (£000's)	44,591	43,650	76,126
Closing number of shares	38,696,143	35,883,537	65,213,672
Operating charges (%)	0.62	0.63	0.63
Prices			
Highest dealing price (p)	122.60	123.70	126.10
Lowest dealing price (p)	116.00	116.10	109.00

Comparative Tables (continued)

Z Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	150.96	139.02	125.57
Return before operating charges	(1.33)	12.85	15.58
Operating charges	(0.94)	(0.91)	(0.85)
Return after operating charges*	(2.27)	11.94	14.73
Distributions ¹	(5.81)	(6.04)	(6.41)
Retained distributions ¹	5.81	6.04	5.13
Closing net asset value	148.69	150.96	139.02
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.50)	8.59	11.73
Other information			
Closing net asset value (£000's)	71,081	34,100	41,849
Closing number of shares	47,804,720	22,589,228	30,103,783
Operating charges (%)	0.62	0.63	0.63
Prices			
Highest dealing price (p)	152.10	151.70	147.40
Lowest dealing price (p)	147.90	138.30	125.10

1 These figures have been rounded to 2 decimal places.

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 share 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 31.12.18	Market Value £000's	% of net assets
Government Bonds 7.85% (5.12%)			
Argentina 0.31% (0.51%)			
Argentina Government Bond 5.25% 15/01/2028	€307,000	197	0.07
Argentina Government Bond 7.82% 31/12/2033	€711,944	537	0.21
Argentina Government Bond 7.625% 22/04/2046	US\$150,000	85	0.03
		819	0.31
Iceland 0.00% (0.07%)			
Mexico 0.50% (0.64%)			
Mexico Government Bond 5.625% 19/03/2114	£1,380,000	1,310	0.50
		1,310	0.50
Romania 0.57% (0.00%)			
Romania Government Bond 4.125% 11/03/2039	€1,717,000	1,481	0.57
		1,481	0.57
United Kingdom 6.47% (3.90%)			
UK Treasury 1.25% 22/07/2027	£179,561	181	0.07
UK Treasury 4.5% 07/09/2034	£345,000	482	0.19
UK Treasury 1.75% 07/09/2037	£5,640,000	5,640	2.16
UK Treasury 4.75% 07/12/2038	£1,900,000	2,859	1.09
UK Treasury 4.25% 07/12/2040	£1,322,077	1,912	0.73
UK Treasury 4.25% 07/12/2046	£2,040,000	3,115	1.19
UK Treasury 1.5% 22/07/2047	£1,063,000	986	0.38
UK Treasury 4.25% 07/12/2049	£1,095,278	1,728	0.66
		16,903	6.47
Government Bonds total		20,513	7.85

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Corporate Bonds 88.84% (89.07%)			
Australia 0.00% (0.53%)			
Austria 0.00% (0.33%)			
Belgium 0.13% (0.00%)			
Elia System Operator FRN 2.75% Perpetual	€400,000	351	0.13
		351	0.13
Bermuda 0.00% (0.45%)			
Cayman Islands 1.05% (1.86%)			
Phoenix Group Holdings 6.625% 18/12/2025	£2,712,000	2,755	1.05
		2,755	1.05
Czech Republic 0.00% (0.20%)			
France 6.11% (8.10%)			
Iliad 1.875% 25/04/2025	€1,000,000	823	0.32
La Financiere Atalian 6.625% 15/05/2025	£2,987,000	2,435	0.93
TDF Infrastructure 2.5% 07/04/2026	€1,800,000	1,625	0.62
Altice France 7.375% 01/05/2026	US\$1,734,000	1,249	0.48
Electricite de France 5.5% 27/03/2037	£600,000	733	0.28
Electricite de France 5.5% 17/10/2041	£2,600,000	3,229	1.24
AXA FRN 5.453% Perpetual	£1,000,000	1,017	0.39
Caisse Nationale de Reassurance Mutuelle Agricole Groupama FRN 6.375% Perpetual	€1,500,000	1,404	0.54
Electricite de France FRN 6% Perpetual	£2,000,000	1,941	0.74
Orange FRN 5.75% Perpetual	£1,437,000	1,502	0.57
		15,958	6.11

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Germany 0.49% (0.00%)			
Bayer FRN 2.375% 02/04/2075	€1,500,000	1,279	0.49
		1,279	0.49
Iceland 0.88% (0.23%)			
Arion Banki 1% 20/03/2023	€1,000,000	867	0.33
Islandsbanki FRN 1.125% 19/01/2024	€1,622,000	1,422	0.55
		2,289	0.88
Ireland 1.06% (2.95%)			
James Hardie International Finance 3.625% 01/10/2026	€588,000	514	0.20
Roadster Finance 2.375% 08/12/2032	€988,000	818	0.31
Aryzta Euro Finance FRN 4.5% Perpetual	€1,700,000	1,442	0.55
		2,774	1.06
Italy 2.13% (2.35%)			
FCA Bank 1.625% 29/09/2021	£1,000,000	968	0.37
Autostrade per l'Italia 6.25% 09/06/2022	£1,600,000	1,679	0.64
Autostrade per l'Italia 1.625% 12/06/2023	€311,000	258	0.10
Intesa Sanpaolo 5.017% 26/06/2024	US\$750,000	534	0.21
Enel 5.75% 22/06/2037	£700,000	818	0.31
Superstrada Pedemontana Veneta, STEP 0% 30/06/2047	€800,000	632	0.24
Assicurazioni Generali FRN 6.269% Perpetual	£700,000	672	0.26
		5,561	2.13
Jersey 2.24% (3.79%)			
Porterbrook Rail Finance 5.5% 20/04/2019	£770,000	778	0.30
Porterbrook Rail Finance 6.5% 20/10/2020	£250,000	270	0.10
LHC3 4.125% 15/08/2024	€526,050	449	0.17

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Jersey (continued)			
Heathrow Funding 7.075% 04/08/2030	£913,000	1,228	0.47
Heathrow Funding 5.875% 13/05/2043	£660,000	897	0.34
AA Bond 4.875% 31/07/2043	£1,858,000	1,764	0.68
Heathrow Funding 4.625% 31/10/2046	£370,000	437	0.17
HSBC Bank Capital Funding Sterling 2 FRN 5.862% Perpetual	£32,000	33	0.01
		5,856	2.24
Luxembourg 5.19% (1.89%)			
Blackstone Property Partners Europe Holdings 1.4% 06/07/2022	€1,123,000	1,006	0.39
Eurofins Scientific 3.375% 30/01/2023	€1,034,000	952	0.36
Gazprom 4.25% 06/04/2024	£1,700,000	1,696	0.65
ADO Properties 1.5% 26/07/2024	€5,600,000	4,700	1.80
Hidrovias International Finance 5.95% 24/01/2025	US\$2,170,000	1,551	0.59
Blackstone Property Partners Europe Holdings 2.2% 24/07/2025	€4,220,000	3,665	1.40
		13,570	5.19
Mexico 0.69% (1.02%)			
Petroleos Mexicanos 4.75% 26/02/2029	€2,191,000	1,797	0.69
		1,797	0.69
Netherlands 9.05% (7.88%)			
Teva Pharmaceutical Finance Netherlands II 3.25% 15/04/2022	€1,331,000	1,199	0.46
IPD 3 4.5% 15/07/2022	€918,000	813	0.31
Teva Pharmaceutical Finance Netherlands II 1.25% 31/03/2023	€642,000	521	0.20
NIBC Bank 3.125% 15/11/2023	£2,700,000	2,648	1.01

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Netherlands (continued)			
Selecta Group 5.875% 01/02/2024	€1,097,000	925	0.35
WPC Eurobond REIT 2.25% 09/04/2026	€1,031,000	913	0.35
Vesteda Finance 2% 10/07/2026	€1,471,000	1,300	0.50
Koninklijke KPN 5% 18/11/2026	£2,370,000	2,686	1.03
Teva Pharmaceutical Finance Netherlands II 1.875% 31/03/2027	€1,391,000	993	0.38
Teva Pharmaceutical Finance Netherlands II 1.625% 15/10/2028	€3,445,000	2,311	0.88
LafargeHolcim Sterling Finance Netherlands 3% 12/05/2032	£3,100,000	2,762	1.06
Achmea FRN 6% 04/04/2043	€1,923,000	1,857	0.71
Achmea FRN 4.25% Perpetual	€2,924,000	2,552	0.98
Telefonica Europe FRN 2.661% Perpetual	€200,000	164	0.06
Telefonica Europe FRN 3.875% Perpetual	€700,000	568	0.22
Volkswagen International Finance FRN 3.375% Perpetual	€1,000,000	838	0.32
Volkswagen International Finance FRN 4.625% Perpetual	€700,000	588	0.23
		23,638	9.05
Peru 0.00% (0.07%)			
Portugal 0.70% (0.42%)			
Caixa Geral de Depositos FRN 5.75% 28/06/2028	€2,000,000	1,823	0.70
		1,823	0.70
South Korea 0.00% (0.51%)			
Spain 0.57% (0.00%)			
Banco Santander 2.75% 12/09/2023	£1,500,000	1,487	0.57
		1,487	0.57

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Sweden 3.14% (1.06%)			
Heimstaden Bostad 1.75% 07/12/2021	€2,218,000	1,981	0.76
Castellum 2.125% 20/11/2023	€1,497,000	1,348	0.52
Akelius Residential Property 1.75% 07/02/2025	€2,225,000	1,911	0.73
Vattenfall 6.875% 15/04/2039	£106,000	162	0.06
Akelius Residential Property FRN 3.875% 05/10/2078	€3,214,000	2,797	1.07
		8,199	3.14
Switzerland 2.31% (2.04%)			
Credit Suisse Group FRN 2.125% 12/09/2025	£6,370,000	6,043	2.31
		6,043	2.31
United Kingdom 48.08% (45.32%)			
Travis Perkins 4.375% 15/09/2021	£1,300,000	1,305	0.50
Jerrold Finco 6.25% 15/09/2021	£1,461,000	1,432	0.55
Investec 4.5% 05/05/2022	£2,387,000	2,478	0.95
Skipton Building Society 1.75% 30/06/2022	£814,000	778	0.30
Anglian Water Osprey Financing 5% 30/04/2023	£1,439,000	1,408	0.54
Provident Financial 7% 04/06/2023	£1,172,000	1,169	0.45
HSBC Holdings FRN 2.175% 27/06/2023	£1,005,000	991	0.38
Arqiva Broadcast Finance 6.75% 30/09/2023	£1,775,000	1,776	0.68
Barclays 3.125% 17/01/2024	£1,300,000	1,282	0.49
Heathrow Finance 4.75% 01/03/2024	£2,814,000	2,777	1.06
Pension Insurance 6.5% 03/07/2024	£1,659,000	1,767	0.68
DS Smith 1.375% 26/07/2024	€4,544,000	3,934	1.50
Yorkshire Building Society 3.5% 21/04/2026	£6,154,000	6,166	2.36
Virgin Money Holdings UK FRN 3.375% 24/04/2026	£2,562,000	2,400	0.92
TSB Banking Group FRN 5.75% 06/05/2026	£2,199,000	2,149	0.82

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United Kingdom (continued)			
CYBG FRN 4% 25/09/2026	£5,113,000	4,771	1.83
Western Power Distribution 3.5% 16/10/2026	£5,147,000	5,161	1.97
HSBC Holdings FRN 2.256% 13/11/2026	£1,299,000	1,234	0.47
Virgin Media Secured Finance 4.875% 15/01/2027	£2,700,000	2,531	0.97
Scotland Gas Networks 3.25% 08/03/2027	£1,080,000	1,123	0.43
Virgin Media Secured Finance 5% 15/04/2027	£2,825,000	2,664	1.02
Sainsbury's Bank FRN 6% 23/11/2027	£2,764,000	2,701	1.03
London & Quadrant Housing Trust 2.625% 28/02/2028	£3,404,000	3,404	1.30
Quilter FRN 4.478% 28/02/2028	£4,180,000	4,079	1.56
Grainger 3.375% 24/04/2028	£3,955,000	3,885	1.49
Metro Bank FRN 5.5% 26/06/2028	£4,719,000	4,088	1.56
Assura Financing REIT 3% 19/07/2028	£4,655,000	4,609	1.76
RI Finance Bonds No. 3 6.125% 13/11/2028	£1,480,000	1,566	0.60
Southern Gas Networks 4.875% 21/03/2029	£300,000	356	0.14
Quadgas Finance 3.375% 17/09/2029	£1,290,000	1,279	0.49
Liberty Living Finance 3.375% 28/11/2029	£3,692,000	3,610	1.38
Pension Insurance 5.625% 20/09/2030	£1,000,000	949	0.36
Notting Hill Housing Trust 3.75% 20/12/2032	£1,572,000	1,684	0.64
Telereal Securitisation FRN 4.09% 10/12/2033	£800,000	832	0.32
Telereal Securitisation 5.553% 10/12/2033	£77,934	93	0.03
White City Property Finance 5.12% 17/04/2035	£268,843	331	0.13
Longstone Finance, Series A 4.791% 19/04/2036	£149,586	171	0.06
Longstone Finance 4.896% 19/04/2036	£680,000	771	0.29
Tesco Property Finance 4 5.801% 13/10/2040	£1,956,209	2,215	0.85
WPP Finance 2013 2.875% 14/09/2046	£2,665,000	2,012	0.77

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United Kingdom (continued)			
Catalyst Housing 3.125% 31/10/2047	£1,945,000	1,879	0.72
Karbon Homes 3.375% 15/11/2047	£2,792,000	2,847	1.09
British Telecommunications 3.625% 21/11/2047	£3,714,000	3,366	1.29
Optivo Finance 3.283% 22/03/2048	£1,861,000	1,849	0.71
Bromford Housing Group 3.125% 03/05/2048	£1,812,000	1,771	0.68
Orbit Capital 3.375% 14/06/2048	£2,000,000	1,981	0.76
Notting Hill Housing Trust 3.25% 12/10/2048	£2,040,000	1,929	0.74
WM Treasury 2 3.25% 20/10/2048	£4,074,000	3,989	1.53
Aviva FRN 4.375% 12/09/2049	£1,200,000	1,095	0.42
Prudential FRN 5.625% 20/10/2051	£1,615,000	1,617	0.62
Prudential FRN 5% 20/07/2055	£1,989,000	1,971	0.75
Prudential FRN 6.25% 20/10/2068	£4,006,000	3,907	1.49
SSE FRN 4.75% 16/09/2077	US\$4,467,000	3,237	1.24
Vodafone Group FRN 6.25% 03/10/2078	US\$3,218,000	2,347	0.90
Barclays Bank FRN 5.33% Perpetual	£2,360,000	2,266	0.87
SSE FRN 3.875% Perpetual	£1,700,000	1,669	0.64
		125,651	48.08
United States of America 5.02% (8.07%)			
Mylan 3.125% 15/01/2023	US\$1,100,000	810	0.31
Digital Euro Finco REIT 2.625% 15/04/2024	€1,700,000	1,566	0.60
MPT Operating Partnership REIT 3.325% 24/03/2025	€109,000	96	0.04
Mylan 2.125% 23/05/2025	€1,267,000	1,114	0.43
BAT Capital 2.125% 15/08/2025	£1,423,000	1,352	0.52
Digital Stout Holding REIT 3.75% 17/10/2030	£4,000,000	3,956	1.51
AT&T 7% 30/04/2040	£2,650,000	3,674	1.40
American International Group FRN 2.606% 15/03/2067	£100,000	89	0.03

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United States of America (continued)			
Enterprise Products Operating FRN 5.375% 15/02/2078	US\$726,000	471	0.18
		13,128	5.02
Corporate Bonds total			
		232,159	88.84
Convertible Bonds 0.88% (1.54%)			
Jersey 0.88% (0.51%)			
Intu Jersey 2 REIT 2.875% 01/11/2022	£2,800,000	2,316	0.88
		2,316	0.88
United Kingdom 0.00% (0.43%)			
United States of America 0.00% (0.60%)			
Convertible Bonds total			
		2,316	0.88
Swaps (0.48)% ((0.51)%)			
Credit Default Swap Bank of America Buy Michelin Luxembourg 2.75% 20/06/2019 20/09/2019	EUR 760,000	(5)	0.00
Credit Default Swap Credit Suisse Buy Michelin Luxembourg 2.75% 20/06/2019 20/09/2019	EUR 600,000	(3)	0.00
Credit Default Swap J.P. Morgan Securities Buy Michelin Luxembourg 2.75% 20/06/2019 20/09/2019	EUR 760,000	(5)	0.00
Credit Default Swap BNP Paribas Buy Mondelez International 6.5% 11/08/2017 20/12/2020	USD 605,000	(7)	0.00
Credit Default Swap J.P. Morgan Securities Buy Mondelez International 6.5% 11/08/2017 20/12/2020	USD 620,000	(7)	0.00
Credit Default Swap Barclays Buy Wendel 3.75% 21/01/2021 20/06/2021	EUR 1,250,000	(127)	(0.05)

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Swaps (continued)			
Credit Default Swap BNP Paribas Buy Air France-KLM 3.875% 18/06/2021 20/12/2021	EUR 760,000	(77)	(0.03)
Credit Default Swap J.P. Morgan Securities Buy BP Capital Markets America 4.2% 15/06/2018 20/12/2021	EUR 970,000	(16)	(0.01)
Credit Default Swap BNP Paribas Buy Standard Chartered Bank 5.875% 26/09/2017 20/12/2021	EUR 1,530,000	(12)	(0.01)
Credit Default Swap Citigroup Global Markets Buy Standard Chartered Bank 5.875% 26/09/2017 20/06/2022	EUR 246,812	(1)	0.00
Credit Default Swap BNP Paribas Buy Ziggo Bond 4.625% 15/01/2025 20/12/2022	EUR 1,000,000	(95)	(0.04)
Credit Default Swap Barclays Buy Wendel 3.75% 21/01/2021 20/06/2023	EUR 5,000,000	(782)	(0.30)
Credit Default Swap BNP Paribas Buy HSBC 6% 10/06/2019 20/12/2023	EUR 1,893,177	50	0.02
Credit Default Swap Goldman Sachs Buy HSBC 6% 10/06/2019 20/12/2023	EUR 2,135,811	56	0.02
Credit Default Swap J.P. Morgan Securities Buy HSBC 6% 10/06/2019 20/12/2023	EUR 2,744,112	73	0.03
Credit Default Swap Citigroup Global Markets Sell Iberdrola International 2.875% 11/11/2020 20/06/2021	EUR 484,147	8	0.00
Credit Default Swap Citigroup Global Markets Sell Imperial Brands Finance 6.25% 04/12/2018 20/12/2021	EUR 1,510,000	17	0.01
Credit Default Swap J.P. Morgan Securities Sell Next 5.375% 26/10/2021 20/06/2022	EUR 3,000,000	(24)	(0.01)
Credit Default Swap J.P. Morgan Securities Sell The Royal Bank of Scotland Group 1.5% 28/11/2016 20/06/2023	EUR 1,500,000	(27)	(0.01)
Credit Default Swap J.P. Morgan Securities Sell Heathrow Funding 1.875% 23/05/2024 20/06/2023	EUR 1,338,091	(9)	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Swaps (continued)			
Credit Default Swap Citigroup Global Markets Sell BAT International Finance 2.375% 19/01/2023 20/06/2023	EUR 5,000,000	(48)	(0.02)
Credit Default Swap Citigroup Global Markets Sell Valeo 3.25% 22/01/2024 20/06/2023	EUR 2,500,000	(54)	(0.02)
Credit Default Swap Credit Suisse Sell British Telecommunications 5.75% 07/12/2028 20/06/2023	EUR 2,000,000	7	0.00
Credit Default Swap Goldman Sachs Sell British Telecommunications 5.75% 07/12/2028 20/06/2023	EUR 1,000,000	3	0.00
Credit Default Swap Barclays Sell Autostrade per l'Italia 5.875% 09/06/2024 20/06/2023	EUR 62,000	(3)	0.00
Credit Default Swap BNP Paribas Sell Autostrade per l'Italia 5.875% 09/06/2024 20/06/2023	EUR 529,689	(28)	0.00
Credit Default Swap J.P. Morgan Securities Sell Autostrade per l'Italia 5.875% 09/06/2024 20/06/2023	EUR 99,867	(5)	0.00
Credit Default Swap Barclays Sell Rolls-Royce 6.75% 30/04/2019 20/06/2023	EUR 3,000,000	(21)	(0.01)
Credit Default Swap Barclays Sell Heathrow Funding 1.875% 23/05/2024 20/12/2023	EUR 379,856	(4)	0.00
Credit Default Swap J.P. Morgan Securities Sell Heathrow Funding 1.875% 23/05/2024 20/12/2023	EUR 1,157,534	(14)	0.00
Interest Rate Swap Morgan Stanley Pay floating LIBOR 6 month Receive fixed 0.99% 06/07/2022	GBP 4,670,000	(41)	(0.02)
Interest Rate Swap Morgan Stanley Pay floating LIBOR 6 month Receive fixed 1.309% 06/02/2023	GBP 4,540,000	8	0.00
Interest Rate Swap Morgan Stanley Pay fixed 1.709% Receive floating LIBOR 6 month 07/06/2048	GBP 1,500,000	(62)	(0.03)
Swaps total		(1,255)	(0.48)
Forward Foreign Currency Contracts (0.24)% (0.12%)			
Buy EUR 1,699,349 Sell GBP 1,514,830 24/01/2019	EUR 1,699,349	11	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Forward Foreign Currency Contracts (continued)			
Buy EUR 2,816,286 Sell GBP 2,534,571 24/01/2019	EUR 2,816,286	(7)	0.00
Buy SEK 5,463,943 Sell GBP 478,442 24/01/2019	SEK 5,463,943	0	0.00
Sell EUR 5,524,372 Buy GBP 4,979,027 24/01/2019	EUR (5,524,372)	21	0.01
Sell EUR 63,637,343 Buy GBP 56,534,358 24/01/2019	EUR (63,637,343)	(584)	(0.22)
Sell SEK 5,681,619 Buy GBP 489,659 24/01/2019	SEK (5,681,619)	(8)	0.00
Sell USD 2,990,319 Buy GBP 2,351,702 24/01/2019	USD (2,990,319)	12	0.00
Sell USD 10,645,126 Buy GBP 8,250,607 24/01/2019	USD (10,645,126)	(77)	(0.03)
Forward Foreign Currency Contracts total		(632)	(0.24)
Futures 0.03% (0.08%)			
Euro-Bobl March 2019	(123)	(29)	(0.01)
Euro-Bund March 2019	(34)	(27)	(0.01)
Long Gilt March 2019	170	127	0.05
US 10 Year Note March 2019	5	11	0.00
Futures total		82	0.03
Portfolio of investments		253,183	96.88
Net other assets		8,146	3.12
Net assets attributable to shareholders		261,329	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

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

Summary of Portfolio Transactions

Largest purchases

For the year ended 31 December 2018	Cost £000's
Yorkshire Building Society 3.5% 21/04/2026	6,306
London & Quadrant Housing Trust 2.625% 28/02/2028	6,153
Credit Suisse Group FRN 2.125% 12/09/2025	5,287
Western Power Distribution South West 3.5% 16/10/2026	5,104
CYBG FRN 4% 25/09/2026	5,084
ADO Properties 1.5% 26/07/2024	4,726
UK Treasury 4.25% 07/12/2027	4,709
Assura Financing REIT 3% 19/07/2028	4,643
Metro Bank FRN 5.5% 26/06/2028	4,219
Quilter FRN 4.478% 28/02/2028	4,192

Largest sales

For the year ended 31 December 2018	Proceeds £000's
Coventry Building Society 1.875% 24/10/2023	5,699
UK Treasury 4.25% 07/12/2027	4,709
Lloyds Banking Group 2.25% 16/10/2024	4,538
Santander UK Group Holdings FRN 2.92% 08/05/2026	4,437
UK Treasury 2.25% 07/09/2023	4,033
Tesco 4.875% 24/03/2042	3,726
Barclays 3.25% 12/02/2027	3,387
UK Treasury 4.5% 07/09/2034	3,232
J Sainsbury FRN 2.875% Perpetual	3,230
Eurofins Scientific 2.125% 25/07/2024	3,124

Statement of Total Return

For the year ended 31 December 2018

		2018		2017	
	Notes	£000's	£000's	£000's	£000's
Income					
Net capital (losses)/gains	2		(11,527)		12,166
Revenue	3	9,160		9,188	
Expenses	4	(1,684)		(1,891)	
Net revenue before taxation		7,476		7,297	
Taxation	5	0		0	
Net revenue after taxation			7,476		7,297
Total return before distributions			(4,051)		19,463
Distributions	6		(9,558)		(9,872)
Change in net assets attributable to shareholders from investment activities			(13,609)		9,591

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

		2018		2017	
		£000's	£000's	£000's	£000's
Opening net assets attributable to shareholders			234,477		245,439
Amounts receivable on issue of shares	59,904			17,270	
Amounts payable on cancellation of shares	(23,651)			(41,556)	
			36,253		(24,286)
Dilution adjustment			12		75
Change in net assets attributable to shareholders from investment activities			(13,609)		9,591
Retained distribution on Accumulation shares			4,188		3,647
Unclaimed distributions			8		11
Closing net assets attributable to shareholders			261,329		234,477

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£000's	£000's
Assets			
Investments		255,392	225,034
Current assets			
Debtors	8	3,844	3,287
Cash and bank balances	9	6,263	9,128
Total assets		265,499	237,449
Liabilities			
Investment liabilities		(2,209)	(1,303)
Creditors			
Bank overdrafts	10	(162)	(52)
Distributions payable		(1,469)	(1,342)
Other creditors	11	(330)	(275)
Total liabilities		(4,170)	(2,972)
Net assets attributable to shareholders			
		261,329	234,477

Notes to the Accounts

1 Accounting policies

Basis of preparation

The applicable accounting policies adopted by Schroder Sterling Corporate Bond Fund are disclosed on pages 17 to 20.

2 Net capital (losses)/gains

The net capital (losses)/gains during the year comprise:

	2018 £000's	2017 £000's
Non-derivative securities	(9,795)	11,445
Derivative contracts	(911)	(119)
Forward foreign currency contracts	(658)	915
Foreign currency losses	(149)	(65)
Transaction costs	(14)	(15)
Compensation items	0	5
Net capital (losses)/gains	(11,527)	12,166

3 Revenue

	2018 £000's	2017 £000's
Interest on debt securities	8,864	9,055
Bank interest	18	6
Net revenue return from derivative contracts	278	127
Total revenue	9,160	9,188

Notes to the Accounts (continued)

4 Expenses

	2018 £000's	2017 £000's
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD fee	1,388	1,601
Administration charge	248	239
	1,636	1,840
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	25	25
Safe custody fees	9	9
Interest payable	3	3
	37	37
Other expenses:		
Audit fee	11	14
Total expenses	1,684	1,891

5 Taxation

Corporation tax has not been provided for as expenses and interest distributions payable by the fund exceed the revenue liable to corporation tax.

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 OEICs of 20% (2017 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2018 £000's	2017 £000's
Net revenue before taxation	7,476	7,297
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	1,495	1,459
Effects of:		
Interest distributions deductible for tax purposes	(1,495)	(1,459)
Current tax charge for the year	0	0

Notes to the Accounts (continued)

6 Distributions

Distributions

The distributions, which are on a coupon basis, take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2018 £000's	2017 £000's
Quarterly Interest distribution	2,176	2,550
Interim Interest distribution	2,358	2,642
Quarterly Interest distribution	2,491	2,386
Final Interest distribution	2,717	2,168
	9,742	9,746
Add: Revenue deducted on cancellation of shares	108	219
Deduct: Revenue received on issue of shares	(292)	(93)
Distributions	9,558	9,872
Net revenue after taxation	7,476	7,297
Expenses taken to capital	1,681	1,888
Adjustment for coupon distributions	401	687
Distributions	9,558	9,872

Details of the distributions per share are set out in the Distribution Table on pages 119 to 122.

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	2018		2017	
	Assets £000's	Liabilities £000's	Assets £000's	Liabilities £000's
Level 1: Quoted prices	17,041	(56)	388	0
Level 2: Observable market data	238,351	(2,153)	224,646	(1,303)
Level 3: Unobservable data	0	0	0	0
Total	255,392	(2,209)	225,034	(1,303)

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.

Notes to the Accounts (continued)

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 ACD 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 ACD 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 ACD with particular attention paid to the carrying value of the investments.

8 Debtors

	2018 £000's	2017 £000's
Amounts receivable for issue of shares	568	266
Accrued interest on debt securities	3,260	3,021
Revenue receivable from derivative contracts	16	0
Total debtors	3,844	3,287

9 Cash and bank balances

	2018 £000's	2017 £000's
Cash and bank balances	3,002	7,457
Amounts held at futures clearing houses and brokers	3,261	1,671
Total cash and bank balances	6,263	9,128

10 Bank overdrafts

	2018 £000's	2017 £000's
Amounts overdrawn at futures clearing houses and brokers	162	52
Total bank overdrafts	162	52

Notes to the Accounts (continued)

11 Other creditors

	2018		2017	
	£000's	£000's	£000's	£000's
Amounts payable for cancellation of shares		145		110
Amounts payable on derivative contracts		1		15
Accrued expenses				
ACD and Agents				
ACD fee	123		107	
Administration charge	22		19	
		145		126
Depositary and Agents				
Depositary's fees	16		4	
Safe custody fees	4		2	
Transaction costs	7		4	
		27		10
Other accrued expenses		12		14
Total other creditors		330		275

12 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2017 – Nil).

13 Related party transactions

The ACD 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 ACD at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

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

Shares held or managed by the ACD or associates of the ACD as a percentage of the company's net asset value at the balance sheet date were 32.67% (2017 – 37.79%).

Notes to the Accounts (continued)

14 Share classes

The fund currently has eight share classes: A Income shares, A Accumulation shares, C Income shares, C Accumulation shares, S Income shares, S Accumulation shares, Z Income shares and Z Accumulation shares. The ACD charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the ACD, the Investment Adviser and their overhead expenses and for each share class is as follows:

A Income shares	1.00%
A Accumulation shares	1.00%
C Income shares	0.75%
C Accumulation shares	0.75%
S Income shares	0.30%
S Accumulation shares	0.30%
Z Income shares	0.50%
Z Accumulation shares	0.50%

The closing net asset value of each share class, the closing net asset value per share and the closing number of shares in issue are given in the Comparative Tables on pages 83 to 90. The distributions per share class are given in the Distribution Table on pages 119 to 122. All classes have the same rights on winding up.

15 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 ACD 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 enable the pursuit of the fund's investment objective or to assist in the redemption of shares, the efficient management of the fund or purposes regarded as ancillary to the fund.

The main risks arising from the fund's financial instruments are market price, derivative, foreign currency, liquidity, credit and interest rate risks. The ACD'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 ACD in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the COLL mitigates the risk of excessive exposure to any particular type of security or issuer.

Derivative risk

The fund trades in a high volume of derivatives to achieve its investment objective. This involves a higher degree of risk and may lead to a higher volatility in the share prices of the fund. The ACD employs a risk management process to allow the ACD to measure derivative and forward positions and their contribution to the overall risk profile of the fund. As part of this risk management process the ACD conducts daily value at risk analysis of the fund and performs both stress and back testing of the fund.

Foreign currency risk

The fund invests in overseas securities and balance sheet to be significantly affected by movements in foreign exchange rates. The ACD seeks to manage exposure to currency movements by using forward foreign currency contracts.

Notes to the Accounts (continued)

Revenue received in other currencies is translated to sterling on or near the date of receipt.

Liquidity risk

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

Credit risk

The debt securities are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The majority of debt securities in which the fund invests are investment grade listed bonds or government securities which are lower risk. The fund can invest in the full spectrum of available securities, which include non-investment grade securities (known as high yield). The ACD monitors credit weightings on a regular basis as well as reviewing individual issuers and respective bonds at risk of default.

The fund invests in credit default swaps to adjust the credit risk profile of the fund quickly and efficiently. Credit default swaps are bought and sold in response to detailed credit research to take advantage of anticipated movements in credit spreads on individual stocks and baskets of securities. When the fund buys a credit default swap the default risk associated with the underlying security transfers to the counterparty. Conversely when the fund sells a credit default swap the fund assumes the credit risk of the underlying security. All credit default swaps are disclosed separately in the Portfolio Statement.

The fund's investment objective allows it to buy and sell options where the underlying contract is a credit default swap. These instruments have a similar investment purpose as holding credit default swap contracts directly in that they enable the fund to adjust the credit risk profile of the fund quickly and efficiently. When the fund buys an option it pays a premium and this entitles the fund to buy or sell a credit default swap at an agreed price at a future date. When the fund sells an option it receives a premium and this grants an entitlement to a third party that requires the fund to enter into a credit default swap at an agreed price at a future date.

Interest rate risk

The fund invests in debt securities. The revenue of the fund may be affected by changes to interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future. The ACD monitors and controls the sensitivity of the portfolio to fluctuations of interest rates (duration) to best match the return of revenue gains/losses with potential losses/gains of capital value.

The fund invests in interest rate swaps to adjust the interest rate risk profile of the fund across the entire yield curve quickly and efficiently. The price of interest rate swaps are largely determined by investors' views of future interest rate and yield levels, and the ACD aims to profit when these market views differ from Schroders' own expectations. All interest rate swaps are disclosed separately in the Portfolio Statement.

Interest receivable on bank balances and receivable or payable on amounts held or overdrawn at futures clearing houses and brokers will be affected by fluctuations in interest rates.

Floating rate financial assets and financial liabilities

Sterling denominated bank balances bear interest at rates based on the SONIA. Sterling denominated floating rate bonds, and foreign currency bank balances and amounts held or overdrawn at futures clearing houses and brokers bear interest at rates based on the London Interbank Offer Rate (LIBOR) or its international equivalent. Euro denominated floating rate notes and bonds bear interest at rates based on Euro Interbank Offer Rate (EURIBOR). US dollar denominated floating rate notes and bonds bear interest at rates based on US London Interbank Offer Rate (US LIBOR).

Notes to the Accounts (continued)

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.

Derivatives

During the year the fund entered into derivative contracts for specific investment purposes in addition to being used for efficient management. The aim of any derivative or forward used for specific investment purposes is not to materially alter the risk of the profile of the fund, rather their use is to assist the ACD in meeting the investment objective of the fund.

Global risk exposure

Relative VaR approach

This approach is used for the funds whose risk can be managed in relation to a defined benchmark.

Regulatory VaR limit utilisation

	Lowest	Highest	Average
2018	47.36%	52.98%	49.45%
2017	46.78%	53.46%	50.77%

Information on VaR model

Model type	Length of data history	Confidence level	Holding period
2018			
Monte Carlo Simulation	All available history	99%	20 days
2017			
Monte Carlo Simulation	All available history	99%	20 days

Leverage

Information on the limit usage and level of leverage

The level of leverage is an indication of the derivative usage and of any leverage generated by the reinvestment of cash received as collateral when using efficient portfolio management techniques. It does not take into account other physical assets directly held in the portfolio of the fund. The figure is not representative of the maximum amount that a fund could lose, as it includes the derivatives used to protect the Net Asset Value of a fund as well as the derivatives backed by risk free assets and derivatives which do not generate any incremental exposure, leverage or market risk from an economic perspective. The reported leverage figure is therefore not a true representation of the economic leverage¹ in the fund.

The level of leverage disclosed is based on the total notional value² of all derivative instruments held by a fund and is expressed as a percentage of the fund's Net Asset Value. For the purpose of this calculation the holdings and offset derivative positions (long and short positions) do not cancel each other out and the figure is a sum of the total holdings.

Notes to the Accounts (continued)

Leverage

	Lowest	Highest	Average	Leverage at 31 December
2018	42.75%	102.89%	60.35%	61.49%
2017	48.86%	102.13%	63.72%	52.01%

- 1 Where economic leverage is the sum of derivative commitments (calculated in line with ESMA (European Securities and Markets Authority) 10/788) and excludes derivatives used within hedging arrangements, derivatives whose commitments is covered by risk free assets and derivatives which are not considered to generate any incremental exposure and leverage or market risk.
- 2 Delta adjusted in line with ESMA 10/788 when appropriate.

Written options

The fund writes short dated covered call options over the equities which it holds in its investment portfolio. This is a fundamental part of the fund's investment policy which enables it to enhance its revenue through the receipt of option premium. Each call option provides the purchaser with any gain achieved on the underlying securities above an agreed price (strike price) at an agreed future date. This strategy has the effect of limiting the return potential of the underlying equity portfolio since any gains above the strike price will effectively be paid to the purchaser of the relevant option.

16 Debt security credit analysis

	2018 £000's	2017 £000's
Investment grade securities	136,021	143,352
Below investment grade securities	106,013	67,528
Unrated securities	12,954	13,553
Total debt securities	254,988	224,433

The fund invests in credit default swaps to adjust the credit risk profile of the fund. The notional exposure of these swaps has been included in the above table.

17 Direct transaction costs

No transaction costs on the purchase and sale of investments incurred by the fund during year. The total purchases for the year amounted to £305,425,176 (2017 – £225,720,363) and the total sales amounted to £264,626,744 (2017 – £248,578,624).

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.72% (2017 – 0.80%).

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.

Notes to the Accounts (continued)

18 Shares in issue reconciliation

	Number of shares in issue as at 31.12.17	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31.12.18
A Income shares	24,944,694	3,274,722	(3,398,592)	71,456	24,892,280
A Accumulation shares	53,100,839	4,636,682	(9,309,064)	(180,371)	48,248,086
C Income shares	18,055,421	95,167	(1,256,610)	(1,518,185)	15,375,793
C Accumulation shares	5,177,780	84,215	(632,048)	(82,005)	4,547,942
S Income shares	133,481,085	17,132,755	(12,143,824)	(1,178,013)	137,292,003
S Accumulation shares	5,947,881	22,341	(352,630)	(158,361)	5,459,231
Z Income shares	35,883,537	4,840,911	(3,506,731)	1,478,426	38,696,143
Z Accumulation shares	22,589,228	26,261,055	(1,210,790)	165,227	47,804,720

19 Counterparty exposure

The types of derivatives held at the balance sheet date were forward foreign currency contracts, futures contracts, credit default swaps and interest rate swaps. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

Counterparty	Forward foreign currency contracts £000's	Futures contracts £000's	Credit default swaps £000's	Interest rate swaps £000's	Total £000's
ANZ					
2018	(9)	0	0	0	(9)
2017	0	0	0	0	0
Bank of America					
2018	0	0	(5)	0	(5)
2017	0	0	(11)	0	(11)
Barclays Capital					
2018	0	0	(937)	0	(937)
2017	0	0	(197)	0	(197)
BNP Paribas					
2018	6	0	(169)	0	(163)
2017	0	0	(432)	0	(432)
Citibank					
2018	(3)	0	(78)	0	(81)
2017	1	0	(46)	0	(45)

Notes to the Accounts (continued)

Counterparty	Forward foreign currency contracts £000's	Futures contracts £000's	Credit default swaps £000's	Interest rate swaps £000's	Total £000's
Credit Suisse					
2018	0	0	4	0	4
2017	0	0	(9)	0	(9)
Goldman Sachs					
2018	0	0	59	0	59
2017	3	0	0	0	3
HSBC					
2018	(3)	0	0	0	(3)
2017	76	0	0	0	76
JPMorgan Chase					
2018	(623)	0	(34)	0	(657)
2017	(5)	0	(499)	0	(504)
Morgan Stanley					
2018	3	0	0	(95)	(92)
2017	10	0	(4)	13	19
Nomura					
2018	0	0	0	0	0
2017	(17)	0	0	0	(17)
RBC					
2018	(16)	0	0	0	(16)
2017	0	0	0	0	0
State Street					
2018	13	0	0	0	13
2017	228	0	0	0	228
Standard Chartered					
2018	0	0	0	0	0
2017	(8)	0	0	0	(8)
UBS					
2018	0	82	0	0	82
2017	0	195	0	0	195

Notes to the Accounts (continued)

The collateral pledged by the fund on behalf of the counterparties at the balance sheet date was as follows:

Counterparty	2018 £000's	2017 £000's
Barclays Capital	(950)	(250)
BNP Paribas	(200)	(450)
Credit Suisse	0	(10)
JPMorgan Chase	(1,250)	(470)
Merrill Lynch	0	(40)
Morgan Stanley	(184)	0
Total	(2,584)	(1,220)

The nature of collateral pledged by the fund on behalf of the counterparties at the balance sheet date was as follows:

Counterparty	2018 £000's	2017 £000's
Cash	(2,584)	(1,220)
Total	(2,584)	(1,220)

Securities Financing Transactions

The fund has not engaged in Securities Financing Transactions (SFTs) (as defined in Article 3 of Regulation (EU) 2015/2365, SFTs include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions), or Total Return Swaps, or Contracts for Difference. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the accounting year ended 31 December 2018.

Distribution Table

**Quarterly distribution
for the three
months ended
31 March 2018**

Group 1 Shares purchased prior to 1 January 2018

Group 2 Shares purchased on or after 1 January 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.5.18 p per share	<i>Distribution paid 31.5.17 p per share</i>
A Income shares				
Group 1	0.5761	–	0.5761	0.6432
Group 2	0.2313	0.3448	0.5761	0.6432
A Accumulation shares				
Group 1	0.6772	–	0.6772	0.7256
Group 2	0.3302	0.3470	0.6772	0.7256
C Income shares				
Group 1	0.5712	–	0.5712	0.6357
Group 2	0.3395	0.2317	0.5712	0.6357
C Accumulation shares				
Group 1	1.2977	–	1.2977	1.3863
Group 2	1.0814	0.2163	1.2977	1.3863
S Income shares				
Group 1	0.5050	–	0.5050	0.5597
Group 2	0.3897	0.1153	0.5050	0.5597
S Accumulation shares				
Group 1	1.3782	–	1.3782	–
Group 2	1.3782	0.0000	1.3782	–
Z Income shares				
Group 1	1.1106	–	1.1106	1.2326
Group 2	0.5368	0.5738	1.1106	1.2326
Z Accumulation shares				
Group 1	1.3753	–	1.3753	1.4677
Group 2	0.5829	0.7924	1.3753	1.4677

Distribution Table (continued)

**Interim distribution
for the three
months ended
30 June 2018**

Group 1 Shares purchased prior to 1 April 2018
Group 2 Shares purchased on or after 1 April 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.8.18 p per share	<i>Distribution paid 31.8.17 p per share</i>
A Income shares				
Group 1	0.5946	–	0.5946	0.7174
Group 2	0.3239	0.2707	0.5946	0.7174
A Accumulation shares				
Group 1	0.7052	–	0.7052	0.8177
Group 2	0.3042	0.4010	0.7052	0.8177
C Income shares				
Group 1	0.5895	–	0.5895	0.7095
Group 2	0.2807	0.3088	0.5895	0.7095
C Accumulation shares				
Group 1	1.3515	–	1.3515	1.5633
Group 2	0.5856	0.7659	1.3515	1.5633
S Income shares				
Group 1	0.5219	–	0.5219	0.6255
Group 2	0.2724	0.2495	0.5219	0.6255
S Accumulation shares				
Group 1	1.4366	–	1.4366	–
Group 2	1.1497	0.2869	1.4366	–
Z Income shares				
Group 1	1.1466	–	1.1466	1.3766
Group 2	0.4325	0.7141	1.1466	1.3766
Z Accumulation shares				
Group 1	1.4354	–	1.4354	1.6562
Group 2	0.6432	0.7922	1.4354	1.6562

Distribution Table (continued)

**Quarterly distribution
for the three
months ended
30 September 2018**

Group 1 Shares purchased prior to 1 July 2018
Group 2 Shares purchased on or after 1 July 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 30.11.18 p per share	<i>Distribution paid 30.11.17 p per share</i>
A Income shares				
Group 1	0.5981	–	0.5981	0.6505
Group 2	0.3740	0.2241	0.5981	0.6505
A Accumulation shares				
Group 1	0.7162	–	0.7162	0.7501
Group 2	0.3276	0.3886	0.7162	0.7501
C Income shares				
Group 1	0.5932	–	0.5932	0.6403
Group 2	0.4203	0.1729	0.5932	0.6403
C Accumulation shares				
Group 1	1.3735	–	1.3735	1.4281
Group 2	1.2443	0.1292	1.3735	1.4281
S Income shares				
Group 1	0.5260	–	0.5260	0.5717
Group 2	0.2544	0.2716	0.5260	0.5717
S Accumulation shares				
Group 1	1.4618	–	1.4618	–
Group 2	1.4618	0.0000	1.4618	–
Z Income shares				
Group 1	1.1548	–	1.1548	1.2499
Group 2	0.5922	0.5626	1.1548	1.2499
Z Accumulation shares				
Group 1	1.4597	–	1.4597	1.5255
Group 2	0.7758	0.6839	1.4597	1.5255

Distribution Table (continued)

**Final distribution
for the three
months ended
31 December 2018**

Group 1 Shares purchased prior to 1 October 2018
Group 2 Shares purchased on or after 1 October 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	Distribution paid 28.2.18 p per share
A Income shares				
Group 1	0.6227	–	0.6227	0.5868
Group 2	0.2837	0.3390	0.6227	0.5868
A Accumulation shares				
Group 1	0.7531	–	0.7531	0.6833
Group 2	0.3631	0.3900	0.7531	0.6833
C Income shares				
Group 1	0.6181	–	0.6181	0.5810
Group 2	0.2011	0.4170	0.6181	0.5810
C Accumulation shares				
Group 1	1.4451	–	1.4451	1.3079
Group 2	1.0458	0.3993	1.4451	1.3079
S Income shares				
Group 1	0.5485	–	0.5485	0.5134
Group 2	0.4035	0.1450	0.5485	0.5134
S Accumulation shares				
Group 1	1.5397	–	1.5397	1.3873
Group 2	0.2109	1.3288	1.5397	1.3873
Z Income shares				
Group 1	1.2038	–	1.2038	1.1287
Group 2	0.5191	0.6847	1.2038	1.1287
Z Accumulation shares				
Group 1	1.5368	–	1.5368	1.3873
Group 2	0.8131	0.7237	1.5368	1.3873

Equalisation

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

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

Fund Information

Investment objective and policy

The Schroder European Recovery Fund (the 'fund') aims to provide capital growth by investing in equity and equity related securities of European companies, excluding the UK.

The fund invests at least 80% of its assets in equity and equity related securities of European companies, excluding the UK. As the fund is index-unconstrained it is managed without reference to an index.

The fund applies a disciplined value investment approach, seeking to invest in a select portfolio of companies that the Investment Manager believes are significantly undervalued relative to their long-term earnings potential.

The fund may also invest in other equity and equity related securities including UK companies, collective investment schemes, 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.

With effect from 14 May 2018 the fund's Investment objective and policy changed, previously it was:

The fund aims to provide capital growth by investing in equity and equity related securities of European companies, excluding the UK.

The fund invests at least 80% of its assets in equity and equity related securities of European companies, excluding the UK.

The fund aims to take advantage of investment opportunities in varying market conditions. The fund follows an investment approach based around the business cycle, where the Investment Manager attempts to identify turning points in the cycle and then focuses on the types of companies that will benefit from this.

The fund may also invest in other equity and equity related securities including UK companies, collective investment schemes, warrants and money market instruments, and hold cash.

The fund may use derivatives with the aim reducing risk or managing the fund more efficiently.

Financial highlights

Dealing price	31.12.18	29.12.17	% change
A Accumulation shares	675.00p	777.70p	(13.21)
C Income shares	678.20p	790.20p	(14.17)
C Accumulation shares	730.00p	836.80p	(12.76)
L Income shares	62.21p	72.54p	(14.24)
L Accumulation shares	66.58p	76.07p	(12.48)
S Income shares	58.64p	68.38p	(14.24)
S Accumulation shares	734.80p	837.10p	(12.22)
Z Income shares	664.20p	774.80p	(14.27)
Z Accumulation shares	770.20p	880.70p	(12.55)
	28.2.19	28.2.18	
Final distribution per Z Income share	21.9417p	15.1927p	

Fund Information (continued)

Fund information

Launch date	2 July 1999	
Launch price	241.21p per C Accumulation share	
	241.21p per Z Accumulation share	
Launch date	25 February 2002	
Launch price	217.60p per A Accumulation share	
Launch date	1 April 2010	
Launch price	464.66p per Z Income share	
Launch date	8 May 2013	
Launch price	518.17p per C Income share	
Launch date	1 October 2013	
Launch price	50.00p per L Income share	
	50.00p per L Accumulation share	
Launch date	1 November 2013	
Launch price	50.00p per S Income share	
Launch date	15 December 2017	
Launch price	830.50p per S Accumulation share	
	Interim	Final
Accounting dates	30 June	31 December
Revenue allocation date		28 February

Fund Information (continued)

Ongoing charges figure

	For the year to 31.12.18	For the period from 1.1.18	For the year to 31.12.17
A Accumulation shares	1.69%	1.68%	1.68%
C Income shares	1.19%	1.18%	1.18%
C Accumulation shares	1.19%	1.18%	1.18%
L Income shares	0.87%	0.86% ¹	0.87%
L Accumulation shares	0.87%	0.86%	0.86%
S Income shares	0.57%	0.56% ¹	0.55%
S Accumulation shares	0.57%	0.56% ¹	0.49% ²
Z Income shares	0.94%	0.93%	0.93%
Z Accumulation shares	0.94%	0.93%	0.93%

- 1 The Ongoing charges figure was a projected figure based on the latest expenses of the share class.
- 2 The Ongoing charges figure is annualised based on the fees incurred during the accounting period.

Review of Investment Activities

From 29 December 2017 to 31 December 2018, the price of A Accumulation shares on a dealing price to dealing price basis fell 13.21%. In comparison, the FTSE¹ World European ex UK Index generated a negative total return of 9.45%² in sterling terms.

During the period under review, the fund was renamed the Schroder European Recovery Fund (previously Schroder European Opportunities Fund). Its management was transferred to Andrew Lyddon and Andrew Evans, who are part of the Value Team at Schroders. The fund now uses the team's well known bottom up, deep value approach to identify recovery stocks.

Prior to taking over the fund, we conducted a thorough analysis of continental Europe for deep value opportunities. 130 years of equity market data shows that the price you pay is the key determinant of whether or not you will make money with an investment. Value investing seeks to outperform the market by exploiting human nature. Specifically, it seeks to take advantage of investors' low tolerance for short term bad news and a tendency to extrapolate current trends when forming future expectations. It enables us to identify companies that have become significantly undervalued relative to their long-term earnings potential. During the year we reoriented the portfolio towards such undervalued, unloved businesses.

The fund underperformed the index during the twelve months under review. Italian bank UniCredit was a weaker name, hurt by the country's ongoing political turmoil and profits failing to meet the expectations. The shortfall was the result of a write down of its Turkish business as well as an increase in provisions. While perceptions have been negative, we highlight that UniCredit has de-risked meaningfully by raising additional capital. The position in Sanofi supported fund performance. In 2018 we did an extensive piece of research on the global pharmaceutical sector. We concluded that Sanofi is among the most attractive pharmaceuticals in the world with a solid balance sheet, an attractive valuation and a 4.5% dividend yield.

Co-Fund Manager:

Andrew Lyddon



Co-manager of European Income, European Recovery and Global Recovery strategies

Specialist Value UK equities fund manager with 13 years' investment experience

UK equity analyst responsible for Telecommunications and Support Services

Joined Schroders in October 2005 as an Equity Analyst with the Pan European Industrials desk

Chartered Financial Analyst

MSc in Intellectual Property Law, Queen Mary College

Degree in Chemistry, Bath University

Co-Fund Manager:

Andrew Evans



Co-Fund Manager of Schroder ISF European Value and Schroder ISF European Equity Yield

Joined Schroders' Global Value Team in June 2015

Investment career commenced in 2001

Worked at Threadneedle in UK research and Dresdner Kleinwort as an analyst for the Pan European transport sector

Chartered Financial Analyst

Degree in Economics, Exeter University

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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 and reward indicator changed from 6 to 5 with effect from 14 May 2018 for A Accumulation shares, C Income shares, C Accumulation shares, L Income shares, L Accumulation shares, S Income shares, Z Income shares and Z Accumulation shares. At the period end the risk and reward indicator for S Accumulation shares remained at 5.

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 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 may invest in a wide range of derivatives in order to meet its investment objectives.

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

Comparative Tables

A Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	776.77	673.81	610.03
Return before operating charges	(88.11)	115.40	74.03
Operating charges	(12.75)	(12.44)	(10.25)
Return after operating charges*	(100.86)	102.96	63.78
Distributions ¹	(16.75)	(9.74)	(9.00)
Retained distributions ¹	16.75	9.74	9.00
Closing net asset value	675.91	776.77	673.81
*after direct transaction costs of	(1.05)	(1.04)	(0.98)
Performance			
Return after charges (%)	(12.98)	15.28	10.46
Other information			
Closing net asset value (£000's)	110,627	160,141	163,245
Closing number of shares	16,367,042	20,616,387	24,227,078
Operating charges (%)	1.69	1.68	1.68
Direct transaction costs (%)**	0.14	0.14	0.16
Prices			
Highest dealing price (p)	810.30	788.00	679.70
Lowest dealing price (p)	668.30	674.40	525.50

Comparative Tables (continued)

C Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	776.46	681.10	624.89
Return before operating charges	(88.41)	116.87	76.14
Operating charges	(8.99)	(8.79)	(7.39)
Return after operating charges*	(97.40)	108.08	68.75
Distributions ¹	(20.57)	(12.72)	(12.54)
Closing net asset value	658.49	776.46	681.10
*after direct transaction costs of	(1.05)	(1.05)	(1.01)
Performance			
Return after charges (%)	(12.54)	15.87	11.00
Other information			
Closing net asset value (£000's)	263	393	14,425
Closing number of shares	40,034	50,625	2,117,901
Operating charges (%)	1.19	1.18	1.18
Direct transaction costs (%)**	0.14	0.14	0.16
Prices			
Highest dealing price (p)	810.30	800.00	699.10
Lowest dealing price (p)	671.40	682.30	538.60

Comparative Tables (continued)

C Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	835.79	721.39	649.93
Return before operating charges	(95.15)	123.78	79.13
Operating charges	(9.69)	(9.38)	(7.67)
Return after operating charges*	(104.84)	114.40	71.46
Distributions ¹	(22.14)	(14.31)	(12.93)
Retained distributions ¹	22.14	14.31	12.93
Closing net asset value	730.95	835.79	721.39
*after direct transaction costs of	(1.13)	(1.11)	(1.04)
Performance			
Return after charges (%)	(12.54)	15.86	11.00
Other information			
Closing net asset value (£000's)	17,433	25,951	71,240
Closing number of shares	2,385,074	3,104,994	9,875,414
Operating charges (%)	1.19	1.18	1.18
Direct transaction costs (%)**	0.14	0.14	0.16
Prices			
Highest dealing price (p)	872.20	847.20	727.00
Lowest dealing price (p)	722.70	722.60	560.10

Comparative Tables (continued)

L Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	70.99	62.33	57.18
Return before operating charges	(8.10)	10.70	6.97
Operating charges	(0.61)	(0.58)	(0.49)
Return after operating charges*	(8.71)	10.12	6.48
Distributions ¹	(2.10)	(1.46)	(1.33)
Closing net asset value	60.18	70.99	62.33
*after direct transaction costs of	(0.10)	(0.09)	(0.09)
Performance			
Return after charges (%)	(12.27)	16.24	11.33
Other information			
Closing net asset value (£000's)	980	2,377	19,141
Closing number of shares	1,628,292	3,348,820	30,706,166
Operating charges (%)	0.87	0.87	0.85
Direct transaction costs (%)**	0.14	0.14	0.16
Prices			
Highest dealing price (p)	74.10	73.43	64.13
Lowest dealing price (p)	61.58	62.47	49.29

Comparative Tables (continued)

L Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	75.98	65.37	58.70
Return before operating charges	(8.68)	11.23	7.17
Operating charges	(0.64)	(0.62)	(0.50)
Return after operating charges*	(9.32)	10.61	6.67
Distributions ¹	(2.25)	(1.54)	(1.38)
Retained distributions ¹	2.25	1.54	1.38
Closing net asset value	66.66	75.98	65.37
*after direct transaction costs of	(0.10)	(0.10)	(0.09)
Performance			
Return after charges (%)	(12.27)	16.23	11.36
Other information			
Closing net asset value (£000's)	30,528	47,380	51,485
Closing number of shares	45,794,593	62,360,959	78,766,107
Operating charges (%)	0.87	0.86	0.85
Direct transaction costs (%)**	0.14	0.14	0.16
Prices			
Highest dealing price (p)	79.31	77.00	65.84
Lowest dealing price (p)	65.91	65.51	50.61

Comparative Tables (continued)

S Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	66.71	58.57	53.72
Return before operating charges	(7.63)	10.08	6.58
Operating charges	(0.37)	(0.36)	(0.31)
Return after operating charges*	(8.00)	9.72	6.27
Distributions ¹	(2.18)	(1.58)	(1.42)
Closing net asset value	56.53	66.71	58.57
*after direct transaction costs of	(0.09)	(0.09)	(0.09)
Performance			
Return after charges (%)	(11.99)	16.60	11.67
Other information			
Closing net asset value (£000's)	13,879	21,779	5,249
Closing number of shares	24,550,064	32,645,610	8,960,721
Operating charges (%)	0.57	0.55	0.55
Direct transaction costs (%)**	0.14	0.14	0.16
Prices			
Highest dealing price (p)	69.65	69.21	60.39
Lowest dealing price (p)	58.04	58.73	46.33

Comparative Tables (continued)

S Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	836.02	830.50
Return before operating charges	(95.63)	5.68
Operating charges	(4.63)	(0.16)
Return after operating charges*	(100.26)	5.52
Distributions ¹	(27.29)	(14.67)
Retained distributions ¹	27.29	14.67
Closing net asset value	735.76	836.02
*after direct transaction costs of	(1.13)	(1.18)
Performance		
Return after charges (%)	(11.99)	0.66
Other information		
Closing net asset value (£000's)	34,763	51,067
Closing number of shares	4,724,769	6,108,308
Operating charges (%)	0.57	0.05
Direct transaction costs (%)**	0.14	0.14
Prices		
Highest dealing price (p)	872.80	847.20
Lowest dealing price (p)	727.40	830.50

The share class was launched on 15 December 2017.

Comparative Tables (continued)

Z Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	758.61	666.18	611.10
Return before operating charges	(86.45)	114.47	74.50
Operating charges	(7.06)	(6.85)	(5.67)
Return after operating charges*	(93.51)	107.62	68.83
Distributions ¹	(21.94)	(15.19)	(13.75)
Closing net asset value	643.16	758.61	666.18
*after direct transaction costs of	(1.03)	(1.03)	(0.98)
Performance			
Return after charges (%)	(12.33)	16.15	11.26
Other information			
Closing net asset value (£000's)	6,349	19,951	19,825
Closing number of shares	987,036	2,629,925	2,975,964
Operating charges (%)	0.94	0.93	0.93
Direct transaction costs (%)**	0.14	0.14	0.16
Prices			
Highest dealing price (p)	791.80	784.20	684.90
Lowest dealing price (p)	657.50	667.60	526.80

Comparative Tables (continued)

Z Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	879.62	757.35	680.66
Return before operating charges	(100.32)	130.04	83.02
Operating charges	(8.08)	(7.77)	(6.33)
Return after operating charges*	(108.40)	122.27	76.69
Distributions ¹	(25.46)	(17.26)	(15.37)
Retained distributions ¹	25.46	17.26	15.37
Closing net asset value	771.22	879.62	757.35
*after direct transaction costs of	(1.19)	(1.17)	(1.09)
Performance			
Return after charges (%)	(12.32)	16.14	11.27
Other information			
Closing net asset value (£000's)	107,322	163,434	175,736
Closing number of shares	13,915,912	18,580,019	23,203,963
Operating charges (%)	0.94	0.93	0.93
Direct transaction costs (%)**	0.14	0.14	0.16
Prices			
Highest dealing price (p)	918.10	891.50	762.90
Lowest dealing price (p)	762.50	758.90	586.80

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 share 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 31.12.18	Market Value £000's	% of net assets
Equities 93.70% (99.36%)			
Australia 2.57% (0.00%)			
South32	4,467,523	8,273	2.57
		8,273	2.57
Belgium 9.03% (1.54%)			
Ageas	336,131	11,815	3.67
EVS Broadcast Equipment	256,717	5,346	1.66
Orange Belgium	771,381	11,936	3.70
		29,097	9.03
Canada 2.65% (0.00%)			
Lundin Mining	2,607,756	8,540	2.65
		8,540	2.65
Denmark 1.16% (5.37%)			
D/S Norden	336,614	3,749	1.16
		3,749	1.16
Finland 1.35% (0.83%)			
Nordea Bank	656,214	4,336	1.35
		4,336	1.35
France 24.73% (21.92%)			
AXA	569,438	9,624	2.99
BNP Paribas	243,785	8,637	2.68
Coface	971,413	6,914	2.15
Orange	902,844	11,471	3.56
Publicis Groupe	162,447	7,255	2.25
Sanofi	262,029	17,755	5.51
Television Francaise 1	1,267,893	8,057	2.50
TOTAL	240,193	9,956	3.09
		79,669	24.73

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Germany 4.24% (25.75%)			
Allianz	66,876	10,545	3.27
Deutsche Bank	496,572	3,107	0.97
		13,652	4.24
Greece 1.30% (0.00%)			
Alpha Bank	2,657,932	2,624	0.81
OPAP	231,325	1,577	0.49
		4,201	1.30
Ireland 0.00% (1.64%)			
Italy 11.08% (6.34%)			
Danieli & C Officine Meccaniche	499,639	5,696	1.77
Eni	1,267,862	15,629	4.85
Intesa Sanpaolo	4,756,004	8,274	2.57
UniCredit	684,935	6,080	1.89
		35,679	11.08
Jersey 1.74% (0.00%)			
Atrium European Real Estate	1,945,749	5,606	1.74
		5,606	1.74
Luxembourg 3.68% (1.47%)			
ArcelorMittal	262,666	4,275	1.33
RTL Group	181,183	7,565	2.35
		11,840	3.68
Netherlands 10.65% (8.65%)			
ABN AMRO Group	553,925	10,168	3.16
ING Groep	1,148,149	9,697	3.01
Koninklijke Ahold Delhaize	729,384	14,452	4.48
		34,317	10.65

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Norway 4.97% (0.82%)			
DNB	634,731	7,948	2.47
Yara International	266,951	8,063	2.50
		16,011	4.97
Poland 1.91% (0.00%)			
Orange Polska	6,190,517	6,159	1.91
		6,159	1.91
Romania 3.41% (0.00%)			
OMV Petrom	62,205,106	3,586	1.11
Societatea Nationala de Gaze Naturale ROMGAZ	1,381,571	7,406	2.30
		10,992	3.41
Russia 4.38% (0.00%)			
Gazprom ADR	1,270,513	4,402	1.36
LUKOIL ADR	173,300	9,721	3.02
		14,123	4.38
Spain 3.70% (9.24%)			
Repsol	917,113	11,591	3.60
Repsol Rights 09/01/2019	917,113	329	0.10
		11,920	3.70
Sweden 0.00% (3.41%)			
Switzerland 1.15% (12.38%)			
GAM Holding	1,202,658	3,692	1.15
		3,692	1.15
Equities total		301,856	93.70

Portfolio Statement (continued)

	Market Value £000's	% of net assets
Portfolio of investments	301,856	93.70
Net other assets	20,288	6.30
Net assets attributable to shareholders	322,144	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

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

Summary of Portfolio Transactions

Largest purchases

For the year ended 31 December 2018	Cost £000's
Sanofi	18,767
Eni	18,552
BNP Paribas	13,286
Lundin Mining	12,962
Repsol	12,946
Orange Belgium	11,202
Television Francaise 1	11,167
RTL Group	10,899
UniCredit	10,007
Alstom	9,178

Largest sales

For the year ended 31 December 2018	Proceeds £000's
Bayer	19,981
Nestle	18,008
Novartis	17,850
Vivendi	16,449
Pernod Ricard	16,291
United Internet	14,858
Novo Nordisk B	14,520
Allianz	14,145
Volkswagen Preference	13,332
thyssenkrupp	13,177

Statement of Total Return

For the year ended 31 December 2018

		2018	2017
	Notes	£000's	£000's
Income			
Net capital (losses)/gains	2	(62,500)	67,356
Revenue	3	16,818	15,685
Expenses	4	(4,949)	(6,330)
Net revenue before taxation		11,869	9,355
Taxation	5	(9)	796
Net revenue after taxation		11,860	10,151
Total return before distributions		(50,640)	77,507
Distributions	6	(11,695)	(9,747)
Change in net assets attributable to shareholders from investment activities		(62,335)	67,760

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	2018	2017
	£000's	£000's
Opening net assets attributable to shareholders	492,473	520,346
Amounts receivable on issue of shares	8,233	15,676
Amounts payable on cancellation of shares	(125,381)	(118,828)
	(117,148)	(103,152)
Dilution adjustment	20	0
Change in net assets attributable to shareholders from investment activities	(62,335)	67,760
Retained distribution on Accumulation shares	9,134	7,519
Closing net assets attributable to shareholders	322,144	492,473

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£000's	£000's
Assets			
Investments		301,856	489,313
Current assets			
Debtors	8	2,372	1,598
Cash and bank balances		20,216	3,346
Total assets		324,444	494,257
Liabilities			
Creditors			
Distributions payable		(794)	(971)
Other creditors	9	(1,506)	(813)
Total liabilities		(2,300)	(1,784)
Net assets attributable to shareholders			
		322,144	492,473

Notes to the Accounts

1 Accounting policies

Basis of preparation

The applicable accounting policies adopted by Schroder European Recovery Fund are disclosed on pages 17 to 20.

2 Net capital (losses)/gains

The net capital (losses)/gains during the year comprise:

	2018 £000's	2017 £000's
Non-derivative securities	(63,200)	66,610
Foreign currency gains	713	755
Transaction costs	(13)	(9)
Net capital (losses)/gains	(62,500)	67,356

3 Revenue

	2018 £000's	2017 £000's
Overseas dividends	16,514	14,961
Scrip dividends	218	477
Bank interest	86	247
Total revenue	16,818	15,685

Notes to the Accounts (continued)

4 Expenses

	2018 £000's	2017 £000's
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD fee	3,995	5,272
Administration charge	629	781
	4,624	6,053
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	44	55
Safe custody fees	41	44
Dividend expenses	22	0
Interest payable	157	112
	264	211
Other expenses:		
Audit fee	9	10
Professional fee	52	56 ¹
	61	66
Total expenses	4,949	6,330

1 Professional fee includes £55,306 which were paid to PricewaterhouseCoopers LLP in relation to tax reclaims.

5 Taxation

(a) Analysis of the tax charge for the year

	2018 £000's	2017 £000's
Overseas withholding tax	9	(796)
Total current tax (Note 5(b))	9	(796)

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 period/year

The tax assessed for the year is different from that calculated when the standard rate of corporation tax for OEICs of 20% (2017 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2018 £000's	2017 £000's
Net revenue before taxation	11,869	9,355
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	2,374	1,871
Effects of:		
Revenue not subject to corporation tax	(3,206)	(3,088)
Movement in excess management expenses	866	1,217
Irrecoverable overseas withholding tax	9	(796)
Expensed withholding tax incurred	(10)	0
Movement in revenue taxable in different periods	(38)	0
Loan relationship deficit	14	0
Current tax charge for the year (Note 5(a))	9	(796)

(c) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £14,417,734 (2017 – £13,551,273) in respect of unutilised management expenses and loan relationship debits. 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.

Notes to the Accounts (continued)

6 Distributions

Distributions

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

	2018 £000's	2017 £000's
Final Dividend distribution	9,928	8,490
Add: Revenue deducted on cancellation of shares	1,893	1,442
Deduct: Revenue received on issue of shares	(126)	(185)
Distributions	11,695	9,747
Net revenue after taxation	11,860	10,151
Scrip dividends not distributed	(218)	(477)
Expenses taken to capital	48	8
Equalisation on conversions	5	65
Distributions	11,695	9,747

Details of the distribution per share are set out in the Distribution Table on page 156.

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	2018 Assets £000's	2017 Assets £000's
Level 1: Quoted prices	301,856	489,313
Level 2: Observable market data	0	0
Level 3: Unobservable data	0	0
Total	301,856	489,313

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.

Notes to the Accounts (continued)

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 ACD 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 ACD 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 ACD with particular attention paid to the carrying value of the investments.

8 Debtors

	2018 £000's	2017 £000's
Amounts receivable for issue of shares	32	35
Accrued overseas dividends	311	218
Accrued bank interest	2	0
Overseas withholding tax recoverable	2,027	1,345
Total debtors	2,372	1,598

9 Other creditors

	2018		2017	
	£000's	£000's	£000's	£000's
Amounts payable for cancellation of shares		790		333
Purchases awaiting settlement		331		0
Accrued expenses				
ACD and Agents				
ACD fee	273		386	
Administration charge	43		59	
		316		445
Depository and Agents				
Depository's fees	24		9	
Safe custody fees	21		11	
Transaction costs	8		2	
Interest payable	7		2	
		60		24
Other accrued expenses		9		11
Total other creditors		1,506		813

Notes to the Accounts (continued)

10 Contingent assets

As a result of a 2012 European Court of Justice ruling that French dividend withholding tax should not have been applied to portfolio dividends paid to foreign investment funds, the ACD has lodged claims with the French tax authorities for repayment of tax on dividends that was withheld between 2007 and 2009 and in 2012. Notwithstanding the judgement in favour of foreign funds, the ACD believes that due to political and economic uncertainty there is insufficient evidence to recognise the reclaim as an asset under accounting regulations and accordingly has treated the reclaim as a contingent asset. The value of the reclaim is £535,603 (2017 – £529,865).

For the purposes of daily pricing, to ensure the interests of incoming, ongoing and exiting investors is appropriately balanced, the ACD has made a proportionate adjustment to the value of shares to reflect this asset.

11 Contingent liabilities

The aggregate contingent liabilities not provided for at the balance sheet date are:

	2018 £000's	2017 £000's
Nil paid rights	338	0
Total contingent liabilities	338	0

12 Related party transactions

The ACD 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 ACD at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

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

Shares held or managed by the ACD or associates of the ACD as a percentage of the fund's net asset value at the balance sheet date were 15.39% (2017 – 15.20%).

13 Share classes

The fund currently has nine share classes: A Accumulation shares, C Income shares, C Accumulation shares, L Income shares, L Accumulation shares, S Income shares, S Accumulation shares, Z Income shares and Z Accumulation shares. The ACD charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the ACD, the Investment Adviser and their overhead expenses and for each share class is as follows:

A Accumulation shares	1.50%
C Income shares	1.00%
C Accumulation shares	1.00%
L Income shares	0.675%
L Accumulation shares	0.675%
S Income shares	0.375%
S Accumulation shares	0.375%
Z Income shares	0.75%
Z Accumulation shares	0.75%

The closing net asset value of each share class, the closing net asset value per share and the closing number of shares in issue are given in the Comparative Tables on pages 128 to 136. The distribution per share class is given in the Distribution Table on page 156. All classes have the same rights on winding up.

Notes to the Accounts (continued)

14 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 ACD 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 not consist of cash and near cash except to the extent that it may reasonably be regarded as necessary in order to enable the redemption of shares, management of the fund in accordance with its investment objective or other purposes which may reasonably be regarded as ancillary to the investment objectives of the fund. Within the context of the ACD's policy of active asset allocation the liquidity of the fund may vary in response to market conditions.

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 ACD'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 ACD in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, 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 and the balance sheet can 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 and liabilities at the balance sheet date was as follows:

Currency	Monetary exposure £000's	Non-monetary exposure £000's	Total £000's
Australian dollar			
2018	0	8,273	8,273
2017	0	0	0
Canadian dollar			
2018	47	0	47
2017	0	0	0
Danish krone			
2018	122	3,749	3,871
2017	84	26,440	26,524

Notes to the Accounts (continued)

Currency	Monetary exposure £000's	Non-monetary exposure £000's	Total £000's
Euro			
2018	13,052	225,981	239,033
2017	3,053	380,992	384,045
Norwegian krone			
2018	152	16,011	16,163
2017	57	4,038	4,095
Polish zloty			
2018	0	6,159	6,159
2017	0	0	0
Romanian new leu			
2018	469	10,992	11,461
2017	0	0	0
Sterling			
2018	6,253	0	6,253
2017	(46)	81	35
Swedish krona			
2018	0	12,876	12,876
2017	0	16,817	16,817
Swiss franc			
2018	0	3,692	3,692
2017	0	60,945	60,945
US dollar			
2018	193	14,123	14,316
2017	12	0	12

Liquidity risk

The primary source of this risk to the fund is the liability to shareholders for any cancellation of shares. 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
Australian dollar			
2018	331	8,273	8,604
2017	0	0	0
Canadian dollar			
2018	38	9	47
2017	0	0	0
Danish krone			
2018	0	3,871	3,871
2017	0	26,524	26,524
Euro			
2018	11,527	227,844	239,371
2017	1,643	382,402	384,045
Norwegian krone			
2018	0	16,163	16,163
2017	0	4,095	4,095
Polish zloty			
2018	0	6,159	6,159
2017	0	0	0
Romanian new leu			
2018	469	10,992	11,461
2017	0	0	0
Sterling			
2018	8,182	33	8,215
2017	1,703	116	1,819
Swedish krona			
2018	0	12,876	12,876
2017	0	16,817	16,817
Swiss franc			
2018	0	3,692	3,692
2017	0	60,945	60,945

Notes to the Accounts (continued)

Currency	Floating rate financial assets £000's	Financial assets not carrying interest £000's	Total £000's
US dollar			
2018	0	14,316	14,316
2017	0	12	12

Currency	Floating rate financial liabilities £000's	Financial liabilities not carrying interest £000's	Total £000's
Australian dollar			
2018	0	331	331
2017	0	0	0
Euro			
2018	331	7	338
2017	0	0	0
Sterling			
2018	0	1,962	1,962
2017	0	1,784	1,784

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 SONIA. Foreign currency bank balances bear interest at rates based on the LIBOR 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 ACD 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 31 December 2018 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 31 December
2018	0.00%	10.62%	0.38%	0.00%
2017	0.00%	5.66%	0.30%	0.00%

15 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.

2018	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Equities	261,677	159	247	262,083	0.06	0.09
Sales						
Equities	386,521	(201)	(1)	386,319	(0.05)	0.00
Total cost of the fund's average net asset value (%)		0.09	0.06			

Notes to the Accounts (continued)

2017	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Purchases ¹ :						
Equities	313,101	281	123	313,505	0.09	0.04
Corporate actions purchases:						
Equities	1,555	0	0	1,555	0.00	0.00
	314,656	281	123	315,060		
Sales						
Equities	401,188	(403)	0	400,785	(0.10)	0.00
Total cost of the fund's average net asset value (%)		0.12	0.02			

1 Excluding corporate actions.

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.37% (2017 – 0.17%).

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.

16 Shares in issue reconciliation

	Number of shares in issue as at 31.12.17	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31.12.18
A Accumulation shares	20,616,387	134,095	(4,363,865)	(19,575)	16,367,042
C Income shares	50,625	0	0	(10,591)	40,034
C Accumulation shares	3,104,994	10,540	(476,766)	(253,694)	2,385,074
L Income shares	3,348,820	252,400	(1,897,765)	(75,163)	1,628,292
L Accumulation shares	62,360,959	221,980	(16,974,164)	185,818	45,794,593
S Income shares	32,645,610	(43,715)	(8,239,242)	187,411	24,550,064
S Accumulation shares	6,108,308	3,176	(1,393,818)	7,103	4,724,769
Z Income shares	2,629,925	63,060	(1,731,594)	25,645	987,036
Z Accumulation shares	18,580,019	763,031	(5,641,218)	214,080	13,915,912

Distribution Table

Final distribution for the year ended 31 December 2018

Group 1 Shares purchased prior to 1 January 2018

Group 2 Shares purchased on or after 1 January 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	Distribution paid 28.2.18 p per share
A Accumulation shares				
Group 1	16.7497	–	16.7497	9.7413
Group 2	8.8256	7.9241	16.7497	9.7413
C Income shares				
Group 1	20.5714	–	20.5714	12.7206
Group 2	20.5714	0.0000	20.5714	12.7206
C Accumulation shares				
Group 1	22.1397	–	22.1397	14.3085
Group 2	8.4793	13.6604	22.1397	14.3085
L Income shares				
Group 1	2.1032	–	2.1032	1.4628
Group 2	0.7264	1.3768	2.1032	1.4628
L Accumulation shares				
Group 1	2.2545	–	2.2545	1.5444
Group 2	1.1775	1.0770	2.2545	1.5444
S Income shares				
Group 1	2.1781	–	2.1781	1.5820
Group 2	1.0627	1.1154	2.1781	1.5820
S Accumulation shares				
Group 1	27.2935	–	27.2935	14.6699
Group 2	16.1141	11.1794	27.2935	14.6699
Z Income shares				
Group 1	21.9417	–	21.9417	15.1927
Group 2	13.6854	8.2563	21.9417	15.1927
Z Accumulation shares				
Group 1	25.4554	–	25.4554	17.2602
Group 2	14.4399	11.0155	25.4554	17.2602

Distribution Table (continued)

Corporate shareholders (unaudited)

Corporate shareholders receive the dividend distribution payments as detailed below:
100.00% of the total distribution is received as franked investment income.

Equalisation

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

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

Fund Information

Investment objective and policy

The Schroder Core 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 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 may also invest in other equity and equity related securities, 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 or managing the fund more efficiently.

Financial highlights

Dealing price	31.12.18	29.12.17	% change
A Income shares	152.70p	178.40p	(14.41)
A Accumulation shares	263.80p	297.10p	(11.21)
C Income shares	163.10p	190.10p	(14.20)
C Accumulation shares	281.30p	316.10p	(11.01)
S Income shares	43.91p	50.84p	(13.63)
Z Income shares	171.00p	198.50p	(13.85)
Z Accumulation shares	295.20p	330.40p	(10.65)
	28.2.19	28.2.18	
Final distribution per Z Income share	3.3961p	2.9077p	

Fund information

Launch date	31 December 2002	
Launch price	100.00p per A Income share	
	100.00p per A Accumulation share	
	100.00p per C Income share	
	100.00p per C Accumulation share	
	100.00p per Z Income share	
	100.00p per Z Accumulation share	
Launch date	1 November 2013	
Launch price	50.00p per S Income share	
	Interim	Final
Accounting dates	30 June	31 December
Revenue allocation dates	31 August	28 February

Fund Information (continued)

Ongoing charges figure

	For the year to 31.12.18	For the year to 31.12.17
A Income shares	1.43%	1.43%
A Accumulation shares	1.43%	1.43%
C Income shares	1.18%	1.18%
C Accumulation shares	1.18%	1.18%
S Income shares	0.55%	0.55%
Z Income shares	0.80%	0.80%
Z Accumulation shares	0.80%	0.80%

Review of Investment Activities

From 29 December 2017 to 31 December 2018, the price of Z Accumulation shares on a dealing price to dealing price basis fell 10.65%. In comparison, the FTSE¹ All Share Index generated a negative total return of 9.47%².

The fund returned -10.7% versus -9.5%² for the FTSE¹ All Share Index. Positive influences included overweights in media and chemicals and underweights in household goods and home construction and software; overweights in NEX Group and AstraZeneca and underweights in Prudential and Glencore. Negatives included overweights in tobacco and mobile telecommunications and our underweight in beverages; overweights in British American Tobacco and Just Group and underweights in Diageo and Shire.

Over the period the FTSE¹ All Share Index delivered a total return of -9.5%², the FTSE¹ 100 Index -8.7%², the FTSE¹ 250 Index -13.3%², and the FTSE¹ Small Cap Index -9.5%². The stronger sectors included industrial metals and mining (+44%³ relative) and technology hardware & equipment (+35%³); the weaker, tobacco (-32%³) and industrial transportation (-23%³).

Our process involves finding mispriced opportunities with performance inflection points. This drove purchases including Crest Nicholson Holdings, Tesco, Firstgroup, Elementis, OneSavings Bank, Wm Morrison Supermarkets and William Hill, while we made additions to holdings in Weir Group, ITV, Burberry Group, GlaxoSmithKline, and Standard Chartered. We exited positions in CRH, J Sainsbury, South32, Diageo, Rentokil Initial, BTG and HSBC Holdings, and made reductions including Rio Tinto, AstraZeneca, and BHP Group.

Against a backdrop of slowing global growth, investors continue to be concerned about rising interest rates, falling oil prices and the potential for further escalation of America's trade war with China. These influences will have an impact on currency, commodity and equity markets alike. With 2019 set to be the first calendar year since the global financial crisis when liquidity will on aggregate be withdrawn from the global financial system, we anticipate seeing a continuation of the volatility seen in the last few months. It is our view that the recent negative sentiment and volatility enhances the chance of there being mis-priced opportunities in markets. As ever, we remain relentless in our pursuit of such opportunities.

Fund Manager:

David Docherty



David Docherty joined Schroders in July 2013 following the acquisition of Cazenove Capital

He joined Cazenove Capital in 2000. He is a member of the Pan-European equity team and manager of the Schroder Core UK Equity Fund

David joined Cazenove Capital from M&G Investment Management where he was a fund manager and chairman of the UK model portfolio committee

Prior to this he was a fund manager at Gartmore Investment Management (1994–1997) and Lloyds Investment Management (1989–1994)

David graduated from Durham University with a degree in History and gained an MBA from Cranfield School of Management

David has 28 years' of investment experience

Co-Fund Manager:

Matt Bennison



Co-manager of the Schroder Core UK Equity Fund since September 2018 and fund manager for Prime UK equity portfolios since 2017

Research responsibility focuses on UK companies, for the Prime UK Equity team since 2015 and the Core UK Equity Fund from September 2018

Investment career commenced in 2012 at Schroders Private Bank (that subsequently became Cazenove Capital), where he worked for the Chief Investment Officer

CFA charterholder

Degree in Natural Sciences, Cambridge University and one year Management Studies, Judge Business School, Cambridge

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² Source: Thomson Reuters Datastream.

³ Source: Factset.

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 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 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.

More than 35% of the property of the fund may be invested in Government securities.

The fund may invest in a wide range of derivatives in order to meet its investment objectives.

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.

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

Comparative Tables

A Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	176.63	168.84	149.79
Return before operating charges	(17.35)	16.67	27.62
Operating charges	(2.44)	(2.48)	(2.21)
Return after operating charges*	(19.79)	14.19	25.41
Distributions ¹	(6.88)	(6.40)	(6.36)
Closing net asset value	149.96	176.63	168.84
*after direct transaction costs of	(0.27)	(0.71)	(0.87)
Performance			
Return after charges (%)	(11.20)	8.40	16.96
Other information			
Closing net asset value (£000's)	2,307	2,923	3,391
Closing number of shares	1,538,338	1,654,757	2,008,334
Operating charges (%)	1.43	1.43	1.43
Direct transaction costs (%)**	0.16	0.41	0.56
Prices			
Highest dealing price (p)	184.70	180.80	171.80
Lowest dealing price (p)	149.80	167.70	133.10

Comparative Tables (continued)

A Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	298.49	275.06	234.55
Return before operating charges	(30.04)	27.50	44.02
Operating charges	(4.18)	(4.07)	(3.51)
Return after operating charges*	(34.22)	23.43	40.51
Distributions ¹	(11.75)	(10.52)	(10.05)
Retained distributions ¹	11.75	10.52	10.05
Closing net asset value	264.27	298.49	275.06
*after direct transaction costs of	(0.47)	(1.17)	(1.38)
Performance			
Return after charges (%)	(11.46)	8.52	17.27
Other information			
Closing net asset value (£000's)	19,930	26,105	30,267
Closing number of shares	7,541,427	8,745,632	11,003,476
Operating charges (%)	1.43	1.43	1.43
Direct transaction costs (%)**	0.16	0.41	0.56
Prices			
Highest dealing price (p)	312.10	297.10	275.40
Lowest dealing price (p)	258.80	274.80	208.50

Comparative Tables (continued)

C Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	188.17	179.42	158.80
Return before operating charges	(18.52)	17.74	29.29
Operating charges	(2.15)	(2.18)	(1.93)
Return after operating charges*	(20.67)	15.56	27.36
Distributions ¹	(7.34)	(6.81)	(6.74)
Closing net asset value	160.16	188.17	179.42
*after direct transaction costs of	(0.29)	(0.76)	(0.92)
Performance			
Return after charges (%)	(10.98)	8.67	17.23
Other information			
Closing net asset value (£000's)	1,560	2,132	15,566
Closing number of shares	974,332	1,133,136	8,675,670
Operating charges (%)	1.18	1.18	1.18
Direct transaction costs (%)**	0.16	0.41	0.56
Prices			
Highest dealing price (p)	196.90	192.30	182.50
Lowest dealing price (p)	160.00	178.60	141.10

Comparative Tables (continued)

C Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	317.48	291.85	248.25
Return before operating charges	(32.01)	29.20	46.66
Operating charges	(3.67)	(3.57)	(3.06)
Return after operating charges*	(35.68)	25.63	43.60
Distributions ¹	(12.51)	(11.18)	(10.65)
Retained distributions ¹	12.51	11.18	10.65
Closing net asset value	281.80	317.48	291.85
*after direct transaction costs of	(0.50)	(1.24)	(1.46)
Performance			
Return after charges (%)	(11.24)	8.78	17.56
Other information			
Closing net asset value (£000's)	2,055	2,700	5,632
Closing number of shares	729,209	850,470	1,929,917
Operating charges (%)	1.18	1.18	1.18
Direct transaction costs (%)**	0.16	0.41	0.56
Prices			
Highest dealing price (p)	332.30	316.10	292.00
Lowest dealing price (p)	275.90	291.60	220.70

Comparative Tables (continued)

S Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	50.32	47.68	43.74
Return before operating charges	(4.97)	4.73	7.91
Operating charges	(0.27)	(0.27)	(0.25)
Return after operating charges*	(5.24)	4.46	7.66
Distributions ¹	(1.97)	(1.82)	(3.72)
Closing net asset value	43.11	50.32	47.68
*after direct transaction costs of	(0.08)	(0.20)	(0.26)
Performance			
Return after charges (%)	(10.41)	9.35	17.51
Other information			
Closing net asset value (£000's)	7,330	13,978	284
Closing number of shares	17,003,355	27,775,623	595,045
Operating charges (%)	0.55	0.55	0.55
Direct transaction costs (%)**	0.16	0.41	0.56
Prices			
Highest dealing price (p)	52.80	51.24	48.42
Lowest dealing price (p)	43.06	47.66	38.93

Comparative Tables (continued)

Z Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	196.47	186.63	164.56
Return before operating charges	(19.39)	18.48	30.43
Operating charges	(1.53)	(1.54)	(1.36)
Return after operating charges*	(20.92)	16.94	29.07
Distributions ¹	(7.68)	(7.10)	(7.00)
Closing net asset value	167.87	196.47	186.63
*after direct transaction costs of	(0.30)	(0.79)	(0.95)
Performance			
Return after charges (%)	(10.65)	9.08	17.67
Other information			
Closing net asset value (£000's)	7,939	10,979	12,792
Closing number of shares	4,728,991	5,587,976	6,854,041
Operating charges (%)	0.80	0.80	0.80
Direct transaction costs (%)**	0.16	0.41	0.56
Prices			
Highest dealing price (p)	205.90	200.30	189.60
Lowest dealing price (p)	167.70	186.20	146.30

Comparative Tables (continued)

Z Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	331.88	303.94	257.57
Return before operating charges	(33.56)	30.48	48.54
Operating charges	(2.62)	(2.54)	(2.17)
Return after operating charges*	(36.18)	27.94	46.37
Distributions ¹	(13.10)	(11.66)	(11.07)
Retained distributions ¹	13.10	11.66	11.07
Closing net asset value	295.70	331.88	303.94
*after direct transaction costs of	(0.52)	(1.30)	(1.52)
Performance			
Return after charges (%)	(10.90)	9.19	18.00
Other information			
Closing net asset value (£000's)	28,400	42,893	46,095
Closing number of shares	9,604,462	12,924,215	15,165,825
Operating charges (%)	0.80	0.80	0.80
Direct transaction costs (%)**	0.16	0.41	0.56
Prices			
Highest dealing price (p)	347.90	330.40	303.90
Lowest dealing price (p)	289.50	303.80	229.10

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.

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 31.12.18	Market Value £000's	% of net assets
Equities 99.32% (98.96%)			
Oil & Gas 13.36% (11.17%)			
BP	1,049,533	5,205	7.49
Royal Dutch Shell B	170,123	4,082	5.87
		9,287	13.36
Basic Materials 11.36% (10.69%)			
BHP Group	192,966	3,184	4.58
Elementis	449,716	816	1.17
Johnson Matthey	54,303	1,516	2.18
Rio Tinto	63,956	2,385	3.43
		7,901	11.36
Industrials 12.53% (20.20%)			
BAE Systems	485,217	2,228	3.20
Capita	572,517	643	0.92
G4S	402,806	794	1.14
Melrose Industries	562,194	921	1.33
QinetiQ Group	259,741	744	1.07
Smiths Group	71,342	972	1.40
Smurfit Kappa Group	42,439	881	1.27
Spectris	32,034	730	1.05
Weir Group	61,575	799	1.15
		8,712	12.53
Consumer Goods 11.80% (12.04%)			
Barratt Developments	208,417	964	1.39
British American Tobacco	142,139	3,553	5.11
Burberry Group	54,595	944	1.36
Crest Nicholson Holdings	297,132	975	1.40
Imperial Brands	74,212	1,764	2.54
		8,200	11.80

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Health Care 12.63% (8.82%)			
AstraZeneca	76,328	4,476	6.44
GlaxoSmithKline	191,818	2,860	4.12
Smith & Nephew	98,409	1,441	2.07
		8,777	12.63
Consumer Services 14.50% (8.62%)			
Daily Mail & General Trust A	149,741	861	1.24
Firstgroup	958,236	799	1.15
ITV	787,824	984	1.41
Marks & Spencer Group	335,694	830	1.19
RELX	170,935	2,763	3.98
Tesco	303,498	577	0.83
Whitbread	41,799	1,914	2.75
William Hill	306,899	476	0.69
Wm Morrison Supermarkets	412,536	880	1.26
		10,084	14.50
Telecommunications 3.17% (5.23%)			
Vodafone Group	1,441,727	2,204	3.17
		2,204	3.17
Financials 19.97% (22.00%)			
Assura	1,612,399	851	1.22
Aviva	629,446	2,364	3.40
Barclays	1,476,899	2,223	3.20
Just Group	1,163,427	1,057	1.52
Lloyds Banking Group	6,246,756	3,234	4.65
OneSavings Bank	170,625	596	0.86
Standard Chartered	381,816	2,326	3.35
TP ICAP	409,821	1,233	1.77
		13,884	19.97

Portfolio Statement (continued)

	Market Value £000's	% of net assets
Technology 0.00% (0.19%)		
Equities total	69,049	99.32
Portfolio of investments	69,049	99.32
Net other assets	472	0.68
Net assets attributable to shareholders	69,521	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

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

Summary of Portfolio Transactions

Largest purchases

For the year ended 31 December 2018	Cost £000's
GlaxoSmithKline	2,584
Whitbread	1,797
Imperial Brands	1,747
Elementis	1,199
Barratt Developments	1,120
RELX	1,093
Wm Morrison Supermarkets	1,010
G4S	976
William Hill	960
Smurfit Kappa Group	950

Largest sales

For the year ended 31 December 2018	Proceeds £000's
Diageo	3,641
Rentokil Initial	3,317
CRH	3,195
NEX Group	1,949
AstraZeneca	1,871
ITV	1,827
BTG	1,640
BP	1,594
Rio Tinto	1,541
J Sainsbury	1,529

Statement of Total Return

For the year ended 31 December 2018

		2018	2017
	Notes	£000's	£000's
Income			
Net capital (losses)/gains	2	(12,320)	6,306
Revenue	3	3,620	4,013
Expenses	4	(871)	(1,109)
Net revenue before taxation		2,749	2,904
Taxation	5	0	(11)
Net revenue after taxation		2,749	2,893
Total return before distributions		(9,571)	9,199
Distributions	6	(3,620)	(4,002)
Change in net assets attributable to shareholders from investment activities		(13,191)	5,197

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	2018	2017
	£000's	£000's
Opening net assets attributable to shareholders	101,710	114,027
Amounts receivable on issue of shares	8,585	6,214
Amounts payable on cancellation of shares	(30,027)	(26,438)
	(21,442)	(20,224)
Dilution adjustment	3	0
Change in net assets attributable to shareholders from investment activities	(13,191)	5,197
Retained distribution on Accumulation shares	2,439	2,709
Unclaimed distributions	2	1
Closing net assets attributable to shareholders	69,521	101,710

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£000's	£000's
Assets			
Investments		69,049	100,655
Current assets			
Debtors	8	271	651
Cash and bank balances		963	1,013
Total assets		70,283	102,319
Liabilities			
Creditors			
Distributions payable		(387)	(444)
Other creditors	9	(375)	(165)
Total liabilities		(762)	(609)
Net assets attributable to shareholders			
		69,521	101,710

Notes to the Accounts

1 Accounting policies

Basis of preparation

The applicable accounting policies adopted by Schroder Core UK Equity Fund are disclosed on pages 17 to 20.

2 Net capital (losses)/gains

The net capital (losses)/gains during the year comprise:

	2018 £000's	2017 £000's
Non-derivative securities	(12,316)	6,311
Foreign currency gains	1	0
Transaction costs	(5)	(5)
Net capital (losses)/gains	(12,320)	6,306

3 Revenue

	2018 £000's	2017 £000's
UK dividends	3,530	3,799
Overseas dividends	86	162
Scrip dividends	0	50
Bank interest	4	2
Total revenue	3,620	4,013

4 Expenses

	2018 £000's	2017 £000's
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD fee	717	924
Administration charge	135	162
	852	1,086
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	10	12
Other expenses:		
Audit fee	9	11
Total expenses	871	1,109

Notes to the Accounts (continued)

5 Taxation

(a) Analysis of the tax charge for the year

	2018 £000's	2017 £000's
Prior year adjustment	0	11
Total current tax (Note 5(b))	0	11

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

(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 OEICs of 20% (2017 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2018 £000's	2017 £000's
Net revenue before taxation	2,749	2,904
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	550	581
Effects of:		
Revenue not subject to corporation tax	(723)	(802)
Movement in excess management expenses	173	221
Prior year adjustment	0	11
Current tax charge for the year (Note 5(a))	0	11

(c) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £12,524,834 (2017 – £12,351,475) 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.

Notes to the Accounts (continued)

6 Distributions

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2018 £000's	2017 £000's
Interim Dividend distribution	2,036	2,324
Final Dividend distribution	1,387	1,490
	3,423	3,814
Add: Revenue deducted on cancellation of shares	288	249
Deduct: Revenue received on issue of shares	(91)	(61)
Distributions	3,620	4,002
Net revenue after taxation	2,749	2,893
Expenses taken to capital	871	1,109
Distributions	3,620	4,002

Details of the distributions per share are set out in the Distribution Table on pages 183 and 184.

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	2018 Assets £000's	2017 Assets £000's
Level 1: Quoted prices	69,049	100,655
Level 2: Observable market data	0	0
Level 3: Unobservable data	0	0
Total	69,049	100,655

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.

Notes to the Accounts (continued)

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 ACD 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 ACD 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 ACD with particular attention paid to the carrying value of the investments.

8 Debtors

	2018 £000's	2017 £000's
Amounts receivable for issue of shares	22	5
Sales awaiting settlement	0	366
Accrued UK dividends	249	280
Total debtors	271	651

9 Other creditors

	2018		2017	
	£000's	£000's	£000's	£000's
Amounts payable for cancellation of shares		299		77
Accrued expenses				
ACD and Agents				
ACD fee	50		62	
Administration charge	9		12	
		59		74
Depositary and Agents				
Depositary fees	5		2	
Transaction costs	3		1	
		8		3
Other accrued expenses		9		11
Total other creditors		375		165

10 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2017 – Nil).

Notes to the Accounts (continued)

11 Related party transactions

The ACD 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 ACD at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

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

Shares held or managed by the ACD or associates of the ACD as a percentage of the fund's net asset value at the balance sheet date were 11.29% (2017 – 14.62%).

12 Share classes

The fund currently has seven share classes: A Income shares, A Accumulation shares, C Income shares, C Accumulation shares, S Income shares, Z Income shares and Z Accumulation shares. The ACD charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the ACD, the Investment Adviser and their overhead expenses and for each share class is as follows:

A Income shares	1.25%
A Accumulation shares	1.25%
C Income shares	1.00%
C Accumulation shares	1.00%
S Income shares	0.375%
Z Income shares	0.625%
Z Accumulation shares	0.625%

The closing net asset value of each share class, the closing net asset value per share and the closing number of shares in issue in each class are given in the Comparative Tables on pages 162 to 168. The distributions per share class are given in the Distribution Table on pages 183 and 184. 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 ACD 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 not consist of cash and near cash except to the extent that it may reasonably be regarded as necessary in order to enable the redemption of shares, management of the fund in accordance with its investment objective or other purposes which may reasonably be regarded as ancillary to the investment objectives of the fund. Within the context of the ACD's policy of active asset allocation the liquidity of the fund may vary in response to market conditions.

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

Notes to the Accounts (continued)

Market price risk

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

Liquidity risk

The primary source of this risk to the fund is the liability to shareholders for any cancellation of shares. 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.

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
Sterling			
2018	963	69,320	70,283
2017	1,013	101,306	102,319

Currency	Financial liabilities not carrying interest £000's	Total £000's
Sterling		
2018	762	762
2017	609	609

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 SONIA.

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.

Global risk exposure

Commitment approach

When using derivatives, the ACD 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.

Notes to the Accounts (continued)

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 31 December 2018 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 31 December
2018	0.00%	0.48%	0.02%	0.00%
2017	0.00%	0.21%	0.01%	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.

2018	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Purchases ¹ :						
Equities	23,076	10	121	23,207	0.04	0.52
Corporate actions purchases:						
Equities	377	0	0	377	0.00	0.00
	23,453	10	121	23,584		
Sales						
Equities	42,890	(15)	0	42,875	(0.03)	0.00
Total cost of the fund's average net asset value (%)		0.03	0.13			

Notes to the Accounts (continued)

2017	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Purchases ¹ :						
Equities	65,851	48	335	66,234	0.07	0.51
Corporate actions purchases:						
Equities	185	0	0	185	0.00	0.00
	66,036	48	335	66,419		
Sales						
Equities	82,274	(58)	0	82,216	(0.07)	0.00
Total cost of the fund's average net asset value (%)		0.10	0.31			

1 Excluding corporate actions.

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.54% (2017 – 0.15%).

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 Shares in issue reconciliation

	Number of shares in issue as at 31.12.17	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31.12.18
A Income shares	1,654,757	33,679	(139,972)	(10,126)	1,538,338
A Accumulation shares	8,745,632	26,780	(1,191,121)	(39,864)	7,541,427
C Income shares	1,133,136	674	(102,247)	(57,231)	974,332
C Accumulation shares	850,470	1,232	(91,737)	(30,756)	729,209
S Income shares	27,775,623	168,370	(11,012,840)	72,202	17,003,355
Z Income shares	5,587,976	149,983	(1,142,049)	133,081	4,728,991
Z Accumulation shares	12,924,215	2,518,106	(5,851,009)	13,150	9,604,462

Distribution Table

Interim distribution for the six months ended 30 June 2018

Group 1 Shares purchased prior to 1 January 2018

Group 2 Shares purchased on or after 1 January 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.8.18 p per share	<i>Distribution paid 31.8.17 p per share</i>
A Income shares				
Group 1	3.8449	–	3.8449	3.7834
Group 2	0.7327	3.1122	3.8449	3.7834
A Accumulation shares				
Group 1	6.4979	–	6.4979	6.1641
Group 2	3.9042	2.5937	6.4979	6.1641
C Income shares				
Group 1	4.0989	–	4.0989	4.0232
Group 2	2.7558	1.3431	4.0989	4.0232
C Accumulation shares				
Group 1	6.9164	–	6.9164	6.5446
Group 2	1.3642	5.5522	6.9164	6.5446
S Income shares				
Group 1	1.0980	–	1.0980	1.0708
Group 2	0.3271	0.7709	1.0980	1.0708
Z Income shares				
Group 1	4.2844	–	4.2844	4.1891
Group 2	2.3347	1.9497	4.2844	4.1891
Z Accumulation shares				
Group 1	7.2378	–	7.2378	6.8226
Group 2	3.7431	3.4947	7.2378	6.8226

Distribution Table (continued)

**Final distribution
for the six
months ended
31 December 2018**

Group 1 Shares purchased prior to 1 July 2018
Group 2 Shares purchased on or after 1 July 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	Distribution paid 28.2.18 p per share
A Income shares				
Group 1	3.0387	–	3.0387	2.6183
Group 2	1.1382	1.9005	3.0387	2.6183
A Accumulation shares				
Group 1	5.2488	–	5.2488	4.3601
Group 2	3.0987	2.1501	5.2488	4.3601
C Income shares				
Group 1	3.2433	–	3.2433	2.7875
Group 2	1.7160	1.5273	3.2433	2.7875
C Accumulation shares				
Group 1	5.5933	–	5.5933	4.6346
Group 2	2.6344	2.9589	5.5933	4.6346
S Income shares				
Group 1	0.8713	–	0.8713	0.7443
Group 2	0.8635	0.0078	0.8713	0.7443
Z Income shares				
Group 1	3.3961	–	3.3961	2.9077
Group 2	1.7638	1.6323	3.3961	2.9077
Z Accumulation shares				
Group 1	5.8634	–	5.8634	4.8400
Group 2	2.5505	3.3129	5.8634	4.8400

Corporate shareholders (unaudited)

Corporate shareholders receive the dividend distribution payments as detailed below:

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

Equalisation

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

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

Fund Information

Investment objective and policy

The Schroder UK Alpha Income Fund (the 'fund') aims to provide income and capital growth by investing in equity and equity related securities of UK companies.

The fund invests at least 80% of its assets in equity and equity related securities of UK companies. These are companies that are incorporated, headquartered or have their principal business activities in the UK.

'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 other equity and equity related securities, 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 or managing the fund more efficiently.

Financial highlights

Dealing price	31.12.18	29.12.17	% change
A Income shares	136.20p	170.70p	(20.21)
A Accumulation shares	170.40p	203.70p	(16.35)
C Income shares	146.00p	182.00p	(19.78)
C Accumulation shares	186.50p	221.90p	(15.95)
L Income shares	47.18p	58.63p	(19.53)
L Accumulation shares	58.37p	69.21p	(15.66)
S Income shares	45.58p	56.48p	(19.30)
S Accumulation shares	187.70p	221.90p	(15.41)
Z Income shares	151.40p	188.30p	(19.60)
Z Accumulation shares	197.10p	233.80p	(15.70)
	28.2.19	28.2.18	
Final distribution per Z Income share	3.9715p	4.2928p	

Fund Information (continued)

Fund information

Launch date	6 May 2005	
Launch price	100.00p per A Income share	
	100.00p per C Income share	
	100.00p per Z Income share	
Launch date	3 December 2012	
Launch price	136.84p per Z Accumulation share	
Launch date	8 May 2013	
Launch price	155.60p per C Accumulation share	
Launch date	1 October 2013	
Launch price	152.45p per A Accumulation share	
	50.00p per L Income share	
	50.00p per L Accumulation share	
Launch date	1 November 2013	
Launch price	50.00p per S Income share	
Launch date	15 December 2017	
Launch price	215.70p per S Accumulation share	
	Interim	Final
Accounting dates	30 June	31 December
Revenue allocation dates	31 August	28 February

Fund Information (continued)

Ongoing charges figure

	For the year to 31.12.18	For the period from 1.1.18	For the year to 31.12.17
A Income shares	1.67%	1.67%	1.67%
A Accumulation shares	1.67%	1.67%	1.67%
C Income shares	1.17%	1.17%	1.17%
C Accumulation shares	1.17%	1.17%	1.17%
L Income shares	0.84%	0.84%	0.84%
L Accumulation shares	0.84%	0.84%	0.84%
S Income shares	0.54%	0.54%	0.54%
S Accumulation shares	0.54%	0.54% ^{1 2}	0.48% ²
Z Income shares	0.92%	0.92%	0.92%
Z Accumulation shares	0.92%	0.92%	0.92%

1 The Ongoing charges figure was a projected figure based on the latest expenses of the share class.

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

Review of Investment Activities

From 29 December 2017 to 31 December 2018, the price of Z Accumulation shares on a dealing price to dealing price basis fell 15.70%. In comparison, the FTSE¹ All Share Index generated a negative total return of 9.47%².

The FTSE All Share Index fell in the year as global activity slowed and liquidity support was removed from markets as the Federal Reserve raised US interest rates. Financials and industrial cyclicals struggled in the year while growth defensives were the best performers despite their high valuations. Commodity cyclicals also held up relatively, while value defensives were mixed.

The fund struggled in the year despite a more defensive skew as the overweight in value defensives positions and selected overweights in industrial and consumer cyclicals impacted returns. At the stock level key positions in GlaxoSmithKline, Croda International, Sabre Insurance Group and RELX added value as did positions in BHP Group, Cineworld Group and Games Workshop Group. However, overall stock selection was negative as overweight positions in British American Tobacco, Hastings Group and Vodafone Group held back returns, as did a number of the higher beta positions including Weir Group, DS Smith and WPP.

The fund reduced cyclical and higher beta holdings in the year with full disposals of Ashmore Group, Bodycote, B&M European Value Retail, Prudential and Man Group while also exiting some less cyclical businesses which have already re-rated including National Express Group and Britvic. New holdings in the period included Games Workshop Group and RELX as well as Close Brothers Group and Royal Bank of Scotland Group plus additions to Sabre Insurance Group.

It is already late in the business cycle and risks to growth are rising. Short term the market has priced in some downside but the UK's exit from the EU adds further uncertainty. UK equities are trading in around twelve times the price earnings ratio with a prospective yield of over 4.4% which appears good value, especially against other equity markets.

Fund Manager:
Matthew Hudson



Matthew Hudson joined Schroders in July 2013 following the acquisition of Cazenove Capital

He joined Cazenove Capital in 2001 from AIB Govett Investment Management. Prior to this he was a chartered accountant at PricewaterhouseCoopers

He is the Head of the Pan European Business Cycle equity Team at Schroders with responsibility for UK equity income and UK opportunities portfolios

He manages the Schroder UK Alpha Income Fund, Schroder UK Opportunities Fund, SIF UK Alpha Income Fund and SUTL Cazenove Charity Equity Income Fund, a Charity Authorised Investment Fund

He Graduated from Cambridge University with a degree in history and has 20 years' investment experience

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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 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 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.

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.

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

Comparative Tables

A Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	167.41	156.94	153.64
Return before operating charges	(24.38)	20.98	13.23
Operating charges	(2.62)	(2.75)	(2.52)
Return after operating charges*	(27.00)	18.23	10.71
Distributions ¹	(7.41)	(7.76)	(7.41)
Closing net asset value	133.00	167.41	156.94
*after direct transaction costs of	(0.33)	(0.50)	(0.53)
Performance			
Return after charges (%)	(16.13)	11.62	6.97
Other information			
Closing net asset value (£000's)	7,514	11,691	14,959
Closing number of shares	5,649,543	6,983,732	9,532,168
Operating charges (%)	1.67	1.67	1.66
Direct transaction costs (%)**	0.21	0.30	0.35
Prices			
Highest dealing price (p)	169.70	173.60	162.30
Lowest dealing price (p)	133.90	155.60	135.60

Comparative Tables (continued)

A Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	204.50	183.03	170.69
Return before operating charges	(30.29)	24.71	15.18
Operating charges	(3.34)	(3.24)	(2.84)
Return after operating charges*	(33.63)	21.47	12.34
Distributions ¹	(9.15)	(9.14)	(8.31)
Retained distributions ¹	9.15	9.14	8.31
Closing net asset value	170.87	204.50	183.03
*after direct transaction costs of	(0.41)	(0.58)	(0.60)
Performance			
Return after charges (%)	(16.44)	11.73	7.23
Other information			
Closing net asset value (£000's)	2,533	32,678	35,682
Closing number of shares	1,482,124	15,979,887	19,494,929
Operating charges (%)	1.67	1.67	1.66
Direct transaction costs (%)**	0.21	0.30	0.35
Prices			
Highest dealing price (p)	207.30	203.70	184.90
Lowest dealing price (p)	167.60	181.50	150.70

Comparative Tables (continued)

C Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	178.54	166.49	162.17
Return before operating charges	(26.10)	22.29	14.05
Operating charges	(1.96)	(2.04)	(1.87)
Return after operating charges*	(28.06)	20.25	12.18
Distributions ¹	(7.92)	(8.20)	(7.86)
Closing net asset value	142.56	178.54	166.49
*after direct transaction costs of	(0.35)	(0.53)	(0.56)
Performance			
Return after charges (%)	(15.72)	12.16	7.51
Other information			
Closing net asset value (£000's)	9,581	13,917	53,822
Closing number of shares	6,720,636	7,795,218	32,327,222
Operating charges (%)	1.17	1.17	1.16
Direct transaction costs (%)**	0.21	0.30	0.35
Prices			
Highest dealing price (p)	181.00	184.50	172.00
Lowest dealing price (p)	143.60	165.10	143.20

Comparative Tables (continued)

C Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	222.68	198.33	184.04
Return before operating charges	(33.20)	26.81	16.44
Operating charges	(2.47)	(2.46)	(2.15)
Return after operating charges*	(35.67)	24.35	14.29
Distributions ¹	(9.98)	(9.91)	(8.98)
Retained distributions ¹	9.98	9.91	8.98
Closing net asset value	187.01	222.68	198.33
*after direct transaction costs of	(0.44)	(0.63)	(0.65)
Performance			
Return after charges (%)	(16.02)	12.28	7.76
Other information			
Closing net asset value (£000's)	6,419	8,854	15,086
Closing number of shares	3,432,493	3,975,878	7,606,497
Operating charges (%)	1.17	1.17	1.16
Direct transaction costs (%)**	0.21	0.30	0.35
Prices			
Highest dealing price (p)	225.80	221.90	200.20
Lowest dealing price (p)	183.40	196.70	162.50

Comparative Tables (continued)

L Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	57.51	53.46	51.90
Return before operating charges	(8.43)	7.17	4.50
Operating charges	(0.46)	(0.47)	(0.43)
Return after operating charges*	(8.89)	6.70	4.07
Distributions ¹	(2.55)	(2.65)	(2.51)
Closing net asset value	46.07	57.51	53.46
*after direct transaction costs of	(0.11)	(0.17)	(0.18)
Performance			
Return after charges (%)	(15.46)	12.53	7.84
Other information			
Closing net asset value (£000's)	13,249	48,441	53,167
Closing number of shares	28,759,500	84,234,852	99,449,162
Operating charges (%)	0.84	0.84	0.84
Direct transaction costs (%)**	0.21	0.30	0.35
Prices			
Highest dealing price (p)	58.32	59.34	55.17
Lowest dealing price (p)	46.39	53.02	45.85

Comparative Tables (continued)

L Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	69.47	61.67	57.04
Return before operating charges	(10.38)	8.35	5.11
Operating charges	(0.56)	(0.55)	(0.48)
Return after operating charges*	(10.94)	7.80	4.63
Distributions ¹	(3.12)	(3.09)	(2.79)
Retained distributions ¹	3.12	3.09	2.79
Closing net asset value	58.53	69.47	61.67
*after direct transaction costs of	(0.14)	(0.20)	(0.20)
Performance			
Return after charges (%)	(15.75)	12.65	8.12
Other information			
Closing net asset value (£000's)	19,423	29,523	35,176
Closing number of shares	33,183,261	42,498,062	57,040,947
Operating charges (%)	0.84	0.84	0.84
Direct transaction costs (%)**	0.21	0.30	0.35
Prices			
Highest dealing price (p)	70.46	69.21	62.19
Lowest dealing price (p)	57.40	61.17	50.39

Comparative Tables (continued)

S Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	55.39	51.35	49.69
Return before operating charges	(8.14)	6.89	4.34
Operating charges	(0.28)	(0.29)	(0.27)
Return after operating charges*	(8.42)	6.60	4.07
Distributions ¹	(2.46)	(2.56)	(2.41)
Closing net asset value	44.51	55.39	51.35
*after direct transaction costs of	(0.11)	(0.16)	(0.18)
Performance			
Return after charges (%)	(15.20)	12.85	8.19
Other information			
Closing net asset value (£000's)	29,174	49,397	7,877
Closing number of shares	65,542,209	89,176,797	15,340,604
Operating charges (%)	0.54	0.54	0.54
Direct transaction costs (%)**	0.21	0.30	0.35
Prices			
Highest dealing price (p)	56.19	57.06	52.95
Lowest dealing price (p)	44.83	50.94	43.92

Comparative Tables (continued)

S Accumulation shares		
Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	222.76	215.70
Return before operating charges	(33.35)	7.10
Operating charges	(1.15)	(0.04)
Return after operating charges*	(34.50)	7.06
Distributions ¹	(10.02)	(5.07)
Retained distributions ¹	10.02	5.07
Closing net asset value	188.26	222.76
*after direct transaction costs of	(0.44)	(0.66)
Performance		
Return after charges (%)	(15.49)	3.27
Other information		
Closing net asset value (£000's)	7,969	12,353
Closing number of shares	4,233,019	5,545,337
Operating charges (%)	0.54	0.03
Direct transaction costs (%)**	0.21	0.30
Prices		
Highest dealing price (p)	226.00	221.90
Lowest dealing price (p)	184.60	215.70

The share class was launched on 15 December 2017.

Comparative Tables (continued)

Z Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	184.74	171.87	166.97
Return before operating charges	(27.05)	23.05	14.48
Operating charges	(1.60)	(1.66)	(1.51)
Return after operating charges*	(28.65)	21.39	12.97
Distributions ¹	(8.20)	(8.52)	(8.07)
Closing net asset value	147.89	184.74	171.87
*after direct transaction costs of	(0.36)	(0.54)	(0.58)
Performance			
Return after charges (%)	(15.51)	12.45	7.77
Other information			
Closing net asset value (£000's)	70,475	136,416	252,524
Closing number of shares	47,654,948	73,841,406	146,923,425
Operating charges (%)	0.92	0.92	0.91
Direct transaction costs (%)**	0.21	0.30	0.35
Prices			
Highest dealing price (p)	187.30	190.70	177.40
Lowest dealing price (p)	148.90	170.40	147.50

Comparative Tables (continued)

Z Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	234.70	208.50	192.99
Return before operating charges	(35.05)	28.23	17.28
Operating charges	(2.05)	(2.03)	(1.77)
Return after operating charges*	(37.10)	26.20	15.51
Distributions ¹	(10.54)	(10.45)	(9.43)
Retained distributions ¹	10.54	10.45	9.43
Closing net asset value	197.60	234.70	208.50
*after direct transaction costs of	(0.47)	(0.67)	(0.68)
Performance			
Return after charges (%)	(15.81)	12.57	8.04
Other information			
Closing net asset value (£000's)	49,629	76,232	91,974
Closing number of shares	25,116,230	32,480,860	44,113,000
Operating charges (%)	0.92	0.92	0.91
Direct transaction costs (%)**	0.21	0.30	0.35
Prices			
Highest dealing price (p)	238.00	233.80	210.30
Lowest dealing price (p)	193.80	206.80	170.50

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 share 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 31.12.18	Market Value £000's	% of net assets
Equities 97.70% (98.44%)			
Oil & Gas 15.75% (12.29%)			
BP	3,157,459	15,659	7.25
Royal Dutch Shell B	765,186	18,361	8.50
		34,020	15.75
Basic Materials 7.42% (7.63%)			
BHP Group	660,344	10,894	5.04
Croda International	85,354	3,999	1.85
Victrex	49,975	1,135	0.53
		16,028	7.42
Industrials 9.34% (13.10%)			
DS Smith	1,492,838	4,464	2.07
Electrocomponents	600,332	3,041	1.41
Ibstock	1,964,455	3,904	1.81
Melrose Industries	1,533,891	2,513	1.16
Pagegroup	724,288	3,265	1.51
Weir Group	228,590	2,967	1.38
		20,154	9.34
Consumer Goods 11.54% (15.26%)			
Bellway	171,720	4,319	2.00
British American Tobacco	376,996	9,425	4.36
Diageo	101,382	2,834	1.31
Games Workshop Group	80,159	2,433	1.13
Headlam Group	336,241	1,378	0.64
Imperial Brands	190,480	4,527	2.10
		24,916	11.54
Health Care 7.39% (5.80%)			
AstraZeneca	35,556	2,085	0.97
GlaxoSmithKline	929,931	13,867	6.42
		15,952	7.39

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Consumer Services 14.35% (11.46%)			
Cineworld Group	1,449,846	3,816	1.76
Halfords Group	664,164	1,694	0.78
Marks & Spencer Group	1,532,732	3,787	1.75
RELX	492,958	7,969	3.69
Tesco	3,948,877	7,507	3.48
Wm Morrison Supermarkets	1,011,700	2,157	1.00
WPP	481,747	4,078	1.89
		31,008	14.35
Telecommunications 3.97% (5.49%)			
Vodafone Group	5,603,434	8,568	3.97
		8,568	3.97
Utilities 3.46% (1.63%)			
Severn Trent	122,696	2,226	1.03
SSE	485,631	5,247	2.43
		7,473	3.46
Financials 22.03% (23.45%)			
Charter Court Financial Services Group	60,173	150	0.07
Close Brothers Group	324,318	4,670	2.16
Direct Line Insurance Group	1,681,031	5,354	2.48
HSBC Holdings	1,690,235	10,932	5.06
Lloyds Banking Group	18,960,426	9,816	4.54
London Stock Exchange Group	80,052	3,250	1.51
Polar Capital Holdings [#]	420,891	1,987	0.92
Royal Bank of Scotland Group	1,523,932	3,368	1.56
Sabre Insurance Group	1,319,248	3,602	1.67
TP ICAP	1,480,474	4,455	2.06
		47,584	22.03

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Technology 2.45% (2.33%)			
Sage Group	881,105	5,294	2.45
		5,294	2.45
Equities total			
		210,997	97.70
Portfolio of investments		210,997	97.70
Net other assets		4,969	2.30
Net assets attributable to shareholders		215,966	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

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

Security traded on another regulated market.

Summary of Portfolio Transactions

Largest purchases

For the year ended 31 December 2018	Cost £000's
HSBC Holdings	9,673
RELX	8,230
WPP	7,379
British American Tobacco	7,175
Direct Line Insurance Group	6,840
Severn Trent	6,721
Close Brothers Group	5,267
BP	4,694
AstraZeneca	4,243
Headlam Group	4,170

Largest sales

For the year ended 31 December 2018	Proceeds £000's
Prudential	15,855
Diageo	15,592
Royal Dutch Shell B	14,114
Rio Tinto	12,591
AstraZeneca	10,009
Phoenix Group Holdings	8,391
B&M European Value Retail	8,380
Vodafone Group	8,351
HSBC Holdings	8,000
Lloyds Banking Group	6,886

Statement of Total Return

For the year ended 31 December 2018

		2018		2017	
	Notes	£000's	£000's	£000's	£000's
Income					
Net capital (losses)/gains	2		(61,609)		40,195
Revenue	3	15,677		22,498	
Expenses	4	(3,009)		(4,808)	
Net revenue before taxation		12,668		17,690	
Taxation	5	0		261	
Net revenue after taxation			12,668		17,951
Total return before distributions			(48,941)		58,146
Distributions	6		(15,673)		(22,698)
Change in net assets attributable to shareholders from investment activities			(64,614)		35,448

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

		2018		2017	
		£000's	£000's	£000's	£000's
Opening net assets attributable to shareholders			419,502		560,267
Amounts receivable on issue of shares		7,280		14,622	
Amounts payable on cancellation of shares		(151,268)		(198,440)	
			(143,988)		(183,818)
Dilution adjustment			34		103
Change in net assets attributable to shareholders from investment activities			(64,614)		35,448
Retained distribution on Accumulation shares			5,028		7,499
Unclaimed distributions			4		3
Closing net assets attributable to shareholders			215,966		419,502

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£000's	£000's
Assets			
Investments		210,997	412,964
Current assets			
Debtors	8	1,407	2,663
Cash and bank balances		8,083	11,634
Total assets		220,487	427,261
Liabilities			
Creditors			
Distributions payable		(3,492)	(6,043)
Other creditors	9	(1,029)	(1,716)
Total liabilities		(4,521)	(7,759)
Net assets attributable to shareholders			
		215,966	419,502

Notes to the Accounts

1 Accounting policies

Basis of preparation

The applicable accounting policies adopted by Schroder UK Alpha Income Fund are disclosed on pages 17 to 20.

2 Net capital (losses)/gains

The net capital (losses)/gains during the year comprise:

	2018 £000's	2017 £000's
Non-derivative securities	(61,601)	40,203
Transaction costs	(8)	(8)
Net capital (losses)/gains	(61,609)	40,195

3 Revenue

	2018 £000's	2017 £000's
UK dividends	14,850	21,601
Overseas dividends	806	627
Real estate income distributions	0	255
Bank interest	21	15
Total revenue	15,677	22,498

4 Expenses

	2018 £000's	2017 £000's
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD fee	2,467	4,013
Administration charge	495	723
	2,962	4,736
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	36	51
Safe custody fees	2	2
Interest payable	0	8
	38	61
Other expenses:		
Audit fee	9	11
Total expenses	3,009	4,808

Notes to the Accounts (continued)

5 Taxation

(a) Analysis of the tax charge for the year

	2018 £000's	2017 £000's
Overseas withholding tax	0	(261)
Total current tax (Note 5(b))	0	(261)

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

(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 OEICs of 20% (2017 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2018 £000's	2017 £000's
Net revenue before taxation	12,668	17,690
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	2,534	3,538
Effects of:		
Revenue not subject to corporation tax	(3,132)	(4,446)
Movement in excess management expenses	598	908
Irrecoverable overseas withholding tax	0	(261)
Current tax charge for the year (Note 5(a))	0	(261)

(d) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £7,197,154 (2017 – £6,599,494) 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.

Notes to the Accounts (continued)

6 Distributions

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2018 £000's	2017 £000's
Interim Dividend distribution	7,725	11,021
Final Dividend distribution	5,832	9,661
	13,557	20,682
Add: Revenue deducted on cancellation of shares	2,168	2,191
Deduct: Revenue received on issue of shares	(52)	(175)
Distributions	15,673	22,698
Net revenue after taxation	12,668	17,951
Expenses taken to capital	3,009	4,800
Tax on capital items	(4)	(53)
Distributions	15,673	22,698

Details of the distributions per share are set out in the Distribution Table on pages 214 and 215.

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	2018 Assets £000's	2017 Assets £000's
Level 1: Quoted prices	210,997	412,964
Level 2: Observable market data	0	0
Level 3: Unobservable data	0	0
Total	210,997	412,964

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.

Notes to the Accounts (continued)

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 ACD 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 ACD 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 ACD with particular attention paid to the carrying value of the investments.

8 Debtors

	2018 £000's	2017 £000's
Amounts receivable for issue of shares	1	248
Sales awaiting settlement	309	636
Accrued UK dividends	1,094	1,761
Accrued bank interest	3	0
Income tax recoverable	0	18
Total debtors	1,407	2,663

9 Other creditors

	2018		2017	
	£000's	£000's	£000's	£000's
Amounts payable for cancellation of shares		779		1,382
Purchases awaiting settlement		49		5
Accrued expenses				
ACD and Agents				
ACD fee	140		259	
Administration charge	29		50	
		169		309
Depositary and Agents				
Depositary's fees	18		7	
Safe custody fees	1		0	
Transaction costs	4		2	
		23		9
Other accrued expenses		9		11
Total other creditors		1,029		1,716

Notes to the Accounts (continued)

10 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2017 – Nil).

11 Related party transactions

The ACD 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 ACD at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

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

Shares held or managed by the ACD or associates of the ACD as a percentage of the fund's net asset value at the balance sheet date were 17.89% (2017 – 15.45%).

12 Share classes

The fund currently has ten share classes: A Income shares, A Accumulation shares, C Income shares, C Accumulation shares, L Income shares, L Accumulation shares, S Income shares, S Accumulation shares, Z Income shares and Z Accumulation shares. The ACD charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the ACD, the Investment Adviser and their overhead expenses and for each share class is as follows:

A Income shares	1.50%
A Accumulation shares	1.50%
C Income shares	1.00%
C Accumulation shares	1.00%
L Income shares	0.675%
L Accumulation shares	0.675%
S Income shares	0.375%
S Accumulation shares	0.375%
Z Income shares	0.75%
Z Accumulation shares	0.75%

The closing net asset value of each share class, the closing net asset value per share and the closing number of shares in issue are given in the Comparative Tables on pages 190 to 199. The distributions per share class are given in the Distribution Table on pages 214 and 215. 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 ACD 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 enable the pursuit of the fund's investment objective or to assist in the redemption of shares, 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, liquidity and interest rate risks. The ACD'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 ACD in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the COLL mitigates the risk of excessive exposure to any particular type of security or issuer.

Liquidity risk

The primary source of this risk to the fund is the liability to shareholders for any cancellation of shares. 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.

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
Sterling			
2018	8,083	212,404	220,487
2017	11,634	415,627	427,261

Currency	Financial liabilities not carrying interest £000's	Total £000's
Sterling		
2018	4,521	4,521
2017	7,759	7,759

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 SONIA.

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 ACD 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 31 December 2018 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 31 December
2018	0.00%	1.34%	0.03%	0.00%
2017	0.00%	0.20%	0.01%	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.

2018	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Purchases ¹ :						
Equities	116,638	58	522	117,218	0.05	0.45
Corporate actions purchases:						
Equities	5,777	0	0	5,777	0.00	0.00
	122,415	58	522	122,995		
Sales						
Equities	263,489	(129)	0	263,360	(0.05)	0.00
Total cost of the fund's average net asset value (%)		0.06	0.16			

Notes to the Accounts (continued)

2017	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Purchases ¹ :						
Equities	210,171	206	987	211,364	0.10	0.47
Corporate actions purchases:						
Equities	777	0	0	777	0.00	0.00
	210,948	206	987	212,141		
Sales						
Equities	400,233	(359)	0	399,874	(0.09)	0.00
Total cost of the fund's average net asset value (%)		0.11	0.20			

1 Excluding corporate actions.

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.40% (2017 – 0.16%).

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 Shares in issue reconciliation

	Number of shares in issue as at 31.12.17	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31.12.18
A Income shares	6,983,732	153,350	(1,437,060)	(50,479)	5,649,543
A Accumulation shares	15,979,887	198,029	(13,898,212)	(797,580)	1,482,124
C Income shares	7,795,218	69,645	(909,766)	(234,461)	6,720,636
C Accumulation shares	3,975,878	137	(464,680)	(78,842)	3,432,493
L Income shares	84,234,852	2,231,286	(58,241,379)	534,741	28,759,500
L Accumulation shares	42,498,062	528,092	(12,471,243)	2,628,350	33,183,261
S Income shares	89,176,797	79,249	(24,085,391)	371,554	65,542,209
S Accumulation shares	5,545,337	69,265	(1,440,104)	58,521	4,233,019
Z Income shares	73,841,406	854,530	(27,034,285)	(6,703)	47,654,948
Z Accumulation shares	32,480,860	1,497,026	(8,799,533)	(62,123)	25,116,230

Distribution Table

Interim distribution for the six months ended 30 June 2018

Group 1 Shares purchased prior to 1 January 2018

Group 2 Shares purchased on or after 1 January 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.8.18 p per share	<i>Distribution paid 31.8.17 p per share</i>
A Income shares				
Group 1	3.8563	–	3.8563	3.8563
Group 2	2.4170	1.4393	3.8563	3.8563
A Accumulation shares				
Group 1	4.4979	–	4.4979	4.4979
Group 2	3.1591	1.3388	4.4979	4.4979
C Income shares				
Group 1	4.0967	–	4.0967	4.0967
Group 2	2.5868	1.5099	4.0967	4.0967
C Accumulation shares				
Group 1	4.8804	–	4.8804	4.8804
Group 2	4.8174	0.0630	4.8804	4.8804
L Income shares				
Group 1	1.3166	–	1.3166	1.3166
Group 2	0.8804	0.4362	1.3166	1.3166
L Accumulation shares				
Group 1	1.5189	–	1.5189	1.5189
Group 2	0.8554	0.6635	1.5189	1.5189
S Income shares				
Group 1	1.2656	–	1.2656	1.2656
Group 2	0.7031	0.5625	1.2656	1.2656
S Accumulation shares				
Group 1	5.0897	–	5.0897	–
Group 2	2.9813	2.1084	5.0897	–
Z Income shares				
Group 1	4.2319	–	4.2319	4.2319
Group 2	2.5876	1.6443	4.2319	4.2319
Z Accumulation shares				
Group 1	5.1342	–	5.1342	5.1342
Group 2	2.7230	2.4112	5.1342	5.1342

Distribution Table (continued)

**Final distribution
for the six
months ended
31 December 2018**

Group 1 Shares purchased prior to 1 July 2018
Group 2 Shares purchased on or after 1 July 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	Distribution paid 28.2.18 p per share
A Income shares				
Group 1	3.5497	–	3.5497	3.9041
Group 2	2.0254	1.5243	3.5497	3.9041
A Accumulation shares				
Group 1	4.6483	–	4.6483	4.6442
Group 2	1.3738	3.2745	4.6483	4.6442
C Income shares				
Group 1	3.8213	–	3.8213	4.1071
Group 2	1.1675	2.6538	3.8213	4.1071
C Accumulation shares				
Group 1	5.1038	–	5.1038	5.0321
Group 2	3.2297	1.8741	5.1038	5.0321
L Income shares				
Group 1	1.2380	–	1.2380	1.3381
Group 2	0.5947	0.6433	1.2380	1.3381
L Accumulation shares				
Group 1	1.6008	–	1.6008	1.5727
Group 2	0.8074	0.7934	1.6008	1.5727
S Income shares				
Group 1	1.1988	–	1.1988	1.2930
Group 2	0.9108	0.2880	1.1988	1.2930
S Accumulation shares				
Group 1	4.9287	–	4.9287	5.0746
Group 2	3.7407	1.1880	4.9287	5.0746
Z Income shares				
Group 1	3.9715	–	3.9715	4.2928
Group 2	2.1448	1.8267	3.9715	4.2928
Z Accumulation shares				
Group 1	5.4016	–	5.4016	5.3147
Group 2	3.2920	2.1096	5.4016	5.3147

Distribution Table (continued)

Corporate shareholders (unaudited)

Corporate shareholders receive the dividend distribution payments as detailed below:
100.00% of the total distribution is received as franked investment income.

Equalisation

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

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

Fund Information

Investment objective and policy

The Schroder Strategic Credit Fund (the 'fund') aims to provide income and capital growth in excess of 3 Month LIBOR over rolling 3 to 5 year periods by investing in fixed and floating rate securities of UK and European companies but this cannot be guaranteed and your capital is at risk.

The fund invests at least 80% of its assets in fixed and floating rate securities denominated in sterling (or in other currencies and hedged back into sterling) issued by UK and European companies. The fund may also invest in fixed and floating rate securities issued by companies worldwide and by governments, government agencies and supra-nationals. As the fund is index-unconstrained it is managed without reference to an index.

The fund may invest more than 50% of its assets in below investment grade securities (as measured by Standard & Poor's or any other equivalent credit rating agencies) or in unrated securities.

The fund may also invest in collective investment schemes, equity and equity related securities and warrants, and hold cash.

The fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the fund more efficiently. The fund may use leverage and take short positions.

With effect from 25 May 2018 the fund's Investment objective and policy changed, previously it was:

The fund aims to provide income and capital growth in excess of 3 Month Treasury Bills over rolling 3 to 5 year periods by investing in fixed and floating rate securities of UK and European companies but this cannot be guaranteed and your capital is at risk.

The fund invests at least 80% of its assets in fixed and floating rate securities denominated in sterling (or in other currencies and hedged back into sterling) issued by UK and European companies. The fund may also invest in fixed and floating rate securities issued by companies worldwide and by governments, government agencies and supranationals. As the fund is index unconstrained it is managed without reference to an index.

The fund may invest more than 50% of its assets in below investment grade securities (as measured by Standard & Poor's or any other equivalent credit rating agencies) or in unrated securities.

The fund may also invest in collective investment schemes, equity and equity related securities and warrants, and hold cash.

The fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the fund more efficiently. The fund may use leverage and take short positions.

Fund Information (continued)

Financial highlights

Dealing price	31.12.18	29.12.17	% change
A Income shares	88.05p	93.57p	(5.90)
A Accumulation shares	158.90p	162.00p	(1.91)
C Income shares	90.63p	96.06p	(5.65)
C Accumulation shares	162.70p	165.40p	(1.63)
D Income shares	46.38p	49.02p	(5.39)
D Accumulation shares	56.14p	56.93p	(1.39)
L Income shares	93.61p	98.97p	(5.42)
L Accumulation shares	168.10p	170.60p	(1.47)
S Income shares	47.55p	50.17p	(5.22)
S Accumulation shares	161.80p	163.80p	(1.22)
Z Income shares	46.77p	49.51p	(5.53)
Z Accumulation shares	56.07p	56.94p	(1.53)
	28.2.19	28.2.18	
Final distribution per Z Income share	1.0085p	1.0124p	

Fund information

Launch date	4 April 2006
Launch price	100.00p per A Income share
	100.00p per A Accumulation share
	100.00p per C Income share
	100.00p per C Accumulation share
	100.00p per L Income share
	100.00p per L Accumulation share
Launch date	1 November 2013
Launch price	50.00p per S Income share
Launch date	24 March 2014
Launch price	50.00p per Z Income share
	50.00p per Z Accumulation share
Launch date	23 May 2014
Launch price	50.00p per D Income share
	50.00p per D Accumulation share
Launch date	17 June 2016
Launch price	150.56p per S Accumulation share

Fund Information (continued)

	Interim	Final
Accounting dates	30 June	31 December
Revenue allocation dates	31 August	28 February

Ongoing charges figure

	For the year to 31.12.18	For the year to 31.12.17
A Income shares	1.16%	1.17%
A Accumulation shares	1.16%	1.17%
C Income shares	0.91%	0.92%
C Accumulation shares	0.91%	0.92%
D Income shares	0.61%	0.62%
D Accumulation shares	0.61%	0.62%
L Income shares	0.66%	0.67%
L Accumulation shares	0.66%	0.67%
S Income shares	0.46%	0.47%
S Accumulation shares	0.46%	0.47%
Z Income shares	0.76%	0.77%
Z Accumulation shares	0.76%	0.77%

Review of Investment Activities

From 29 December 2017 to 31 December 2018, the price of Z Accumulation shares on a dealing price to dealing price basis fell 1.53%. In comparison, the three month LIBOR generated a total return of 0.72%¹.

Markets were more volatile in 2018 and risk assets were negatively impacted. Euro high yield corporate bonds declined. The re-pricing of risk was initially triggered by monetary tightening in the US and the prospect of tightening in Europe. Ten years of quantitative easing and low/zero interest rates have led to the misallocation of capital and extremely low yields in some capital markets. This has started to unwind. Additionally, markets were affected by an array of macroeconomic factors and political uncertainty. For Euro High Yield, insurance, retail and basic industry were the weakest sectors, while technology and healthcare performed relatively well.

The portfolio generated a negative total return for the year, behind its target level of growth. Having performed well for much of the year, performance was held back in the fourth quarter by a significant exposure to the services sector, where we own bonds such as La Financiere Atalian, Safari Holding Verwaltungs, WFS Global Holding and Ladbrokes Group Finance. The fund slightly increased high yield exposure over the year, from 53% to 55.5% of net asset value, adding most notably in the services and technology sectors.

A marked widening of European credit spreads has left the asset class on the cheap side of fair value. With spreads back to 2016 levels, the high yield market appears to price in a sharp reduction in growth. Investment grade credit spreads are already close to recessionary levels. With that backdrop, we are tentatively adding BBB, BB and other securities to the portfolio.

Fund Manager:

Peter Harvey



Peter joined Schroders in July 2013 following the acquisition of Cazenove Capital

Having joined Cazenove Capital in 2005, where he was head of the European credit team, Peter is now part of the London based fixed income team at Schroders

He has 27 years' experience analysing and investing in corporate debt

Peter studied management and international relations at St Andrews University

¹ 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 and reward indicator changed from 5 to 3 with effect from 3 April 2018.

The risk category is based upon the fund's risk target and there is no guarantee that the fund will achieve it.

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 seeks to provide rewards whilst limiting price volatility.

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.

More than 35% of the property of the fund may be invested in Government securities.

The fund invests in higher yielding bonds (non-investment grade). The risk of default is higher with non-investment grade bonds than with investment grade bonds. Higher yielding bonds may also have an increased potential to erode your capital sum than lower yielding bonds.

The fund invests 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 uses derivatives for specific investment purposes. This involves a higher degree of risk and may lead to a higher volatility in the share prices of the fund. The ACD employs a risk management process to allow the ACD to measure derivative and forward positions and their contribution to the overall risk profile of the fund. As part of this risk management process, the ACD conducts daily value at risk analysis of the fund and performs both stress and back testing of the fund.

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.

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

Comparative Tables

A Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	91.35	91.22	91.12
Return before operating charges	(0.67)	5.18	6.11
Operating charges	(1.06)	(1.09)	(1.04)
Return after operating charges*	(1.73)	4.09	5.07
Distributions ¹	(3.76)	(3.96)	(4.97)
Closing net asset value	85.86	91.35	91.22
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.89)	4.48	5.56
Other information			
Closing net asset value (£000's)	2,008	2,556	5,140
Closing number of shares	2,338,428	2,798,723	5,634,320
Operating charges (%)	1.16	1.17	1.13
Prices			
Highest dealing price (p)	91.94	94.71	93.76
Lowest dealing price (p)	87.95	91.88	89.21

Comparative Tables (continued)

A Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	161.51	154.57	147.93
Return before operating charges	(1.21)	8.79	10.04
Operating charges	(1.89)	(1.85)	(1.77)
Return after operating charges*	(3.10)	6.94	8.27
Distributions ¹	(6.72)	(6.78)	(8.16)
Retained distributions ¹	6.72	6.78	6.53
Closing net asset value	158.41	161.51	154.57
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.92)	4.49	5.59
Other information			
Closing net asset value (£000's)	17,350	15,648	11,640
Closing number of shares	10,952,688	9,688,442	7,529,495
Operating charges (%)	1.16	1.17	1.17
Prices			
Highest dealing price (p)	162.90	162.60	155.60
Lowest dealing price (p)	158.80	155.70	145.00

Comparative Tables (continued)

C Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	93.78	93.42	93.12
Return before operating charges	(0.68)	5.29	6.25
Operating charges	(0.86)	(0.87)	(0.86)
Return after operating charges*	(1.54)	4.42	5.39
Distributions ¹	(3.87)	(4.06)	(5.09)
Closing net asset value	88.37	93.78	93.42
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.64)	4.73	5.79
Other information			
Closing net asset value (£000's)	5,020	6,124	122,406
Closing number of shares	5,681,158	6,529,819	131,034,012
Operating charges (%)	0.91	0.92	0.92
Prices			
Highest dealing price (p)	94.41	97.10	96.01
Lowest dealing price (p)	90.51	94.09	91.23

Comparative Tables (continued)

C Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	167.46	157.50	150.26
Return before operating charges	(3.82)	11.45	10.31
Operating charges	(1.52)	(1.49)	(1.41)
Return after operating charges*	(5.34)	9.96	8.90
Distributions ¹	(6.87)	(6.91)	(8.30)
Retained distributions ¹	6.87	6.91	6.64
Closing net asset value	162.12	167.46	157.50
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(3.19)	6.32	5.92
Other information			
Closing net asset value (£000's)	1,745	2,090	53,856
Closing number of shares	1,076,371	1,247,844	34,193,049
Operating charges (%)	0.91	0.92	0.92
Prices			
Highest dealing price (p)	166.60	165.90	158.40
Lowest dealing price (p)	162.50	158.50	147.30

Comparative Tables (continued)

D Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	47.85	47.52	47.23
Return before operating charges	(0.35)	2.70	3.17
Operating charges	(0.29)	(0.30)	(0.30)
Return after operating charges*	(0.64)	2.40	2.87
Distributions ¹	(1.98)	(2.07)	(2.58)
Closing net asset value	45.23	47.85	47.52
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.34)	5.05	6.08
Other information			
Closing net asset value (£000's)	22,884	17,044	12,650
Closing number of shares	50,592,560	35,616,987	26,619,525
Operating charges (%)	0.61	0.62	0.62
Prices			
Highest dealing price (p)	48.18	49.47	48.84
Lowest dealing price (p)	46.32	47.87	46.29

Comparative Tables (continued)

D Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	56.74	54.01	51.40
Return before operating charges	(0.43)	3.07	3.50
Operating charges	(0.35)	(0.34)	(0.33)
Return after operating charges*	(0.78)	2.73	3.17
Distributions ¹	(2.37)	(2.38)	(2.84)
Retained distributions ¹	2.37	2.38	2.28
Closing net asset value	55.96	56.74	54.01
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.37)	5.05	6.17
Other information			
Closing net asset value (£000's)	493	464	303
Closing number of shares	880,563	818,654	560,463
Operating charges (%)	0.61	0.62	0.62
Prices			
Highest dealing price (p)	57.46	57.06	54.35
Lowest dealing price (p)	56.06	54.39	50.39

Comparative Tables (continued)

L Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	96.62	96.00	95.46
Return before operating charges	(0.71)	5.45	6.41
Operating charges	(0.64)	(0.65)	(0.65)
Return after operating charges*	(1.35)	4.80	5.76
Distributions ¹	(3.99)	(4.18)	(5.22)
Closing net asset value	91.28	96.62	96.00
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.40)	5.00	6.03
Other information			
Closing net asset value (£000's)	535,159	477,321	410,607
Closing number of shares	586,294,331	494,024,818	427,714,548
Operating charges (%)	0.66	0.67	0.67
Prices			
Highest dealing price (p)	97.28	99.90	98.67
Lowest dealing price (p)	93.47	96.70	93.55

Comparative Tables (continued)

L Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	169.99	161.89	154.14
Return before operating charges	(1.28)	9.21	10.52
Operating charges	(1.14)	(1.11)	(1.06)
Return after operating charges*	(2.42)	8.10	9.46
Distributions ¹	(7.09)	(7.12)	(8.53)
Retained distributions ¹	7.09	7.12	6.82
Closing net asset value	167.57	169.99	161.89
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.42)	5.00	6.14
Other information			
Closing net asset value (£000's)	159,041	121,611	72,843
Closing number of shares	94,910,960	71,538,664	44,996,752
Operating charges (%)	0.66	0.67	0.67
Prices			
Highest dealing price (p)	172.10	171.00	162.90
Lowest dealing price (p)	167.90	163.00	151.10

Comparative Tables (continued)

S Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	48.98	48.56	48.19
Return before operating charges	(0.36)	2.77	3.24
Operating charges	(0.23)	(0.23)	(0.23)
Return after operating charges*	(0.59)	2.54	3.01
Distributions ¹	(2.03)	(2.12)	(2.64)
Closing net asset value	46.36	48.98	48.56
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.20)	5.23	6.25
Other information			
Closing net asset value (£000's)	206,659	194,279	54,112
Closing number of shares	445,730,635	396,672,068	111,422,283
Operating charges (%)	0.46	0.47	0.47
Prices			
Highest dealing price (p)	49.32	50.59	49.91
Lowest dealing price (p)	47.47	48.92	47.25

Comparative Tables (continued)

S Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	163.25	155.16	150.56
Return before operating charges	(1.24)	8.84	6.61
Operating charges	(0.76)	(0.75)	(0.38)
Return after operating charges*	(2.00)	8.09	6.23
Distributions ¹	(6.82)	(6.83)	(8.16)
Retained distributions ¹	6.82	6.83	6.53
Closing net asset value	161.25	163.25	155.16
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.23)	5.21	4.14
Other information			
Closing net asset value (£000's)	62,351	66,697	13,860
Closing number of shares	38,667,793	40,854,808	8,933,040
Operating charges (%)	0.46	0.47	0.25
Prices			
Highest dealing price (p)	165.50	164.10	156.20
Lowest dealing price (p)	161.50	156.30	149.10

The share class was launched on 17 June 2016.

Comparative Tables (continued)

Z Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	48.33	48.07	47.84
Return before operating charges	(0.35)	2.72	3.22
Operating charges	(0.37)	(0.37)	(0.37)
Return after operating charges*	(0.72)	2.35	2.85
Distributions ¹	(2.00)	(2.09)	(2.62)
Closing net asset value	45.61	48.33	48.07
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.49)	4.89	5.96
Other information			
Closing net asset value (£000's)	11,357	11,260	7,526
Closing number of shares	24,900,656	23,298,860	15,657,629
Operating charges (%)	0.76	0.77	0.76
Prices			
Highest dealing price (p)	48.66	50.00	49.40
Lowest dealing price (p)	46.71	48.42	46.89

Comparative Tables (continued)

Z Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	56.75	54.10	51.56
Return before operating charges	(0.43)	3.08	3.51
Operating charges	(0.44)	(0.43)	(0.40)
Return after operating charges*	(0.87)	2.65	3.11
Distributions ¹	(2.37)	(2.38)	(2.85)
Retained distributions ¹	2.37	2.38	2.28
Closing net asset value	55.88	56.75	54.10
*after direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges (%)	(1.53)	4.90	6.03
Other information			
Closing net asset value (£000's)	64,964	48,386	30,376
Closing number of shares	116,246,710	85,261,090	56,152,013
Operating charges (%)	0.76	0.77	0.76
Prices			
Highest dealing price (p)	57.41	57.08	54.45
Lowest dealing price (p)	55.99	54.48	50.53

1 These figures have been rounded to 2 decimal places.

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 share 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 31.12.18	Market Value £000's	% of net assets
Corporate Bonds 97.54% (93.09%)			
Australia 0.97% (0.38%)			
National Australia Bank FRN 1.21% 17/07/2020	£2,000,000	2,002	0.18
Australia & New Zealand Banking Group FRN 1.23% 22/03/2021	£4,000,000	3,993	0.37
Westpac Banking FRN 1.05% 18/01/2023	£3,000,000	3,000	0.28
BHP Billiton Finance FRN 6.5% 22/10/2077	£1,400,000	1,538	0.14
		10,533	0.97
Austria 0.07% (0.08%)			
Sappi Papier Holding 7.5% 15/06/2032	US\$1,000,000	730	0.07
		730	0.07
Bermuda 1.08% (1.22%)			
Fidelity International 6.75% 19/10/2020	£1,255,000	1,352	0.12
Digicel 6.75% 01/03/2023	US\$1,900,000	1,180	0.11
Fidelity International 7.125% 13/02/2024	£4,117,000	4,811	0.44
Hiscox FRN 6.125% 24/11/2045	£4,310,000	4,411	0.41
		11,754	1.08
Canada 2.63% (3.80%)			
Royal Bank of Canada FRN 1.296% 04/06/2019	£4,150,000	4,154	0.38
Bank of Nova Scotia FRN 1.1% 14/06/2019	£2,000,000	2,000	0.18
Bank of Montreal FRN 1.113% 20/06/2019	£2,200,000	2,200	0.20
Bank of Montreal FRN 1.013% 20/07/2020	£2,636,000	2,633	0.24
Royal Bank of Canada FRN 1.177% 08/06/2021	£2,000,000	1,997	0.18
Bank of Nova Scotia FRN 1.287% 11/06/2021	£2,500,000	2,498	0.23

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Canada (continued)			
National Bank of Canada FRN 1.277% 27/09/2021	£1,000,000	1,000	0.09
Canadian Imperial Bank of Commerce FRN 1.235% 10/01/2022	£3,500,000	3,504	0.32
Bausch Health 6.5% 15/03/2022	US\$7,100,000	5,603	0.52
Bausch Health 5.875% 15/05/2023	US\$850,000	617	0.06
Bausch Health 7% 15/03/2024	US\$2,850,000	2,260	0.21
Bausch Health 5.5% 01/11/2025	US\$330,000	242	0.02
		28,708	2.63
Cayman Islands 0.44% (1.06%)			
Sable International Finance 6.875% 01/08/2022	US\$3,206,000	2,569	0.24
Thames Water Utilities Cayman Finance 2.375% 03/05/2023	£1,169,000	1,134	0.10
Vale Overseas 6.25% 10/08/2026	US\$1,330,000	1,128	0.10
		4,831	0.44
Czech Republic 0.57% (0.47%)			
Residomo 3.375% 15/10/2024	€7,150,000	6,225	0.57
		6,225	0.57
Denmark 0.20% (0.00%)			
DKT Finance 9.375% 17/06/2023	US\$2,699,000	2,167	0.20
		2,167	0.20
Finland 0.21% (0.72%)			
OP Corporate Bank FRN 1.238% 30/05/2021	£1,000,000	999	0.09
Nokia 3.375% 12/06/2022	US\$1,789,000	1,327	0.12
		2,326	0.21

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
France 5.92% (7.31%)			
Banque Federative du Credit Mutuel FRN 1.246% 07/02/2019	£2,000,000	2,000	0.18
Dexia Credit Local FRN 1.047% 04/04/2019	£5,000,000	5,002	0.46
Banque Federative du Credit Mutuel FRN 1.043% 16/01/2020	£10,100,000	10,090	0.93
Autodis FRN 4.375% 01/05/2022	€6,700,000	5,845	0.54
Burger King France FRN 5.25% 01/05/2023	€3,730,000	3,336	0.31
Faurecia 3.625% 15/06/2023	€2,350,000	2,122	0.19
Nexans 3.75% 08/08/2023	€1,300,000	1,158	0.11
SPIE 3.125% 22/03/2024	€900,000	777	0.07
Burger King France 6% 01/05/2024	€1,540,000	1,431	0.13
La Financiere Atalian 4% 15/05/2024	€4,533,000	3,303	0.30
Louvre Bidco 4.25% 30/09/2024	€150,000	127	0.01
Louvre Bidco FRN 5.066% 30/09/2024	€1,204,000	1,059	0.10
Constantin Investissement 3 5.375% 15/04/2025	€831,000	693	0.06
La Financiere Atalian 6.625% 15/05/2025	£7,263,000	5,920	0.54
Novafives FRN 4.5% 15/06/2025	€2,079,000	1,492	0.14
SPCM 4.875% 15/09/2025	US\$3,000,000	2,049	0.19
Altice France 7.375% 01/05/2026	US\$19,439,000	14,004	1.29
AXA FRN 3.941% Perpetual	€388,000	359	0.03
AXA FRN 6.772% Perpetual	£1,630,000	1,663	0.15
Electricite de France FRN 6% Perpetual	£1,000,000	970	0.09
Orange FRN 5.875% Perpetual	£1,000,000	1,050	0.10
		64,450	5.92
Germany 5.22% (4.88%)			
Deutsche Pfandbriefbank FRN 1.361% 13/01/2020	£10,000,000	10,018	0.92
Deutsche Bank FRN 3.954% 20/08/2020	US\$2,979,000	2,294	0.21

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Germany (continued)			
Deutsche Bank 3.375% 12/05/2021	US\$1,450,000	1,099	0.10
Landesbank Baden-Wuerttemberg FRN 1.158% 18/05/2021	£1,300,000	1,298	0.12
IHO Verwaltungs 2.75% 15/09/2021	€821,023	729	0.07
IHO Verwaltungs 4.125% 15/09/2021	US\$2,040,000	1,522	0.14
Deutsche Bank 4.25% 14/10/2021	US\$3,800,000	2,917	0.27
Deutsche Bank 1.75% 16/12/2021	£2,000,000	1,906	0.17
Safari Holding Verwaltungs 5.375% 30/11/2022	€8,709,000	7,035	0.65
IHO Verwaltungs 4.5% 15/09/2023	US\$1,550,000	1,114	0.10
ProGroup FRN 2.5% 31/03/2024	€10,275,000	9,130	0.84
Adler Pelzer Holding 4.125% 01/04/2024	€500,000	411	0.04
WEPA Hygieneprodukte 3.75% 15/05/2024	€1,682,000	1,430	0.13
Unitymedia Hessen 5% 15/01/2025	US\$12,574,000	9,646	0.89
Tele Columbus 3.875% 02/05/2025	€435,000	353	0.03
EnBW Energie Baden- Wuerttemberg FRN 3.625% 02/04/2076	€1,568,000	1,450	0.13
EnBW Energie Baden- Wuerttemberg FRN 5.125% 05/04/2077	US\$5,822,000	4,492	0.41
		56,844	5.22
Guernsey 0.07% (0.00%)			
Credit Suisse Group Funding Guernsey FRN 4.735% 16/04/2021	US\$900,000	727	0.07
		727	0.07
Iceland 0.00% (0.09%)			
Ireland 2.89% (2.65%)			
eircom Finance 4.5% 31/05/2022	€5,230,000	4,745	0.44

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Ireland (continued)			
Ardagh Packaging Finance 4.25% 15/09/2022	US\$1,912,000	1,430	0.13
Virgin Media Receivables Financing Notes II 5.75% 15/04/2023	£1,794,000	1,776	0.16
Ardagh Packaging Finance 4.625% 15/05/2023	US\$10,505,000	7,877	0.72
Virgin Media Receivables Financing Notes I 5.5% 15/09/2024	£9,035,000	8,651	0.79
Ardagh Packaging Finance 6% 15/02/2025	US\$600,000	435	0.04
James Hardie International Finance 3.625% 01/10/2026	€2,321,000	2,027	0.19
C&W Senior Financing 7.5% 15/10/2026	US\$2,590,000	1,955	0.18
Bank of Ireland Group FRN 3.125% 19/09/2027	£1,291,000	1,204	0.11
Roadster Finance 1.625% 09/12/2029	€1,595,000	1,363	0.13
		31,463	2.89
Isle of Man 0.59% (0.00%)			
Playtech 3.75% 12/10/2023	€7,411,000	6,437	0.59
		6,437	0.59
Italy 6.25% (5.44%)			
Telecom Italia 6.375% 24/06/2019	£1,100,000	1,118	0.10
Banca Farmafactoring FRN 1.134% 05/06/2020	€1,167,000	995	0.09
Autostrade per l'Italia 6.25% 09/06/2022	£2,166,000	2,273	0.21
Sisal Group FRN 6.625% 31/07/2022	€600,000	537	0.05
Almaviva-The Italian Innovation 7.25% 15/10/2022	€4,225,000	3,091	0.28
TeamSystem FRN 4% 15/04/2023	€2,985,000	2,663	0.25
Gamenet Group FRN 3.75% 27/04/2023	€1,676,000	1,444	0.13
Gamenet Group FRN 5.125% 27/04/2023	€1,268,000	1,121	0.10
Nexi Capital FRN 3.625% 01/05/2023	€8,821,000	7,837	0.72

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Italy (continued)			
Autostrade per l'Italia 1.625% 12/06/2023	€1,215,000	1,006	0.09
Sisal Group 7% 31/07/2023	€1,135,000	1,018	0.09
Limacorporate FRN 3.75% 15/08/2023	€3,891,000	3,448	0.32
EVOCA 7% 15/10/2023	€515,000	476	0.04
Wind Tre FRN 2.75% 20/01/2024	€14,724,000	11,794	1.08
Guala Closures FRN 3.5% 15/04/2024	€2,965,000	2,630	0.24
Bormioli Pharma Bidco FRN 3.5% 15/11/2024	€5,092,000	4,277	0.39
Fabric BC FRN 4.125% 30/11/2024	€1,680,000	1,471	0.14
Piaggio & C 3.625% 30/04/2025	€1,983,000	1,757	0.16
Wind Tre 5% 20/01/2026	US\$5,098,000	3,291	0.30
Enel FRN 8.75% 24/09/2073	US\$3,106,000	2,488	0.23
Enel FRN 7.75% 10/09/2075	£3,270,000	3,449	0.32
Enel FRN 6.625% 15/09/2076	£2,673,000	2,800	0.26
Enel FRN 2.5% 24/11/2078	€721,000	597	0.06
Assicurazioni Generali FRN 4.596% Perpetual	€850,000	740	0.07
Assicurazioni Generali FRN 6.269% Perpetual	£2,600,000	2,498	0.23
Assicurazioni Generali FRN 6.416% Perpetual	£3,400,000	3,302	0.30
		68,121	6.25
Jersey 2.77% (2.63%)			
Galaxy Bidco FRN 5.385% 15/11/2020	£2,630,000	2,604	0.24
Galaxy Bidco 6.375% 15/11/2020	£2,259,000	2,214	0.20
TVL Finance FRN 5.76% 15/05/2023	£490,000	484	0.04
TVL Finance 8.5% 15/05/2023	£1,440,000	1,465	0.14
LHC3 4.125% 15/08/2024	€8,073,828	6,889	0.63
CPUK Finance 7.239% 28/02/2042	£1,200,000	1,445	0.13
AA Bond 2.75% 31/07/2043	£700,000	618	0.06
AA Bond 2.875% 31/07/2043	£3,200,000	2,958	0.27

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Jersey (continued)			
AA Bond 4.249% 31/07/2043	£523,000	533	0.05
AA Bond 4.875% 31/07/2043	£1,441,000	1,368	0.13
AA Bond 5.5% 31/07/2043	£1,560,000	1,242	0.11
CPUK Finance 4.25% 28/02/2047	£1,100,000	1,043	0.10
HBOS Capital Funding 6.85% Perpetual	US\$9,338,000	7,314	0.67
		30,177	2.77
Luxembourg 4.74% (5.06%)			
Monitchem HoldCo 3 FRN 4.439% 15/06/2021	€1,250,000	1,092	0.10
Codere Finance 2 Luxembourg 7.625% 01/11/2021	US\$1,350,000	898	0.08
Swissport Financing 6.75% 15/12/2021	€300,000	275	0.03
B&M European Value Retail 4.125% 01/02/2022	£1,620,000	1,576	0.14
Horizon Parent Holdings 8.25% 15/02/2022	€1,900,000	1,721	0.16
Matterhorn Telecom 3.875% 01/05/2022	€12,447,000	10,917	1.00
Garfunkelux Holdco 3 8.5% 01/11/2022	£450,000	381	0.04
Logicor Financing 1.5% 14/11/2022	€3,375,000	3,020	0.28
Eurofins Scientific 3.375% 30/01/2023	€1,000,000	921	0.08
Matterhorn Telecom FRN 3.25% 01/02/2023	€957,143	846	0.08
Altice Financing 6.625% 15/02/2023	US\$1,275,000	961	0.09
Kleopatra Holdings 1 8.5% 30/06/2023	€1,519,000	573	0.05
ARD Finance 6.625% 15/09/2023	€2,350,000	2,009	0.18
Arena Luxembourg Finance FRN 2.75% 01/11/2023	€8,210,000	7,332	0.67
Cirsa Finance International 6.25% 20/12/2023	€834,000	759	0.07
Gazprom 4.25% 06/04/2024	£5,321,000	5,310	0.49
Hercule Debtco 6.75% 30/06/2024	€418,000	331	0.03

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Luxembourg (continued)			
ADO Properties 1.5% 26/07/2024	€3,900,000	3,273	0.30
Hidrovias International Finance 5.95% 24/01/2025	US\$3,100,000	2,215	0.20
Eurofins Scientific FRN 3.25% Perpetual	€4,988,000	3,794	0.35
Eurofins Scientific FRN 4.875% Perpetual	€3,840,000	3,432	0.32
		51,636	4.74
Mexico 0.64% (0.72%)			
Petroleos Mexicanos FRN 6.421% 11/03/2022	US\$1,000,000	787	0.07
Petroleos Mexicanos 8.25% 02/06/2022	£3,840,000	4,222	0.39
Petroleos Mexicanos 3.75% 16/11/2025	£1,719,000	1,532	0.14
Petroleos Mexicanos 5.35% 12/02/2028	US\$599,000	410	0.04
		6,951	0.64
Netherlands 14.34% (11.28%)			
BMW International Investment FRN 1.235% 15/02/2019	£9,500,000	9,501	0.87
BMW International Investment FRN 1.1% 17/07/2019	£2,700,000	2,696	0.25
Cooperatieve Rabobank FRN 1.093% 20/09/2019	£1,500,000	1,500	0.14
BMW International Investment FRN 1.136% 04/12/2019	£5,500,000	5,488	0.50
Cooperatieve Rabobank FRN 0.983% 16/01/2020	£3,500,000	3,497	0.32
BMW International Investment FRN 1.107% 12/02/2020	£2,000,000	1,996	0.18
Fiat Chrysler Automobiles 4.5% 15/04/2020	US\$4,820,000	3,789	0.35
ABN AMRO Bank FRN 1.244% 29/05/2020	£8,500,000	8,496	0.78
ING Bank FRN 1.285% 14/11/2020	£1,800,000	1,798	0.17
Constellium 4.625% 15/05/2021	€1,576,000	1,406	0.13

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Netherlands (continued)			
Petrobras Global Finance 6.125% 17/01/2022	US\$743,000	599	0.06
Teva Pharmaceutical Finance Netherlands II 3.25% 15/04/2022	€455,000	410	0.04
IPD 3 4.5% 15/07/2022	€5,454,000	4,828	0.44
IPD 3 FRN 4.5% 15/07/2022	€3,872,000	3,449	0.32
Teva Pharmaceutical Finance Netherlands II 1.25% 31/03/2023	€1,964,000	1,593	0.15
Schaeffler Finance 4.75% 15/05/2023	US\$21,042,000	15,819	1.45
Teva Pharmaceutical Finance Netherlands III 2.8% 21/07/2023	US\$4,090,000	2,766	0.25
Promontoria Holding 264 FRN 6.25% 15/08/2023	€1,709,000	1,511	0.14
Promontoria Holding 264 6.75% 15/08/2023	€5,309,000	4,575	0.42
NIBC Bank 3.125% 15/11/2023	£4,300,000	4,217	0.39
Selecta Group FRN 5.375% 01/02/2024	€5,630,000	4,814	0.44
Selecta Group 5.875% 01/02/2024	€5,063,000	4,271	0.39
Teva Pharmaceutical Finance Netherlands III 6% 15/04/2024	US\$6,161,000	4,659	0.43
Teva Pharmaceutical Finance Netherlands II 1.125% 15/10/2024	€1,224,000	923	0.08
OI European Group 3.125% 15/11/2024	€550,000	486	0.04
Volkswagen International Finance FRN 1.237% 16/11/2024	€2,700,000	2,414	0.22
Teva Pharmaceutical Finance Netherlands II 4.5% 01/03/2025	€1,876,000	1,700	0.16
InterXion Holding 4.75% 15/06/2025	€6,820,000	6,255	0.57
Kongsberg Actuation Systems 5% 15/07/2025	€2,220,000	1,863	0.17
Intertrust Group 3.375% 15/11/2025	€2,455,000	2,165	0.20
Constellium 5.875% 15/02/2026	US\$366,000	256	0.02

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Netherlands (continued)			
Petrobras Global Finance 8.75% 23/05/2026	US\$2,340,000	2,058	0.19
Teva Pharmaceutical Finance Netherlands III 3.15% 01/10/2026	US\$1,649,000	988	0.09
Volkswagen International Finance 3.375% 16/11/2026	£700,000	707	0.06
Ziggo Secured Finance 5.5% 15/01/2027	US\$8,296,000	5,830	0.54
Petrobras Global Finance 7.375% 17/01/2027	US\$580,000	468	0.04
ING Groep FRN 4.7% 22/03/2028	US\$1,739,000	1,352	0.12
Achmea FRN 6% 04/04/2043	€7,400,000	7,146	0.66
Koninklijke KPN FRN 6.875% 14/03/2073	£11,996,000	12,476	1.15
Koninklijke KPN FRN 7% 28/03/2073 144A	US\$9,967,000	8,021	0.74
Koninklijke KPN FRN 7% 28/03/2073 Reg.S	US\$1,800,000	1,449	0.13
Achmea FRN 4.25% Perpetual	€1,060,000	925	0.09
Telefonica Europe FRN 3% Perpetual	€500,000	416	0.04
Telefonica Europe FRN 6.75% Perpetual	£2,200,000	2,310	0.21
Volkswagen International Finance FRN 3.375% Perpetual	€2,700,000	2,262	0.21
		156,148	14.34
Norway 1.15% (0.77%)			
SpareBank 1 Boligkreditt FRN 1.146% 14/11/2022	£5,655,000	5,625	0.52
Aker 5.875% 31/03/2025 144A	US\$3,570,000	2,796	0.26
Aker 5.875% 31/03/2025 Reg.S	US\$5,227,000	4,094	0.37
		12,515	1.15
Spain 2.01% (1.92%)			
Telefonica Emisiones 5.597% 12/03/2020	£500,000	521	0.05
NH Hotel Group 3.75% 01/10/2023	€8,902,142	8,201	0.75

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Spain (continued)			
Banco de Sabadell 1.625% 07/03/2024	€5,000,000	4,332	0.40
El Corte Ingles 3% 15/03/2024	€1,760,000	1,585	0.14
Grupo-Antolin Irausa 3.25% 30/04/2024	€6,100,000	4,753	0.44
Grupo-Antolin Irausa 3.375% 30/04/2026	€101,000	72	0.01
CaixaBank FRN 3.5% 15/02/2027	€2,600,000	2,399	0.22
		21,863	2.01
Sweden 1.71% (1.26%)			
Heimstaden Bostad 1.75% 07/12/2021	€3,997,000	3,570	0.33
Intrum FRN 2.625% 15/07/2022	€4,096,000	3,447	0.32
Intrum 2.75% 15/07/2022	€5,208,000	4,295	0.40
Polygon 4% 23/02/2023	€3,400,000	3,039	0.28
Verisure Holding 3.5% 15/05/2023	€1,158,000	1,019	0.09
Dometic Group 3% 13/09/2023	€1,330,000	1,125	0.10
Castellum 2.125% 20/11/2023	€1,096,000	987	0.09
Unilabs Subholding 5.75% 15/05/2025	€1,392,000	1,125	0.10
		18,607	1.71
Switzerland 1.30% (1.17%)			
UBS 1.25% 10/12/2020	£2,647,000	2,628	0.24
Credit Suisse Group 3.574% 09/01/2023	US\$4,900,000	3,753	0.34
UBS Group Funding Switzerland FRN 3.873% 23/05/2023	US\$500,000	389	0.04
UBS Group Funding Switzerland FRN 2.859% 15/08/2023	US\$1,000,000	754	0.07
UBS Group Funding Switzerland FRN 3.566% 15/08/2023	US\$5,000,000	3,843	0.35
Credit Suisse Group FRN 2.125% 12/09/2025	£498,000	472	0.04
Credit Suisse Group FRN 7.125% Perpetual	US\$2,400,000	1,853	0.17

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Switzerland (continued)			
Credit Suisse Group FRN 7.5% Perpetual	US\$217,000	166	0.02
UBS Group Funding Switzerland FRN 6.875% Perpetual	US\$400,000	315	0.03
		14,173	1.30
United Kingdom 37.56% (35.65%)			
Thames Water Kemble Finance 7.75% 01/04/2019	£1,470,000	1,483	0.14
Southern Water Greensands Financing 8.5% 15/04/2019	£1,040,000	1,054	0.10
Nationwide Building Society FRN 1.248% 06/06/2019	£5,000,000	5,004	0.46
Care UK Health & Social Care FRN 5.811% 15/07/2019	£4,650,000	4,596	0.42
GKN Holdings 6.75% 28/10/2019	£1,257,000	1,298	0.12
Lloyds Bank FRN 1.113% 16/01/2020	£2,200,000	2,201	0.20
Santander UK FRN 1.142% 27/02/2020	£3,700,000	3,696	0.34
HSBC Bank FRN 1.107% 09/03/2020	£10,500,000	10,506	0.96
Jaguar Land Rover Automotive 3.5% 15/03/2020	US\$6,820,000	5,114	0.47
Santander UK FRN 1.098% 05/05/2020	£2,619,000	2,619	0.24
National Westminster Bank FRN 1.145% 15/05/2020	£1,000,000	1,000	0.09
Barclays Bank UK FRN 1.118% 22/05/2020	£1,531,000	1,530	0.14
William Hill 4.25% 05/06/2020	£690,000	683	0.06
TES Finance FRN 5.901% 15/07/2020	£990,000	983	0.09
Lloyds Bank FRN 0.965% 10/01/2021	£2,221,000	2,212	0.20
Jaguar Land Rover Automotive 2.75% 24/01/2021	£2,150,000	1,967	0.18
Daily Mail & General Trust 10% 09/04/2021	£3,870,000	4,354	0.40
Lloyds Banking Group 3.1% 06/07/2021	US\$1,480,000	1,140	0.10
Boparan Finance 5.5% 15/07/2021	£1,250,000	900	0.08
First Hydro Finance 9% 31/07/2021	£1,600,000	1,877	0.17

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United Kingdom (continued)			
Barclays 3.2% 10/08/2021	US\$3,000,000	2,289	0.21
Barclays FRN 4.728% 10/08/2021	US\$5,580,000	4,417	0.41
Lloyds Bank FRN 1.133% 13/09/2021	£2,955,000	2,951	0.27
Jerrold Finco 6.25% 15/09/2021	£3,900,000	3,822	0.35
Santander UK FRN 1.133% 20/09/2021	£3,922,000	3,913	0.36
Natwest Markets FRN 0.59% 27/09/2021	€3,000,000	2,653	0.24
TalkTalk Telecom Group 5.375% 15/01/2022	£3,610,000	3,514	0.32
Tesco 6.125% 24/02/2022	£820,000	898	0.08
Merlin Entertainments 2.75% 15/03/2022	€2,209,000	2,006	0.18
Stonegate Pub Co. Financing 4.875% 15/03/2022	£4,150,000	3,991	0.37
Stonegate Pub Co. Financing FRN 5.276% 15/03/2022	£4,442,000	4,342	0.40
Investec 4.5% 05/05/2022	£5,141,000	5,338	0.49
Inmarsat Finance 4.875% 15/05/2022	US\$2,000,000	1,481	0.14
Thomas Cook Group 6.25% 15/06/2022	€4,600,000	3,162	0.29
Synlab Bondco FRN 3.5% 01/07/2022	€7,906,000	7,007	0.64
Synlab Bondco 6.25% 01/07/2022	€1,350,000	1,230	0.11
Thames Water Kemble Finance 5.875% 15/07/2022	£4,155,000	4,227	0.39
IDH Finance 6.25% 15/08/2022	£6,750,000	5,527	0.51
IDH Finance FRN 6.885% 15/08/2022	£2,350,000	1,935	0.18
GKN Holdings 5.375% 19/09/2022	£2,230,000	2,331	0.21
Coventry Building Society 5.875% 28/09/2022	£3,785,000	4,116	0.38
Moto Finance 4.5% 01/10/2022	£1,150,000	1,086	0.10
Worldpay Finance 3.75% 15/11/2022	€2,050,000	1,940	0.18
Shop Direct Funding 7.75% 15/11/2022	£2,447,000	1,958	0.18
TSB Bank FRN 1.142% 07/12/2022	£2,500,000	2,477	0.23
Barclays Bank UK FRN 1.022% 09/01/2023	£3,154,000	3,126	0.29

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United Kingdom (continued)			
Santander UK Group Holdings 3.571% 10/01/2023	US\$1,500,000	1,127	0.10
Algeco Global Finance FRN 6.25% 15/02/2023	€1,300,000	1,145	0.11
Algeco Global Finance FRN 6.25% 15/02/2023 (Secured)	€2,721,000	2,408	0.22
Algeco Global Finance 6.5% 15/02/2023	€3,132,000	2,743	0.25
Algeco Global Finance 6.5% 15/02/2023 Reg.S	€900,000	787	0.07
Jaguar Land Rover Automotive 3.875% 01/03/2023	£1,870,000	1,584	0.15
Tesco 5% 24/03/2023	£467,000	508	0.05
Nationwide Building Society FRN 1.068% 12/04/2023	£897,000	889	0.08
BUPA Finance 5% 25/04/2023	£1,450,000	1,542	0.14
Close Brothers Group 2.75% 26/04/2023	£2,397,000	2,380	0.22
INEOS Finance 4% 01/05/2023	€20,696,000	18,588	1.71
Voyage Care BondCo 5.875% 01/05/2023	£6,070,000	5,171	0.47
Skipton Building Society FRN 1.136% 02/05/2023	£1,200,000	1,192	0.11
Royal Bank of Scotland Group FRN 4.086% 15/05/2023	US\$1,700,000	1,295	0.12
Synlab Unsecured Bondco 8.25% 01/07/2023	€1,480,000	1,362	0.13
Thomas Cook Finance 2 3.875% 15/07/2023	€1,564,000	952	0.09
William Hill 4.875% 07/09/2023	£3,820,000	3,776	0.35
Ladbrokes Group Finance 5.125% 08/09/2023	£7,820,000	7,917	0.73
Royal Bank of Scotland Group 3.875% 12/09/2023	US\$3,010,000	2,266	0.21
Arqiva Broadcast Finance 6.75% 30/09/2023	£6,936,000	6,939	0.64
Barclays FRN 2.375% 06/10/2023	£1,343,000	1,302	0.12
Miller Homes Group Holdings FRN 6.061% 15/10/2023	£4,236,000	3,983	0.37
Coventry Building Society 1.875% 24/10/2023	£531,000	512	0.05

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United Kingdom (continued)			
Coventry Building Society FRN 1.303% 13/11/2023	£1,311,000	1,305	0.12
Pinewood Finco 3.75% 01/12/2023	£11,568,000	11,299	1.04
Jerrold Finco 6.125% 15/01/2024	£815,000	783	0.07
Barclays 3.125% 17/01/2024	£5,549,000	5,470	0.50
Heathrow Finance 4.75% 01/03/2024	£3,511,000	3,465	0.32
EI Group 7.5% 15/03/2024	£4,781,000	4,781	0.44
Saga 3.375% 12/05/2024	£5,843,000	4,978	0.46
Viridian Group FinanceCo 4.75% 15/09/2024	£5,224,000	4,784	0.44
Arrow Global Finance 5.125% 15/09/2024	£4,800,000	4,290	0.39
Miller Homes Group Holdings 5.5% 15/10/2024	£3,152,000	2,857	0.26
Liberty Living Finance 2.625% 28/11/2024	£1,014,000	992	0.09
Virgin Media Secured Finance 5.125% 15/01/2025	£9,750,000	9,651	0.89
Virgin Media Secured Finance 5.5% 15/01/2025 (GBP)	£2,998,800	2,971	0.27
Virgin Media Secured Finance 5.5% 15/01/2025 (USD)	US\$860,000	666	0.06
Pinnacle Bidco 6.375% 15/02/2025	£2,284,000	2,264	0.21
Royal Bank of Scotland Group FRN 2% 04/03/2025	€1,595,000	1,404	0.13
Iceland Bondco 4.625% 15/03/2025	£4,502,000	3,817	0.35
CYBG FRN 3.125% 22/06/2025	£4,140,000	3,785	0.35
Annington Funding 2.646% 12/07/2025	£3,095,000	2,979	0.27
CYBG FRN 5% 09/02/2026	£6,341,000	6,062	0.56
Anglian Water Osprey Financing 4% 08/03/2026	£1,120,000	979	0.09
TSB Banking Group FRN 5.75% 06/05/2026	£4,170,000	4,075	0.37
NIE Finance 6.375% 02/06/2026	£500,000	629	0.06
Merlin Entertainments 5.75% 15/06/2026	US\$9,000,000	6,978	0.64
CYBG FRN 4% 25/09/2026	£4,564,000	4,259	0.39

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United Kingdom (continued)			
BUPA Finance 5% 08/12/2026	£800,000	839	0.08
Virgin Media Secured Finance 5% 15/04/2027	£250,000	236	0.02
Shaftesbury Chinatown 2.348% 30/09/2027	£579,000	553	0.05
Sainsbury's Bank FRN 6% 23/11/2027	£2,588,000	2,529	0.23
Quilter FRN 4.478% 28/02/2028	£8,930,000	8,713	0.80
Grainger 3.375% 24/04/2028	£2,065,000	2,028	0.19
Metro Bank FRN 5.5% 26/06/2028	£3,185,000	2,759	0.25
Investec Bank FRN 4.25% 24/07/2028	£1,047,000	1,007	0.09
RI Finance Bonds No. 3 6.125% 13/11/2028	£2,050,000	2,168	0.20
Virgin Media Secured Finance 6.25% 28/03/2029	£1,880,000	1,882	0.17
Liberty Living Finance 3.375% 28/11/2029	£689,000	674	0.06
Tesco 6% 14/12/2029	£570,000	672	0.06
Spirit Issuer FRN 3.603% 28/12/2031	£3,650,000	3,536	0.32
Telereal Securitisation FRN 1.647% 10/12/2033	£2,050,000	1,743	0.16
Telereal Securitisation FRN 4.09% 10/12/2033	£920,000	957	0.09
Arqiva Financing 4.04% 30/06/2035	£8,583,000	8,805	0.81
Aviva FRN 6.125% 14/11/2036	£2,300,000	2,442	0.22
Aviva FRN 6.625% 03/06/2041	£9,810,000	10,574	0.97
Legal & General Group FRN 10% 23/07/2041	£3,040,000	3,561	0.33
Standard Life Aberdeen FRN 5.5% 04/12/2042	£710,000	776	0.07
RL Finance Bonds No. 2 FRN 6.125% 30/11/2043	£8,437,000	9,055	0.83
Aviva FRN 4.375% 12/09/2049	£800,000	730	0.07
Aviva FRN 5.125% 04/06/2050	£900,000	858	0.08
SSE FRN 3.625% 16/09/2077	£3,450,000	3,278	0.30
SSE FRN 4.75% 16/09/2077	US\$3,931,000	2,849	0.26

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United Kingdom (continued)			
Vodafone Group FRN 6.25% 03/10/2078	US\$4,900,000	3,573	0.33
J Sainsbury FRN 6.5% Perpetual	£16,021,000	16,743	1.54
Lloyds Banking Group FRN 7% Perpetual	£1,282,000	1,269	0.12
Lloyds Banking Group FRN 7.875% Perpetual	£2,255,000	2,414	0.22
Pennon Group FRN 2.875% Perpetual	£5,023,000	4,973	0.46
Royal Bank of Scotland Group FRN 5.123% Perpetual	US\$3,000,000	2,117	0.19
SSE FRN 3.875% Perpetual	£2,900,000	2,848	0.26
		409,006	37.56
United States of America 4.21% (4.53%)			
Metropolitan Life Global Funding I FRN 0.922% 06/04/2019	£3,000,000	2,999	0.28
HCA 4.25% 15/10/2019	US\$5,072,000	3,972	0.37
HCA 6.5% 15/02/2020	US\$2,025,000	1,630	0.15
ZF North America Capital 4% 29/04/2020	US\$1,794,000	1,402	0.13
Reynolds Group Issuer 5.75% 15/10/2020	US\$2,631,127	2,061	0.19
Ball 4.375% 15/12/2020	US\$2,500,000	1,970	0.18
Reynolds Group Issuer 6.726% 15/02/2021	US\$311,884	245	0.02
Reynolds Group Issuer FRN 5.936% 15/07/2021	US\$1,500,000	1,173	0.11
CNH Industrial Capital 3.875% 15/10/2021	US\$4,000,000	3,120	0.29
Alliance Data Systems 4.5% 15/03/2022	€500,000	445	0.04
CNH Industrial Capital 4.375% 05/04/2022	US\$600,000	473	0.04
Infor US 5.75% 15/05/2022	€300,000	269	0.02
Infor US 6.5% 15/05/2022	US\$750,000	570	0.05
Community Health Systems 6.25% 31/03/2023	US\$2,200,000	1,570	0.14
Dell International 5.45% 15/06/2023	US\$5,190,000	4,147	0.38

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United States of America (continued)			
Alliance Data Systems 5.25% 15/11/2023	€2,680,000	2,438	0.22
MPT Operating Partnership REIT 6.375% 01/03/2024	US\$2,532,000	2,038	0.19
BWAY Holding 4.75% 15/04/2024	€3,003,000	2,641	0.24
T-Mobile USA 6% 15/04/2024	US\$1,647,000	1,293	0.12
Tenet Healthcare 4.625% 15/07/2024	US\$1,694,000	1,237	0.11
Digital Stout Holding REIT 2.75% 19/07/2024	£562,000	556	0.05
General Motors Financial 2.25% 06/09/2024	£400,000	380	0.04
BAT Capital 2.125% 15/08/2025	£1,817,000	1,726	0.16
Vantiv 3.875% 15/11/2025	£2,924,000	2,748	0.25
Financial & Risk US Holdings 4.5% 15/05/2026	€1,747,000	1,537	0.14
Financial & Risk US Holdings 6.25% 15/05/2026	US\$874,000	662	0.06
MPT Operating Partnership REIT 5.25% 01/08/2026	US\$3,463,000	2,563	0.24
		45,865	4.21
Corporate Bonds total			
		1,062,257	97.54
Convertible Bonds 0.99% (1.32%)			
Jersey 0.28% (0.00%)			
Intu Jersey 2 REIT 2.875% 01/11/2022	£3,700,000	3,061	0.28
		3,061	0.28
Spain 0.71% (0.77%)			
International Consolidated Airlines Group 0.25% 17/11/2020	€8,300,000	7,319	0.67
International Consolidated Airlines Group 0.625% 17/11/2022	€500,000	434	0.04
		7,753	0.71

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United Kingdom 0.00% (0.25%)			
United States of America 0.00% (0.30%)			
Convertible Bonds total		10,814	0.99
Swaps 0.02% (0.19%)			
Credit Default Swap Bank of America Buy Boparan Finance 4.375% 15/07/2021 20/12/2019	EUR 500,000	23	0.00
Credit Default Swap Citigroup Buy Boparan Finance 4.375% 15/07/2021 20/12/2019	EUR 500,000	23	0.00
Credit Default Swap Morgan Stanley Buy Cable & Wireless International Finance 8.625% 25/03/2019 20/09/2020	EUR 2,000,000	(143)	(0.01)
Credit Default Swap Barclays Buy Synlab Unsecured Bondco 8.25% 01/07/2023 20/12/2020	EUR 1,000,000	(82)	(0.01)
Credit Default Swap Goldman Sachs Buy Constellium 4.625% 15/05/2021 20/12/2022	EUR 792,500	(56)	(0.01)
Credit Default Swap Citigroup Buy Wind Tre 3.125% 20/01/2025 20/06/2023	EUR 840,000	(26)	0.00
Credit Default Swap Goldman Sachs Buy Wind Tre 3.125% 20/01/2025 20/06/2023	EUR 800,000	(25)	0.00
Credit Default Swap Bank of America Sell Natwest Markets 0.5% 15/05/2025 20/03/2019	EUR 1,000,000	2	0.00
Credit Default Swap Citigroup Sell Smurfit Kappa Acquisitions 5% 20/06/2018 20/03/2019	EUR 2,000,000	19	0.00
Credit Default Swap Credit Suisse Sell Smurfit Kappa Acquisitions 5% 20/06/2018 20/03/2019	EUR 1,500,000	14	0.00
Credit Default Swap Bank of America Sell Natwest Markets 5.5% 23/03/2020 20/03/2019	EUR 1,000,000	1	0.00
Credit Default Swap BNP Paribas Sell Ladbroke's Group Finance 7.625% 05/03/2017 20/03/2019	EUR 2,000,000	4	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Swaps (continued)			
Credit Default Swap Credit Suisse Sell Koninklijke KPN 8.375% 01/10/2030 20/03/2019	EUR 2,000,000	4	0.00
Credit Default Swap Goldman Sachs Sell Eileme 2 11.75% 31/01/2020 20/03/2019	EUR 2,000,000	19	0.00
Credit Default Swap Goldman Sachs Sell Smurfit Kappa Acquisitions 5% 20/06/2018 20/06/2019	EUR 1,000,000	21	0.00
Credit Default Swap Credit Suisse Sell Koninklijke KPN 7.5% 04/02/2019 20/06/2019	EUR 2,000,000	8	0.00
Credit Default Swap Bank of America Sell Natwest Markets 0.5% 15/05/2025 20/09/2019	EUR 500,000	3	0.00
Credit Default Swap Goldman Sachs Sell Smurfit Kappa Acquisitions 5% 20/06/2018 20/09/2019	EUR 2,000,000	63	0.01
Credit Default Swap Bank of America Sell Natwest Markets 5.5% 23/03/2020 20/09/2019	EUR 500,000	2	0.00
Credit Default Swap Goldman Sachs Sell Koninklijke KPN 7.5% 04/02/2019 20/09/2019	EUR 2,000,000	12	0.00
Credit Default Swap Citigroup Sell Schaeffler Finance 7.75% 15/02/2017 20/09/2019	EUR 2,000,000	63	0.01
Credit Default Swap Barclays Sell Tesco 6% 14/12/2029 20/12/2019	EUR 2,000,000	14	0.00
Credit Default Swap Credit Suisse Sell Tesco 6% 14/12/2029 20/12/2019	EUR 4,000,000	28	0.00
Credit Default Swap J.P.Morgan Sell Tesco 6% 14/12/2029 20/12/2019	EUR 2,000,000	14	0.00
Credit Default Swap Citigroup Sell Tesco 6% 14/12/2029 20/06/2020	EUR 2,000,000	17	0.00
Credit Default Swap BNP Paribas Sell Jaguar Land Rover Automotive 5% 15/02/2022 20/06/2021	EUR 76,805	(1)	0.00
Credit Default Swap Citigroup Sell Jaguar Land Rover Automotive 5% 15/02/2022 20/06/2021	EUR 1,000,000	(8)	0.00
Credit Default Swap Citigroup Sell Galp Energia 4.125% 25/01/2019 20/12/2021	EUR 666,667	79	0.01

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Swaps (continued)			
Credit Default Swap J.P.Morgan Sell Deutsche Bank 5.125% 31/08/2099 20/12/2021	EUR 1,560,000	(34)	0.00
Credit Default Swap Citigroup Sell Rolls-Royce 6.75% 30/04/2019 20/12/2021	EUR 1,400,000	8	0.00
Credit Default Swap J.P.Morgan Sell Vale Overseas 8.25% 17/01/2034 20/12/2021	USD 2,000,000	(2)	0.00
Credit Default Swap Barclays Sell Novafives 4.5% 30/06/2021 20/06/2023	EUR 650,000	(49)	0.00
Credit Default Swap Barclays Sell Jaguar Land Rover Automotive 5% 15/02/2022 20/06/2023	EUR 826,667	(51)	0.00
Credit Default Swap Barclays Sell Autostrade per l'Italia 5.875% 09/06/2024 20/06/2023	EUR 74,000	(4)	0.00
Credit Default Swap BNP Paribas Sell Autostrade per l'Italia 5.875% 09/06/2024 20/06/2023	EUR 311,000	(16)	0.00
Credit Default Swap J.P.Morgan Sell Autostrade per l'Italia 5.875% 09/06/2024 20/06/2023	EUR 179,226	(9)	0.00
Interest Rate Swap Morgan Stanley Pay fixed 0.48% Receive floating LIBOR 6 month 15/12/2021	GBP 4,000,000	86	0.01
Interest Rate Swap Morgan Stanley Pay fixed 0.955% Receive floating LIBOR 6 month 15/03/2022	GBP 1,200,000	10	0.00
Interest Rate Swap Morgan Stanley Pay fixed 1.058% Receive floating LIBOR 6 month 15/09/2022	GBP 6,650,000	45	0.00
Interest Rate Swap Morgan Stanley Pay fixed 1.019% Receive floating LIBOR 6 month 15/03/2023	GBP 13,390,000	136	0.01
Interest Rate Swap Morgan Stanley Pay fixed 1.327% Receive floating LIBOR 6 month 15/09/2023	GBP 3,100,000	(6)	0.00
Interest Rate Swap Morgan Stanley Pay fixed 0.348% Receive floating EURIBOR 6 month 15/12/2023	EUR 1,300,000	(9)	0.00
Interest Rate Swap Morgan Stanley Pay fixed 1.507% Receive floating LIBOR 6 month 15/12/2023	GBP 3,200,000	(32)	0.00
Swaps total		165	0.02

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Forward Foreign Currency Contracts 0.03% (0.34%)			
Buy EUR 9,224,461 Sell GBP 8,215,930 24/01/2019	EUR 9,224,461	63	0.01
Buy EUR 8,824,871 Sell GBP 7,955,681 24/01/2019	EUR 8,824,871	(35)	0.00
Buy EUR 27,300,000 Sell GBP 24,371,483 28/02/2019	EUR 27,300,000	161	0.01
Buy EUR 1,000,000 Sell GBP 905,689 24/04/2019	EUR 1,000,000	(5)	0.00
Buy USD 4,270,000 Sell GBP 3,324,646 24/01/2019	USD 4,270,000	16	0.00
Buy USD 12,323,655 Sell GBP 9,709,589 24/01/2019	USD 12,323,655	(69)	(0.01)
Buy USD 5,200,000 Sell GBP 4,095,796 28/02/2019	USD 5,200,000	(35)	0.00
Sell EUR 32,836,998 Buy GBP 29,869,842 24/01/2019	EUR (32,836,998)	397	0.04
Sell EUR 40,805,857 Buy GBP 36,094,578 24/01/2019	EUR (40,805,857)	(531)	(0.05)
Sell EUR 138,584,652 Buy GBP 123,876,658 28/02/2019	EUR (138,584,652)	(657)	(0.06)
Sell EUR 121,164,262 Buy GBP 108,385,067 28/03/2019	EUR (121,164,262)	(616)	(0.06)
Sell EUR 65,083,442 Buy GBP 58,949,451 24/04/2019	EUR (65,083,442)	336	0.03
Sell USD 6,514,030 Buy GBP 5,150,106 24/01/2019	USD (6,514,030)	54	0.00
Sell USD 151,406,767 Buy GBP 118,028,003 24/01/2019	USD (151,406,767)	(416)	(0.04)
Sell USD 147,806,200 Buy GBP 117,137,031 28/02/2019	USD (147,806,200)	1,703	0.16
Forward Foreign Currency Contracts total		366	0.03
Futures (0.02)% ((0.01)%)			
Euro-Bobl March 2019	(96)	(28)	0.00
Long Gilt March 2019	(157)	(173)	(0.01)
US 5 Year Note March 2019	(51)	(78)	(0.01)
Futures total		(279)	(0.02)

Portfolio Statement (continued)

	Market Value £000's	% of net assets
Portfolio of investments	1,073,323	98.56
Net other assets	15,708	1.44
Net assets attributable to shareholders	1,089,031	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

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

Summary of Portfolio Transactions

Largest purchases

For the year ended 31 December 2018	Cost £000's
HSBC Bank FRN 1.107% 09/03/2020	10,500
Banque Federative du Credit Mutuel FRN 1.043% 16/01/2020	10,094
Quilter FRN 4.478% 28/02/2028	8,890
Nexi Capital FRN 3.625% 01/05/2023	8,872
HSBC Bank FRN 0.827% 09/03/2020	8,500
ABN AMRO Bank FRN 1.244% 29/05/2020	8,500
Koninklijke KPN FRN 7% 28/03/2073	7,761
Altice France 7.375% 01/05/2026	7,521
La Financiere Atalian 6.625% 15/05/2025	7,247
La Financiere Atalian REGS 6.625% 15/05/2025	6,963

Largest sales

For the year ended 31 December 2018	Proceeds £000's
ABN AMRO Bank FRN 1.109% 30/11/2018	19,700
Telefonica Europe FRN 6.75% Perpetual	10,055
Verallia Packaging 5.125% 01/08/2022	9,596
Nationwide Building Society FRN 0.655% 23/03/2018	9,500
WFS Global Holding 9.5% 15/07/2022	8,746
HSBC Bank FRN 0.827% 09/03/2020	8,500
Old Mutual 8% 03/06/2021	8,353
SFR Group 6% 15/05/2022	8,344
Banque Federative du Credit Mutuel FRN 1.246% 07/02/2019	8,003
Bank of Montreal FRN 0.815% 03/05/2018	7,100

Statement of Total Return

For the year ended 31 December 2018

		2018		2017	
	Notes	£000's	£000's	£000's	£000's
Income					
Net capital (losses)/gains	2		(53,571)		9,581
Revenue	3	43,713		37,370	
Expenses	4	(6,642)		(6,163)	
Net revenue before taxation		37,071		31,207	
Taxation	5	0		0	
Net revenue after taxation			37,071		31,207
Total return before distributions			(16,500)		40,788
Distributions	6		(43,686)		(37,352)
Change in net assets attributable to shareholders from investment activities			(60,186)		3,436

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	2018		2017	
	£000's	£000's	£000's	£000's
Opening net assets attributable to shareholders		963,480		795,319
Amounts receivable on issue of shares	247,666		194,709	
Amounts payable on cancellation of shares	(74,461)		(39,860)	
		173,205		154,849
Dilution adjustment		81		64
Change in net assets attributable to shareholders from investment activities		(60,186)		3,436
Retained distribution on Accumulation shares		12,448		9,811
Unclaimed distributions		3		1
Closing net assets attributable to shareholders		1,089,031		963,480

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£000's	£000's
Assets			
Investments		1,076,519	916,656
Current assets			
Debtors	8	14,878	15,587
Cash and bank balances	9	21,882	49,776
Total assets		1,113,279	982,019
Liabilities			
Investment liabilities		(3,196)	(1,987)
Creditors			
Bank overdrafts	10	(685)	(694)
Distributions payable		(17,307)	(14,838)
Other creditors	11	(3,060)	(1,020)
Total liabilities		(24,248)	(18,539)
Net assets attributable to shareholders			
		1,089,031	963,480

Notes to the Accounts

1 Accounting policies

Basis of preparation

The applicable accounting policies adopted by Schroder Strategic Credit Fund are disclosed on pages 17 to 20.

2 Net capital (losses)/gains

The net capital (losses)/gains during the year comprise:

	2018 £000's	2017 £000's
Non-derivative securities	(35,768)	(946)
Derivative contracts	(1,589)	(594)
Forward foreign currency contracts	(16,197)	10,656
Foreign currency (losses)/gains	(3)	481
Transaction costs	(14)	(16)
Net capital (losses)/gains	(53,571)	9,581

3 Revenue

	2018 £000's	2017 £000's
Interest on debt securities	42,635	35,944
Bank interest	86	19
Net revenue return from derivative contracts	992	1,407
Total revenue	43,713	37,370

Notes to the Accounts (continued)

4 Expenses

	2018 £000's	2017 £000's
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD fee	4,904	4,711
Administration charge	1,582	1,318
	6,486	6,029
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	83	75
Safe custody fees	35	29
Interest payable	27	16
	145	120
Other expenses:		
Audit fee	11	14
	11	14
Total expenses	6,642	6,163

5 Taxation

Corporation tax has not been provided for as expenses and interest distributions payable by the fund exceed the revenue liable to corporation tax.

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 OEICs of 20% (2017 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2018 £000's	2017 £000's
Net revenue before taxation	37,071	31,207
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	7,414	6,241
Effects of:		
Interest distributions deductible for tax purposes	(7,414)	(6,241)
Current tax charge for the year	0	0

Notes to the Accounts (continued)

6 Distributions

Distributions

The distributions, which are on an effective yield basis, take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2018 £000's	2017 £000's
Interim Interest distribution	21,354	19,100
Final Interest distribution	23,921	20,063
	45,275	39,163
Add: Revenue deducted on cancellation of shares	961	458
Deduct: Revenue received on issue of shares	(2,550)	(2,269)
Distributions	43,686	37,352
Net revenue after taxation	37,071	31,207
Expenses taken to capital	6,615	6,147
Equalisation on conversions	0	(2)
Distributions	43,686	37,352

Details of the distributions per share are set out in the Distribution Table on pages 273 to 275.

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	2018		2017	
	Assets £000's	Liabilities £000's	Assets £000's	Liabilities £000's
Level 1: Quoted prices	0	(279)	56	(132)
Level 2: Observable market data	1,076,519	(2,917)	916,600	(1,855)
Level 3: Unobservable data	0	0	0	0
Total	1,076,519	(3,196)	916,656	(1,987)

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.

Notes to the Accounts (continued)

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 ACD 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 ACD 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 ACD with particular attention paid to the carrying value of the investments.

8 Debtors

	2018 £000's	2017 £000's
Amounts receivable for issue of shares	1,323	3,863
Accrued interest on debt securities	13,530	11,683
Accrued bank interest	3	0
Revenue receivable from derivative contracts	22	41
Total debtors	14,878	15,587

9 Cash and bank balances

	2018 £000's	2017 £000's
Cash and bank balances	16,411	44,132
Amounts held at futures clearing houses and brokers	5,471	5,644
Total cash and bank balances	21,882	49,776

10 Bank overdrafts

	2018 £000's	2017 £000's
Amounts overdrawn at futures clearing houses and brokers	685	694
Total bank overdrafts	685	694

Notes to the Accounts (continued)

11 Other creditors

	2018 £000's	2017 £000's
Amounts payable for cancellation of shares	2,371	475
Amounts payable on derivative contracts	20	34
Accrued expenses		
ACD and Agents		
ACD fee	441	357
Administration charge	142	116
	583	473
Depository and Agents		
Depository's fees	50	13
Safe custody fees	17	7
Transaction costs	7	4
	74	24
Other accrued expenses	12	14
Total other creditors	3,060	1,020

12 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2017 – Nil).

13 Related party transactions

The ACD 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 ACD at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

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

Shares held or managed by the ACD or associates of the ACD as a percentage of the fund's net asset value at the balance sheet date were 21.68% (2017 – 28.37%).

Notes to the Accounts (continued)

14 Share classes

The fund currently has twelve share classes: A Income shares, A Accumulation shares, C Income shares, C Accumulation shares, D Income shares, D Accumulation shares, L Income shares, L Accumulation shares, S Income shares, S Accumulation shares, Z Income shares and Z Accumulation shares. The ACD charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the ACD, the Investment Adviser and their overhead expenses and for each share class is as follows:

A Income shares	1.00%
A Accumulation shares	1.00%
C Income shares	0.75%
C Accumulation shares	0.75%
D Income shares	0.45%
D Accumulation shares	0.45%
L Income shares	0.50%
L Accumulation shares	0.50%
S Income shares	0.30%
S Accumulation shares	0.30%
Z Income shares	0.60%
Z Accumulation shares	0.60%

The closing net asset value of each share class, the closing net asset value per share and the closing number of shares in issue are given in the Comparative Tables on pages 222 to 233. The distributions per share class are given in the Distribution Table on pages 273 to 275. All classes have the same rights on winding up.

15 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 ACD 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 enable the pursuit of the fund's investment objective or to assist in the redemption of shares, the efficient management of the fund or purposes regarded as ancillary to the fund.

The main risks arising from the fund's financial instruments are market price, derivative, foreign currency, liquidity, credit and interest rate risks. The ACD'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 ACD in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the COLL mitigates the risk of excessive exposure to any particular type of security or issuer.

Derivative risk

The fund trades in a high volume of derivatives to achieve its investment objective. This involves a higher degree of risk and may lead to a higher volatility in the share prices of the fund. The ACD employs a risk management process to allow the ACD to measure derivative and forward positions and their contribution to the overall risk profile of the fund. As part of this risk management process the ACD conducts daily value at risk analysis of the fund and performs both stress and back testing of the fund.

Notes to the Accounts (continued)

Foreign currency risk

The fund invests in overseas securities and the balance sheet can be significantly affected by movements in foreign exchange rates. The ACD seeks to manage exposure to currency movements by using forward foreign currency contracts.

Revenue received in other currencies is translated to sterling on or near the date of receipt.

Liquidity risk

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

Credit risk

The debt securities are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The majority of debt securities in which the fund invests are investment grade listed bonds or government securities which are lower risk. The fund can invest in the full spectrum of available securities, which include non-investment grade securities (known as high yield). The ACD monitors credit weightings on a regular basis as well as reviewing individual issuers and respective bonds at risk of default.

The fund invests in credit default swaps to adjust the credit risk profile of the fund quickly and efficiently. Credit default swaps are bought and sold in response to detailed credit research to take advantage of anticipated movements in credit spreads on individual stocks and baskets of securities. When the fund buys a credit default swap the default risk associated with the underlying security transfers to the counterparty. Conversely when the fund sells a credit default swap the fund assumes the credit risk of the underlying security. All credit default swaps are disclosed separately in the Portfolio Statement.

Interest rate risk

The fund invests in debt securities. The revenue of the fund may be affected by changes to interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future. The ACD monitors and controls the sensitivity of the portfolio to fluctuations of interest rates (duration) to best match the return of revenue gains/losses with potential losses/gains of capital value.

The fund invests in interest rate swaps to adjust the interest rate risk profile of the fund across the entire yield curve quickly and efficiently. The price of interest rate swaps are largely determined by investors' views of future interest rate and yield levels, and the ACD aims to profit when these market views differ from Schroders' own expectations. All interest rate swaps are disclosed separately in the Portfolio Statement.

Interest receivable on bank balances and receivable or payable on amounts held or overdrawn at futures clearing houses and brokers will be affected by fluctuations in interest rates.

Floating rate financial assets and financial liabilities

Sterling denominated bank balances bear interest at rates based on the SONIA. Sterling denominated floating rate stocks bear interest at rates referenced to the Retail Price Index. Sterling denominated floating rate bonds, and foreign currency bank balances and amounts held or overdrawn at futures clearing houses and brokers bear interest at rates based on the LIBOR or its international equivalent. Euro denominated floating rate notes and bonds bear interest at rates based on EURIBOR. US dollar denominated floating rate bonds bear interest at rates based on US LIBOR.

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)

Derivatives

During the year the fund entered into derivative contracts for specific investment purposes in addition to being used for efficient management. The aim of any derivative or forward used for specific investment purposes is not to materially alter the risk of the profile of the fund, rather their use is to assist the ACD in meeting the investment objective of the fund.

Global risk exposure

Absolute VaR approach

The approach used for the funds managed with an absolute return target, an absolute volatility limit or a target of outperforming an interest rate benchmark.

Regulatory VaR limit utilisation

	Lowest	Highest	Average
2018	4.11%	10.15%	5.97%
2017	3.83%	6.95%	4.81%

Information on VaR model

Model type	Length of data history	Confidence level	Holding period
2018			
Monte Carlo simulation	All available history	99%	20 days
2017			
Monte Carlo simulation	All available history	99%	20 days

Leverage

Information on the limit usage and level of leverage

The level of leverage is an indication of the derivative usage and of any leverage generated by the reinvestment of cash received as collateral when using efficient portfolio management techniques. It does not take into account other physical assets directly held in the portfolio of the Fund. The figure is not representative of the maximum amount that a fund could lose, as it includes the derivatives used to protect the Net Asset Value of a fund as well as the derivatives backed by risk free assets and derivatives which do not generate any incremental exposure, leverage or market risk from an economic perspective. The reported leverage figure is therefore not a true representation of the economic leverage¹ in the fund.

The level of leverage disclosed is based on the total notional value² of all derivative instruments held by the fund and is expressed as a percentage of the fund's Net Asset Value. For the purpose of this calculation the holdings and offset derivative positions (long and short positions) do not cancel each other out and the figure is a sum of the total holdings.

Notes to the Accounts (continued)

Leverage

	Lowest	Highest	Average	Leverage at 31 December
2018	63.13%	111.47%	76.56%	69.22%
2017	59.18%	127.28%	75.09%	68.73%

- 1 Where economic leverage is the sum of derivative commitments (calculated in line with ESMA (European Securities and Markets Authority) 10/788) and excludes derivatives used within hedging arrangements, derivatives whose commitments is covered by risk free assets and derivatives which are not considered to generate any incremental exposure and leverage or market risk.
- 2 Delta adjusted in line with ESMA 10/788 when appropriate.

16 Debt security credit analysis

	2018 £000's	2017 £000's
Investment grade securities	282,668	262,650
Below investment grade securities	737,437	595,638
Unrated securities	52,966	51,395
Total debt securities	1,073,071	909,683

The fund invests in credit default swaps to adjust the credit risk profile of the fund. The notional exposure of these swaps has been included in the above table.

17 Direct transaction costs

No transaction costs on the purchase or sale of investments were incurred by the fund during the year or prior year. The total purchases for the year amounted to £501,939,353 (2017 – £507,260,992) and the total sales amounted to £301,684,151 (2017 – £355,308,466).

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.65% (2017 – 0.65%).

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.

Notes to the Accounts (continued)

18 Shares in issue reconciliation

	Number of shares in issue as at 31.12.17	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31.12.18
A Income shares	2,798,723	81,630	(495,242)	(46,683)	2,338,428
A Accumulation shares	9,688,442	2,742,326	(1,477,771)	(309)	10,952,688
C Income shares	6,529,819	128,471	(1,346,549)	369,417	5,681,158
C Accumulation shares	1,247,844	122,792	(279,207)	(15,058)	1,076,371
D Income shares	35,616,987	33,010,965	(18,035,392)	0	50,592,560
D Accumulation shares	818,654	61,909	0	0	880,563
L Income shares	494,024,818	117,438,377	(22,896,269)	(2,272,595)	586,294,331
L Accumulation shares	71,538,664	30,367,410	(6,853,027)	(142,087)	94,910,960
S Income shares	396,672,068	78,730,753	(35,738,345)	6,066,159	445,730,635
S Accumulation shares	40,854,808	1,756,475	(3,576,978)	(366,512)	38,667,793
Z Income shares	23,298,860	5,602,157	(3,866,062)	(134,299)	24,900,656
Z Accumulation shares	85,261,090	37,768,142	(6,529,160)	(253,362)	116,246,710

19 Counterparty exposure

The types of derivatives held at the balance sheet date were forward foreign currency contracts, futures contracts, credit default swaps and interest rate swaps. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

Counterparty	Forward foreign currency contracts £000's	Futures contracts £000's	Credit default swaps £000's	Interest rate swaps £000's	Total £000's
ANZ					
2018	(13)	0	0	0	(13)
2017	(85)	0	0	0	(85)
Bank of America					
2018	1,376	0	31	0	1,407
2017	(4)	0	79	0	75
Barclays Capital					
2018	0	0	(172)	0	(172)
2017	0	0	(82)	0	(82)
BNP Paribas					
2018	0	0	(13)	0	(13)
2017	(258)	0	26	0	(232)

Notes to the Accounts (continued)

Counterparty	Forward foreign currency contracts £000's	Futures contracts £000's	Credit default swaps £000's	Interest rate swaps £000's	Total £000's
Citibank					
2018	272	0	175	0	447
2017	121	0	548	0	669
Credit Suisse					
2018	0	0	54	0	54
2017	0	0	404	0	404
Deutsche Bank					
2018	0	0	0	0	0
2017	0	0	8	0	8
Goldman Sachs					
2018	0	0	34	0	34
2017	(27)	0	614	0	587
HSBC					
2018	(22)	0	0	0	(22)
2017	103	0	0	0	103
JPMorgan Chase					
2018	32	0	(31)	0	1
2017	209	0	189	0	398
Morgan Stanley					
2018	(50)	0	(143)	230	37
2017	2,452	0	(60)	105	2,497
Nomura					
2018	(8)	0	0	0	(8)
2017	(34)	0	0	0	(34)
Royal Bank of Canada					
2018	(3)	0	0	0	(3)
2017	33	0	0	0	33
Standard Chartered					
2018	336	0	0	0	336
2017	0	0	0	0	0

Notes to the Accounts (continued)

Counterparty	Forward foreign currency contracts £000's	Futures contracts £000's	Credit default swaps £000's	Interest rate swaps £000's	Total £000's
State Street					
2018	(1,554)	0	0	0	(1,554)
2017	711	0	0	0	711
UBS					
2018	0	(279)	0	0	(279)
2017	10	(76)	0	0	(66)

The collateral held/(pledged) by the fund on behalf of the counterparties at the balance sheet date was as follows:

Counterparty	2018 £000's	2017 £000's
Bank of America	(850)	0
BNP Paribas	0	(300)
Citibank	250	0
Credit Suisse	260	0
Goldman Sachs	200	0
JPMorgan Chase	270	0
Merrill Lynch	150	0
Morgan Stanley	(350)	(529)
State Street	(2,900)	(3,670)
Total	(2,970)	(4,499)

The nature of collateral held/(pledged) by the fund on behalf of the counterparties at the balance sheet date was as follows:

	2018 £000's	2017 £000's
Cash	(2,970)	(4,499)
Total	(2,970)	(4,499)

Securities Financing Transactions

The fund has not engaged in Securities Financing Transactions (SFTs) (as defined in Article 3 of Regulation (EU) 2015/2365, SFTs include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions), or Total Return Swaps, or Contracts for Difference. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the accounting year ended 31 December 2018.

Distribution Table

Interim distribution for the six months ended 30 June 2018

Group 1 Shares purchased prior to 1 January 2018

Group 2 Shares purchased on or after 1 January 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.8.18 p per share	<i>Distribution paid 31.8.17 p per share</i>
A Income shares				
Group 1	1.8635	–	1.8635	2.0445
Group 2	0.8622	1.0013	1.8635	2.0445
A Accumulation shares				
Group 1	3.2932	–	3.2932	3.4639
Group 2	1.7808	1.5124	3.2932	3.4639
C Income shares				
Group 1	1.9142	–	1.9142	2.0949
Group 2	0.6925	1.2217	1.9142	2.0949
C Accumulation shares				
Group 1	3.3641	–	3.3641	3.5296
Group 2	2.5717	0.7924	3.3641	3.5296
D Income shares				
Group 1	0.9776	–	0.9776	1.0665
Group 2	0.6539	0.3237	0.9776	1.0665
D Accumulation shares				
Group 1	1.1585	–	1.1585	1.2118
Group 2	1.1585	0.0000	1.1585	1.2118
L Income shares				
Group 1	1.9735	–	1.9735	2.1542
Group 2	0.9143	1.0592	1.9735	2.1542
L Accumulation shares				
Group 1	3.4707	–	3.4707	3.6321
Group 2	1.2441	2.2266	3.4707	3.6321
S Income shares				
Group 1	1.0009	–	1.0009	1.0903
Group 2	0.4651	0.5358	1.0009	1.0903
S Accumulation shares				
Group 1	3.3347	–	3.3347	3.4828
Group 2	1.3354	1.9993	3.3347	3.4828

Distribution Table (continued)

Interim distribution for the six months ended 31 December 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.8.18 p per share	<i>Distribution paid 31.8.17 p per share</i>
Z Income shares				
Group 1	0.9868	–	0.9868	1.0784
Group 2	0.5281	0.4587	0.9868	1.0784
Z Accumulation shares				
Group 1	1.1583	–	1.1583	1.2134
Group 2	0.4782	0.6801	1.1583	1.2134

Group 1 Shares purchased prior to 1 July 2018

Group 2 Shares purchased on or after 1 July 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	<i>Distribution paid 28.2.18 p per share</i>
A Income shares				
Group 1	1.9002	–	1.9002	1.9155
Group 2	0.5556	1.3446	1.9002	1.9155
A Accumulation shares				
Group 1	3.4290	–	3.4290	3.3159
Group 2	1.5088	1.9202	3.4290	3.3159
C Income shares				
Group 1	1.9544	–	1.9544	1.9653
Group 2	1.0559	0.8985	1.9544	1.9653
C Accumulation shares				
Group 1	3.5070	–	3.5070	3.3830
Group 2	0.6488	2.8582	3.5070	3.3830
D Income shares				
Group 1	0.9996	–	0.9996	1.0020
Group 2	0.3330	0.6666	0.9996	1.0020
D Accumulation shares				
Group 1	1.2096	–	1.2096	1.1633
Group 2	0.4031	0.8065	1.2096	1.1633

Distribution Table (continued)

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	Distribution paid 28.2.18 p per share
L Income shares				
Group 1	2.0176	–	2.0176	2.0234
Group 2	1.0269	0.9907	2.0176	2.0234
L Accumulation shares				
Group 1	3.6228	–	3.6228	3.4856
Group 2	1.8565	1.7663	3.6228	3.4856
S Income shares				
Group 1	1.0243	–	1.0243	1.0252
Group 2	0.7563	0.2680	1.0243	1.0252
S Accumulation shares				
Group 1	3.4841	–	3.4841	3.3457
Group 2	2.1536	1.3305	3.4841	3.3457
Z Income shares				
Group 1	1.0085	–	1.0085	1.0124
Group 2	0.5287	0.4798	1.0085	1.0124
Z Accumulation shares				
Group 1	1.2085	–	1.2085	1.1640
Group 2	0.6647	0.5438	1.2085	1.1640

Equalisation

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

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

Fund Information

Investment objective and policy

The Schroder European Alpha Income Fund (the 'fund') aims to provide income and capital growth by investing in equity and equity related securities of European companies, excluding the UK.

The fund invests at least 80% of its assets in a concentrated range of equity and equity related securities of European countries, excluding the UK. The fund typically holds 30 to 50 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 other equity and equity related securities including UK companies, collective investment schemes, fixed income securities, warrants and money market instruments, and hold cash.

The fund may use derivatives with the aim reducing risk or managing the fund more efficiently.

Financial highlights

Dealing price	31.12.18	29.12.17	% change
A Income shares	170.50p	211.50p	(19.39)
A Accumulation shares	211.00p	253.80p	(16.86)
C Income shares	176.40p	217.80p	(19.01)
C Accumulation shares	216.40p	259.00p	(16.45)
GBP Hedged C Income shares	151.60p	187.80p	(19.28)
GBP Hedged S Income shares	172.30p	211.60p	(18.57)
GBP Hedged Z Income shares	171.00p	210.90p	(18.92)
L Income shares	63.36p	78.02p	(18.79)
L Accumulation shares	73.67p	87.88p	(16.17)
S Income shares	60.62p	74.33p	(18.44)
S Accumulation shares	217.80p	259.00p	(15.91)
Z Income shares	179.40p	220.90p	(18.79)
Z Accumulation shares	221.70p	264.70p	(16.24)
	1.9.18 to 28.2.19	1.9.17 to 28.2.18	
Distributions per Z Income share	4.9674p	4.4816p	

The performance of a hedged share class may differ from other share classes of the fund because the return on unhedged share classes is based on both the performance of the fund's investments and the performance of the portfolio currencies relative to sterling whereas the return on a hedged share class is based only on the performance of the fund's investments.

Fund Information (continued)

Fund information

Launch date	2 May 2012			
Launch price	100.00p per A Income share			
	100.00p per A Accumulation share			
	100.00p per C Income share			
	100.00p per Z Income share			
	100.00p per Z Accumulation share			
Launch date	31 August 2012			
Launch price	102.78p per C Accumulation share			
Launch date	18 February 2013			
Launch price	125.15p per GBP Hedged C Income share			
	125.39p per GBP Hedged Z Income share			
Launch date	1 October 2013			
Launch price	50.00p per L Income share			
	50.00p per L Accumulation share			
Launch date	1 November 2013			
Launch price	50.00p per S Income share			
Launch date	11 August 2017			
Launch price	207.50p per GBP Hedged S Income share			
Launch date	15 December 2017			
Launch price	257.00p per S Accumulation share			
	Quarterly	Interim	Quarterly	Final
Accounting dates	31 March	30 June	30 September	31 December
Revenue allocation dates	31 May	31 August	30 November	28 February

Fund Information (continued)

Ongoing charges figure

	For the year to 31.12.18	For the period from 1.1.18	For the year to 31.12.17
A Income shares	1.67%	1.67% ¹	1.64%
A Accumulation shares	1.67%	1.67%	1.67%
C Income shares	1.17%	1.17%	1.17%
C Accumulation shares	1.17%	1.17%	1.17%
GBP Hedged C Income shares	1.27% ²	1.17%	1.17%
GBP Hedged S Income shares	0.65% ²	0.55% ^{1 3}	0.57% ³
GBP Hedged Z Income shares	1.02% ²	0.92%	0.92%
L Income shares	0.85%	0.84%	0.84%
L Accumulation shares	0.85%	0.84%	0.84%
S Income shares	0.55%	0.54%	0.54%
S Accumulation shares	0.55%	0.55% ^{1 3}	0.95% ³
Z Income shares	0.92%	0.92%	0.92%
Z Accumulation shares	0.92%	0.92%	0.92%

1 The Ongoing charges figure was a projected figure based on the latest expenses of the share class.

2 The Ongoing charges figure includes the hedging programme cost of 0.10%.

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

Review of Investment Activities

From 29 December 2017 to 31 December 2018, the price of Z Accumulation shares on a dealing price to dealing price basis fell 16.24%. In comparison, the FTSE¹ World European ex UK Index generated a negative total return of 9.45%² in sterling terms.

2018 was a year to forget from an equity point of view and a huge contrast to the positive and low volatility of 2017. The fund lagged the benchmark over the year. The skew was a negative as the lack of growth defensives hurt the portfolio. Growth defensives – such as consumer staples – were in demand for their low volatility earnings profile, but we see such stocks as very expensively valued. The two main individual detractors over the period were Altran Technologies and Borr Drilling. Altran Technologies saw a sharp share price fall after discovering an isolated fraud at US business Aricent, which it acquired during the year. As well as Altran Technologies, three other companies in the portfolio made large and expensive US acquisitions during 2018. Meanwhile, Borr Drilling fell along with the oil price towards the end of the year.

On the positive side, Lundin Petroleum was the top individual contributor as its improving financial profile and better than expected cash flow started to be recognised. Our overweight allocation to the Telecommunications sector was also positive for relative performance.

The outlook for all asset markets is as uncertain as ever and geopolitical risk appears heightened. Two further considerations are that corporate costs are starting to rise and the end demand looks weak for 2019. Yet against this negative backdrop, we should be cognisant that some share prices are already factoring in a very negative outcome. We remain of the view that there is no explicit buying opportunity in European equities at present but we think that we are approaching the point where it is worth taking some selective risk in a few longer term positions.

Fund Manager:

James Sym



James Sym joined Schroders in July 2013 following the acquisition of Cazenove Capital

James is a member of the Pan-European Equity team at Schroders

He manages the Schroder European Alpha Income Fund and the Schroder European Alpha Plus Fund

James graduated from St John's College, Cambridge with a degree in Natural Sciences and is a Chartered Financial Analyst

James has 10 years' investment experience

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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 and reward indicator changed from 6 to 5 with effect from 19 February 2018 for A Income shares, A Accumulation shares, C Income shares, C Accumulation shares, L Accumulation shares, S Income shares, Z Income shares and Z Accumulation shares. The risk and reward indicator changed from 6 to 5 with effect from 4 May 2018 for GBP Hedged S Income shares. The risk and reward indicator changed from 6 to 5 with effect from 26 October 2018 for S Accumulation shares and on 7 December 2018 for L Income shares. At period end the risk and reward indicator for GBP Hedged C Income shares and GBP Hedged Z Income shares remained at 6.

There is a difference between share classes caused by the technical nature of the calculation of the 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 invests in assets which are exposed to currencies other than sterling. For non-hedged share classes exchange rates may cause the value of overseas investments and the revenue from them to rise or fall.

There is no guarantee that the hedging strategy applied in hedged share classes will entirely eliminate the adverse effects of changes in exchange rates between the base currency and the portfolio currencies.

In addition, it should be noted that hedging transactions will be entered into whether or not the currency of a hedged share class is declining or increasing in value in relation to the base currency or portfolio currencies. Hedged share classes aim to provide investors with a return correlated to the portfolio currencies performance of the fund by reducing the effect of exchange rate fluctuations between the base currency and the portfolio currencies.

As it is not possible to legally segregate share classes' liabilities from those of other share classes in the fund, there is a risk that, in certain limited circumstances, the hedging transactions undertaken in relation to a hedged share class could result in liabilities which might affect the net asset value of the other share classes in the fund.

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.

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.

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

Comparative Tables

A Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	208.55	185.77	156.66
Return before operating charges	(30.78)	32.47	37.42
Operating charges	(3.36)	(3.48)	(2.58)
Return after operating charges*	(34.14)	28.99	34.84
Distributions ¹	(6.71)	(6.21)	(5.73)
Closing net asset value	167.70	208.55	185.77
*after direct transaction costs of	(0.24)	(0.38)	(0.38)
Performance			
Return after charges (%)	(16.37)	15.61	22.24
Other information			
Closing net asset value (£000's)	36,652	36,688	1,270
Closing number of shares	21,855,598	17,591,826	683,917
Operating charges (%)	1.67	1.64	1.68
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	216.90	218.50	188.60
Lowest dealing price (p)	168.30	186.50	136.60

Comparative Tables (continued)

A Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	253.42	219.17	178.73
Return before operating charges	(38.06)	38.33	43.59
Operating charges	(4.13)	(4.08)	(3.15)
Return after operating charges*	(42.19)	34.25	40.44
Distributions ¹	(8.19)	(7.37)	(6.57)
Retained distributions ¹	8.19	7.37	6.57
Closing net asset value	211.23	253.42	219.17
*after direct transaction costs of	(0.29)	(0.44)	(0.47)
Performance			
Return after charges (%)	(16.65)	15.63	22.63
Other information			
Closing net asset value (£000's)	42,202	43,545	37,676
Closing number of shares	19,978,677	17,182,555	17,190,157
Operating charges (%)	1.67	1.67	1.68
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	263.50	261.40	219.90
Lowest dealing price (p)	208.30	220.40	155.80

Comparative Tables (continued)

C Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	214.67	190.28	159.59
Return before operating charges	(31.83)	33.23	38.50
Operating charges	(2.44)	(2.47)	(1.96)
Return after operating charges*	(34.27)	30.76	36.54
Distributions ¹	(6.92)	(6.37)	(5.85)
Closing net asset value	173.48	214.67	190.28
*after direct transaction costs of	(0.25)	(0.38)	(0.42)
Performance			
Return after charges (%)	(15.96)	16.17	22.90
Other information			
Closing net asset value (£000's)	2,305	2,984	54,238
Closing number of shares	1,328,636	1,390,046	28,504,725
Operating charges (%)	1.17	1.17	1.18
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	223.30	224.50	193.30
Lowest dealing price (p)	174.20	191.30	139.20

Comparative Tables (continued)

C Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	258.58	222.52	180.56
Return before operating charges	(39.03)	38.97	44.19
Operating charges	(2.93)	(2.91)	(2.23)
Return after operating charges*	(41.96)	36.06	41.96
Distributions ¹	(8.37)	(7.48)	(6.66)
Retained distributions ¹	8.37	7.48	6.66
Closing net asset value	216.62	258.58	222.52
*after direct transaction costs of	(0.30)	(0.45)	(0.47)
Performance			
Return after charges (%)	(16.23)	16.21	23.24
Other information			
Closing net asset value (£000's)	456	309	8,366
Closing number of shares	210,335	119,301	3,759,837
Operating charges (%)	1.17	1.17	1.18
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	269.00	266.40	223.20
Lowest dealing price (p)	213.60	224.10	157.50

Comparative Tables (continued)

GBP Hedged C Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	184.95	186.37	184.50
Return before operating charges	(27.10)	7.18	10.13
Operating charges	(2.20)	(2.38)	(2.03)
Return after operating charges*	(29.30)	4.80	8.10
Distributions ¹	(6.05)	(6.22)	(6.23)
Closing net asset value	149.60	184.95	186.37
*after direct transaction costs of	(0.22)	(0.37)	(0.43)
Performance			
Return after charges (%)	(15.84)	2.58	4.39
Other information			
Closing net asset value (£000's)	146	199	13,456
Closing number of shares	97,533	107,651	7,219,788
Operating charges (%)	1.27	1.17	1.18
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	193.80	213.90	189.80
Lowest dealing price (p)	148.90	187.40	151.50

Comparative Tables (continued)

GBP Hedged S Income shares

Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	208.72	207.50
Return before operating charges	(31.16)	5.96
Operating charges	(1.22)	(0.46)
Return after operating charges*	(32.38)	5.50
Distributions ¹	(6.83)	(4.28)
Closing net asset value	169.51	208.72
*after direct transaction costs of	(0.24)	(0.38)
Performance		
Return after charges (%)	(15.51)	2.65
Other information		
Closing net asset value (£000's)	29,460	35,517
Closing number of shares	17,379,960	17,016,522
Operating charges (%)	0.65	0.22
Direct transaction costs (%)**	0.12	0.18
Prices		
Highest dealing price (p)	218.90	216.90
Lowest dealing price (p)	169.30	204.40

The share class was launched on 11 August 2017.

Comparative Tables (continued)

GBP Hedged Z Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	208.02	188.18	185.84
Return before operating charges	(30.94)	28.02	10.23
Operating charges	(1.98)	(1.89)	(1.61)
Return after operating charges*	(32.92)	26.13	8.62
Distributions ¹	(6.80)	(6.29)	(6.28)
Closing net asset value	168.30	208.02	188.18
*after direct transaction costs of	(0.24)	(0.37)	(0.43)
Performance			
Return after charges (%)	(15.83)	13.89	4.64
Other information			
Closing net asset value (£000's)	103,954	138,266	89,545
Closing number of shares	61,768,286	66,467,138	47,584,750
Operating charges (%)	1.02	0.92	0.93
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	218.10	216.50	191.70
Lowest dealing price (p)	168.00	189.20	152.60

Comparative Tables (continued)

L Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	76.74	67.83	56.69
Return before operating charges	(11.42)	11.82	13.74
Operating charges	(0.63)	(0.64)	(0.52)
Return after operating charges*	(12.05)	11.18	13.22
Distributions ¹	(2.48)	(2.27)	(2.08)
Closing net asset value	62.21	76.74	67.83
*after direct transaction costs of	(0.09)	(0.14)	(0.15)
Performance			
Return after charges (%)	(15.70)	16.48	23.32
Other information			
Closing net asset value (£000's)	280,706	384,375	93,697
Closing number of shares	451,251,782	500,886,765	138,136,718
Operating charges (%)	0.85	0.84	0.85
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	79.84	80.22	69.04
Lowest dealing price (p)	62.55	68.24	49.48

Comparative Tables (continued)

L Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	87.75	75.27	60.89
Return before operating charges	(13.27)	13.20	14.93
Operating charges	(0.73)	(0.72)	(0.55)
Return after operating charges*	(14.00)	12.48	14.38
Distributions ¹	(2.85)	(2.53)	(2.25)
Retained distributions ¹	2.85	2.53	2.25
Closing net asset value	73.75	87.75	75.27
*after direct transaction costs of	(0.10)	(0.15)	(0.16)
Performance			
Return after charges (%)	(15.95)	16.58	23.62
Other information			
Closing net asset value (£000's)	68,109	103,333	49,844
Closing number of shares	92,346,522	117,753,851	66,218,824
Operating charges (%)	0.85	0.84	0.85
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	91.29	90.35	75.51
Lowest dealing price (p)	72.74	75.85	53.14

Comparative Tables (continued)

S Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	73.10	64.44	53.69
Return before operating charges	(10.91)	11.22	13.04
Operating charges	(0.39)	(0.40)	(0.31)
Return after operating charges*	(11.30)	10.82	12.73
Distributions ¹	(2.37)	(2.16)	(1.98)
Closing net asset value	59.43	73.10	64.44
*after direct transaction costs of	(0.09)	(0.13)	(0.14)
Performance			
Return after charges (%)	(15.46)	16.79	23.71
Other information			
Closing net asset value (£000's)	258,940	302,946	8,079
Closing number of shares	435,726,241	414,401,518	12,538,621
Operating charges (%)	0.55	0.54	0.55
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	76.07	76.39	65.60
Lowest dealing price (p)	59.85	64.89	46.88

Comparative Tables (continued)

S Accumulation shares		
Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	258.65	257.00
Return before operating charges	(39.21)	1.74
Operating charges	(1.39)	(0.09)
Return after operating charges*	(40.60)	1.65
Distributions ¹	(8.40)	(3.71)
Retained distributions ¹	8.40	3.71
Closing net asset value	218.05	258.65
*after direct transaction costs of	(0.30)	(0.47)
Performance		
Return after charges (%)	(15.70)	0.64
Other information		
Closing net asset value (£000's)	11,779	14,205
Closing number of shares	5,402,243	5,492,008
Operating charges (%)	0.55	0.04
Direct transaction costs (%)**	0.12	0.18
Prices		
Highest dealing price (p)	269.10	261.10
Lowest dealing price (p)	215.00	257.00

The share class was launched on 15 December 2017.

Comparative Tables (continued)

Z Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	217.71	192.51	161.06
Return before operating charges	(32.35)	33.58	38.91
Operating charges	(1.95)	(1.96)	(1.55)
Return after operating charges*	(34.30)	31.62	37.36
Distributions ¹	(7.03)	(6.42)	(5.91)
Closing net asset value	176.38	217.71	192.51
*after direct transaction costs of	(0.25)	(0.39)	(0.42)
Performance			
Return after charges (%)	(15.75)	16.43	23.20
Other information			
Closing net asset value (£000's)	140,238	180,260	139,049
Closing number of shares	79,508,046	82,798,979	72,227,714
Operating charges (%)	0.92	0.92	0.93
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	226.50	227.40	195.50
Lowest dealing price (p)	177.10	193.70	140.60

Comparative Tables (continued)

Z Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	264.30	226.88	183.64
Return before operating charges	(39.96)	39.76	45.03
Operating charges	(2.37)	(2.34)	(1.79)
Return after operating charges*	(42.33)	37.42	43.24
Distributions ¹	(8.57)	(7.63)	(6.78)
Retained distributions ¹	8.57	7.63	6.78
Closing net asset value	221.97	264.30	226.88
*after direct transaction costs of	(0.31)	(0.46)	(0.48)
Performance			
Return after charges (%)	(16.02)	16.49	23.55
Other information			
Closing net asset value (£000's)	94,150	95,235	52,908
Closing number of shares	42,415,672	36,032,857	23,320,203
Operating charges (%)	0.92	0.92	0.93
Direct transaction costs (%)**	0.12	0.18	0.25
Prices			
Highest dealing price (p)	275.00	272.20	227.60
Lowest dealing price (p)	218.90	228.60	160.30

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 share 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 31.12.18	Market Value £000's	% of net assets
Equities 94.73% (97.32%)			
Austria 0.17% (0.50%)			
Porr	113,648	1,779	0.17
		1,779	0.17
Belgium 2.96% (6.69%)			
KBC Group	623,013	31,684	2.96
		31,684	2.96
Bermuda 2.24% (0.00%)			
Borr Drilling	12,447,738	23,929	2.24
		23,929	2.24
Denmark 8.60% (8.93%)			
Ambu B	611,882	11,496	1.07
Danske Bank	1,656,380	25,621	2.40
Netcompany Group	723,550	18,789	1.76
Novo Nordisk B	1,008,514	36,069	3.37
		91,975	8.60
Finland 2.17% (4.13%)			
Cargotec B	970,627	23,157	2.17
		23,157	2.17
France 26.73% (18.60%)			
Altran Technologies	4,810,795	30,248	2.83
AXA	2,409,266	40,720	3.81
BNP Paribas	509,962	18,067	1.69
IPSOS	1,753,369	32,325	3.02
Lagardere	1,519,605	30,034	2.81
Orange	4,311,538	54,779	5.13
Sanofi	331,393	22,455	2.10
Teleperformance	132,425	16,557	1.55

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
France (continued)			
TOTAL	978,559	40,561	3.79
		285,746	26.73
Germany 7.15% (17.27%)			
Allianz	89,081	14,047	1.31
AURELIUS Equity Opportunities	967,829	27,694	2.59
Knorr-Bremse	303,748	21,457	2.01
LANXESS	363,663	13,203	1.24
		76,401	7.15
Italy 3.90% (1.27%)			
Eni	2,490,974	30,707	2.87
Intesa Sanpaolo	6,345,017	11,038	1.03
		41,745	3.90
Luxembourg 0.57% (1.78%)			
Subsea 7	798,522	6,100	0.57
		6,100	0.57
Netherlands 11.76% (14.16%)			
ASML Holding	229,985	28,301	2.65
Intertrust	1,975,523	25,995	2.43
Koninklijke KPN	23,902,782	54,838	5.13
PostNL	9,277,950	16,572	1.55
		125,706	11.76
Norway 1.36% (1.88%)			
Atea	1,450,711	14,575	1.36
		14,575	1.36

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Portugal 2.06% (0.00%)			
Galp Energia	1,781,078	22,029	2.06
		22,029	2.06
Spain 10.56% (13.06%)			
Bankinter	5,386,013	33,850	3.17
Grifols Preference	830,208	12,012	1.12
Grupo Catalana Occidente	1,031,752	29,959	2.80
Telefonica	5,632,503	37,103	3.47
		112,924	10.56
Sweden 4.18% (4.51%)			
Lundin Petroleum	1,733,737	33,948	3.18
Svenska Handelsbanken A	1,237,911	10,722	1.00
		44,670	4.18
Switzerland 9.27% (3.39%)			
Roche Holding	170,226	32,994	3.09
Swiss Re	366,648	26,300	2.46
Zurich Insurance Group	170,678	39,831	3.72
		99,125	9.27
United Kingdom 1.05% (1.15%)			
IQE [#]	17,212,430	11,180	1.05
		11,180	1.05
Equities total		1,012,725	94.73
Forward Foreign Currency Contracts 0.06% ((0.01)%)			
Buy CHF 39,350 Sell GBP 31,427 31/01/2019	CHF 39,350	0	0.00
Buy CHF 2,410 Sell GBP 1,920 31/01/2019	CHF 2,410	0	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Forward Foreign Currency Contracts (continued)			
Buy DKK 261,654 Sell GBP 31,598 31/01/2019	DKK 261,654	0	0.00
Buy EUR 293,916 Sell GBP 264,950 31/01/2019	EUR 293,916	(1)	0.00
Buy NOK 9,428 Sell GBP 846 31/01/2019	NOK 9,428	0	0.00
Buy NOK 13,327,233 Sell GBP 1,208,968 31/01/2019	NOK 13,327,233	(7)	0.00
Buy SEK 29,047 Sell GBP 2,534 31/01/2019	SEK 29,047	0	0.00
Buy SEK 140,322 Sell GBP 12,296 31/01/2019	SEK 140,322	0	0.00
Sell CHF 15,446,906 Buy GBP 12,317,103 31/01/2019	CHF (15,446,906)	4	0.00
Sell CHF 12,420 Buy GBP 9,894 31/01/2019	CHF (12,420)	0	0.00
Sell DKK 98,758,220 Buy GBP 11,942,402 31/01/2019	DKK (98,758,220)	67	0.01
Sell EUR 110,205,388 Buy GBP 99,499,758 31/01/2019	EUR (110,205,388)	559	0.05
Sell NOK 73,118,049 Buy GBP 6,641,118 31/01/2019	NOK (73,118,049)	44	0.00
Sell NOK 63,922 Buy GBP 5,741 31/01/2019	NOK (63,922)	0	0.00
Sell SEK 63,730 Buy GBP 5,602 31/01/2019	SEK (63,730)	0	0.00
Sell SEK 63,166,185 Buy GBP 5,519,310 31/01/2019	SEK (63,166,185)	(13)	0.00
Forward Foreign Currency Contracts total		653	0.06
Portfolio of investments		1,013,378	94.79
Net other assets		55,719	5.21
Net assets attributable to shareholders		1,069,097	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

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

Security traded on another regulated market.

Summary of Portfolio Transactions

Largest purchases

For the year ended 31 December 2018	Cost £000's
TOTAL	49,843
BNP Paribas	41,874
Borr Drilling	39,895
Subsea 7	37,496
KBC Group	37,043
Eni	31,687
Netcompany Group	31,108
Galp Energia	31,063
ASML Holding	30,807
Altran Technologies	30,339

Largest sales

For the year ended 31 December 2018	Proceeds £000's
Bayer	65,640
ING Groep	52,378
KBC Group	51,309
ABN AMRO Group	46,392
Continental	41,095
bpost	32,309
Renault	31,436
Deutsche Telekom	30,085
Petroleum Geo-Services	29,398
Hispania Activos Inmobiliarios SOCIMI REIT	29,101

Statement of Total Return

For the year ended 31 December 2018

		2018		2017	
	Notes	£000's	£000's	£000's	£000's
Income					
Net capital (losses)/gains	2		(244,483)		113,859
Revenue	3	47,605		33,611	
Expenses	4	(11,784)		(10,026)	
Net revenue before taxation		35,821		23,585	
Taxation	5	(2,671)		(1,842)	
Net revenue after taxation			33,150		21,743
Total return before distributions			(211,333)		135,602
Distributions	6		(44,394)		(31,797)
Change in net assets attributable to shareholders from investment activities			(255,727)		103,805

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

		2018		2017	
		£000's	£000's	£000's	£000's
Opening net assets attributable to shareholders			1,337,862		548,128
Amounts receivable on issue of shares		262,034		788,061	
Amounts payable on cancellation of shares		(283,951)		(110,041)	
			(21,917)		678,020
Dilution adjustment			58		754
Change in net assets attributable to shareholders from investment activities			(255,727)		103,805
Retained distribution on Accumulation shares			8,821		7,155
Closing net assets attributable to shareholders			1,069,097		1,337,862

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£000's	£000's
Assets			
Investments		1,013,399	1,302,069
Current assets			
Debtors	8	7,682	6,467
Cash and bank balances		68,210	46,799
Total assets		1,089,291	1,355,335
Liabilities			
Investment liabilities		(21)	(173)
Creditors			
Distributions payable		(16,553)	(15,517)
Other creditors	9	(3,620)	(1,783)
Total liabilities		(20,194)	(17,473)
Net assets attributable to shareholders			
		1,069,097	1,337,862

Notes to the Accounts

1 Accounting policies

Basis of preparation

The applicable accounting policies adopted by Schroder European Alpha Income Fund are disclosed on pages 17 to 20.

2 Net capital (losses)/gains

The net capital (losses)/gains during the year comprise:

	2018 £000's	2017 £000's
Non-derivative securities	(242,257)	117,672
Derivative contracts	(3,392)	94
Forward foreign currency contracts ¹	(2,199)	849
Foreign currency gains/(losses)	3,380	(4,739)
Transaction costs	(15)	(17)
Net capital (losses)/gains	(244,483)	113,859

1 The forward foreign currency contracts are only entered into by the GBP hedged share classes.

3 Revenue

	2018 £000's	2017 £000's
Overseas dividends	47,335	33,344
Bank interest	270	267
Total revenue	47,605	33,611

Notes to the Accounts (continued)

4 Expenses

	2018 £000's	2017 £000's
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD fee	8,906	7,984
Administration charge	1,986	1,606
	10,892	9,590
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	88	81
Safe custody fees	122	94
Interest payable	540	210
	750	385
Other expenses:		
Audit fee	9	10
Hedging programme cost	84	0
Professional fee	49	41 ¹
	142	51
Total expenses	11,784	10,026

1 Professional fee includes £41,010 which were paid to PricewaterhouseCoopers LLP in relation to tax reclaims.

5 Taxation

(a) Analysis of the tax charge for the year

	2018 £000's	2017 £000's
Overseas withholding tax	2,671	1,842
Total current tax (Note 5(b))	2,671	1,842

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 OEICs of 20% (2017 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2018 £000's	2017 £000's
Net revenue before taxation	35,821	23,585
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	7,164	4,717
Effects of:		
Revenue not subject to corporation tax	(9,249)	(6,669)
Movement in excess management expenses	2,063	1,952
Irrecoverable overseas withholding tax	2,671	1,842
Expensed withholding tax incurred	(32)	0
Loan relationship deficit	54	0
Current tax charge for the year (Note 5(a))	2,671	1,842

(c) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £6,871,679 (2017 – £4,808,219) in respect of unutilised management expenses and loan relationship debits. 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.

Notes to the Accounts (continued)

6 Distributions

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2018 £000's	2017 £000's
Quarterly Dividend distribution	2,012	1,339
Interim Dividend distribution	10,254	7,683
Quarterly Dividend distribution	10,146	9,104
Final Dividend distribution	20,964	19,399
	43,376	37,525
Add: Revenue deducted on cancellation of shares	3,208	877
Deduct: Revenue received on issue of shares	(2,190)	(6,605)
Distributions	44,394	31,797
Net revenue after taxation	33,150	21,743
Expenses taken to capital	11,243	9,766
Movement in undistributed revenue	1	0
Equalisation on conversions	0	288
Distributions	44,394	31,797

Details of the distributions per share are set out in the Distribution Table on pages 313 to 318.

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	2018		2017	
	Assets £000's	Liabilities £000's	Assets £000's	Liabilities £000's
Level 1: Quoted prices	1,012,725	0	1,301,994	0
Level 2: Observable market data	674	(21)	75	(173)
Level 3: Unobservable data	0	0	0	0
Total	1,013,399	(21)	1,302,069	(173)

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.

Notes to the Accounts (continued)

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 ACD 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 ACD 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 ACD with particular attention paid to the carrying value of the investments.

8 Debtors

	2018 £000's	2017 £000's
Amounts receivable for issue of shares	2,156	3,325
Accrued overseas dividends	562	0
Accrued bank interest	1	0
Overseas withholding tax recoverable	4,963	3,142
Total debtors	7,682	6,467

9 Other creditors

	2018		2017	
	£000's	£000's	£000's	£000's
Amounts payable for cancellation of shares		2,644		360
Purchases awaiting settlement		0		443
Accrued expenses				
ACD and Agents				
ACD fee	642		757	
Administration charge	143		160	
		785		917
Depositary and Agents				
Depositary's fee	51		14	
Safe custody fees	61		28	
Transaction costs	7		4	
Interest payable	21		6	
		140		52
Other accrued expenses		51		11
Total other creditors		3,620		1,783

Notes to the Accounts (continued)

10 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2017 – Nil).

11 Related party transactions

The ACD 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 ACD at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

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

Shares held or managed by the ACD or associates of the ACD as a percentage of the company's net asset value at the balance sheet date were 25.69% (2017 – 27.49%).

12 Share classes

The fund currently has thirteen share classes: A Income shares, A Accumulation shares, C Income shares, C Accumulation shares, GBP Hedged C Income shares, GBP Hedged S Income shares, GBP Hedged Z Income shares, L Income shares, L Accumulation shares, S Income shares, S Accumulation shares, Z Income shares and Z Accumulation shares. The ACD charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the ACD, the Investment Adviser and their overhead expenses and for each share class is as follows:

A Income shares	1.50%
A Accumulation shares	1.50%
C Income shares	1.00%
C Accumulation shares	1.00%
GBP Hedged C Income shares	1.00%
GBP Hedged S Income shares	0.375%
GBP Hedged Z Income shares	0.75%
L Income shares	0.675%
L Accumulation shares	0.675%
S Income shares	0.375%
S Accumulation shares	0.375%
Z Income shares	0.75%
Z Accumulation shares	0.75%

The closing net asset value of each share class, the closing net asset value per share and the closing number of shares in issue are given in the Comparative Tables on pages 281 to 293. The distributions per share class are given in the Distribution Table on pages 313 to 318. 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.

Notes to the Accounts (continued)

Under normal circumstances, the ACD 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 enable the pursuit of the fund's investment objective or to assist in the redemption of shares, the efficient management of the fund or purposes regarded as ancillary to the fund.

The fund has little exposure to credit risk. The main risks arising from the fund's financial instruments are market price, foreign currency, liquidity, credit and interest rate risks. The ACD'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 ACD in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, 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 and the balance sheet can be significantly affected by movements in foreign exchange rates. For GBP hedged share classes, the ACD seeks to manage exposure to currency movements by using forward foreign currency contracts. The other share classes have not hedged the sterling value of investments that are priced in other currencies.

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 and liabilities at the balance sheet date was as follows:

Currency	Monetary exposure £000's	Non-monetary exposure £000's	Total £000's
Danish krone			
2018	(11,275)	91,975	80,700
2017	(15,411)	119,511	104,100
Euro			
2018	(30,143)	721,171	691,028
2017	(119,288)	1,036,287	916,999
Norwegian krone			
2018	(5,143)	44,604	39,461
2017	(3,200)	25,117	21,917
Sterling			
2018	120,672	11,180	131,852
2017	187,774	15,415	203,189

Notes to the Accounts (continued)

Currency	Monetary exposure £000's	Non-monetary exposure £000's	Total £000's
Swedish krona			
2018	(5,452)	44,670	39,218
2017	(7,974)	60,276	52,302
Swiss franc			
2018	(12,290)	99,125	86,835
2017	(6,036)	45,388	39,352
US dollar			
2018	3	0	3
2017	3	0	3

Liquidity risk

The primary source of this risk to the fund is the liability to shareholders for any cancellation of shares. 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.

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
Danish krone			
2018	12	92,563	92,575
2017	0	119,703	119,703
Euro			
2018	64,479	725,511	789,990
2017	17,108	1,039,076	1,056,184
Norwegian krone			
2018	0	46,064	46,064
2017	0	25,280	25,280
Sterling			
2018	3,719	149,839	153,558
2017	29,691	190,360	220,051

Notes to the Accounts (continued)

Currency	Floating rate financial assets £000's	Financial assets not carrying interest £000's	Total £000's
Swedish krona			
2018	0	44,756	44,756
2017	0	60,276	60,276
Swiss franc			
2018	0	99,159	99,159
2017	0	45,388	45,388
US dollar			
2018	0	3	3
2017	0	3	3

Currency	Financial liabilities not carrying interest £000's	Total £000's
Danish krone		
2018	11,875	11,875
2017	15,603	15,603
Euro		
2018	98,962	98,962
2017	139,185	139,185
Norwegian krone		
2018	6,603	6,603
2017	3,363	3,363
Sterling		
2018	21,706	21,706
2017	16,862	16,862
Swedish krona		
2018	5,538	5,538
2017	7,974	7,974
Swiss franc		
2018	12,324	12,324
2017	6,036	6,036

Notes to the Accounts (continued)

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 SONIA.

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.

Global risk exposure

Commitment approach

When using derivatives, the ACD 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 31 December 2018 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 31 December
2018	0.00%	10.76%	2.44%	0.00%
2017	0.00%	28.22%	1.03%	0.00%

Notes to the Accounts (continued)

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.

2018	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Purchases ¹ :						
Equities	851,570	448	728	852,746	0.05	0.09
Corporate actions purchases:						
Equities	18,213	0	0	18,213	0.00	0.00
	869,783	448	728	870,959		
Sales						
Equities	918,447	(476)	0	917,971	(0.05)	0.00
Total cost of the fund's average net asset value (%)		0.07	0.06			

1 Excluding corporate actions.

2017	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Equities	1,383,904	1,292	808	1,386,004	0.09	0.06
Sales						
Equities	732,445	(535)	0	731,910	(0.07)	0.00
Total cost of the fund's average net asset value (%)		0.17	0.07			

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.24% (2017 – 0.32%).

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.

Notes to the Accounts (continued)

15 Shares in issue reconciliation

	Number of shares in issue as at 31.12.17	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31.12.18
A Income shares	17,591,826	5,663,116	(1,399,344)	0	21,855,598
A Accumulation shares	17,182,555	7,834,883	(4,893,619)	(145,142)	19,978,677
C Income shares	1,390,046	35,861	(79,471)	(17,800)	1,328,636
C Accumulation shares	119,301	119,506	(20,032)	(8,440)	210,335
GBP Hedged C Income shares	107,651	56,210	(66,328)	0	97,533
GBP Hedged S Income shares	17,016,522	2,018,862	(1,655,424)	0	17,379,960
GBP Hedged Z Income shares	66,467,138	17,138,085	(21,836,937)	0	61,768,286
L Income shares	500,886,765	40,164,429	(90,525,617)	726,205	451,251,782
L Accumulation shares	117,753,851	46,633,451	(72,362,298)	321,518	92,346,522
S Income shares	414,401,518	66,828,165	(46,609,637)	1,106,195	435,726,241
S Accumulation shares	5,492,008	427,846	(612,433)	94,822	5,402,243
Z Income shares	82,798,979	19,482,035	(21,846,653)	(926,315)	79,508,046
Z Accumulation shares	36,032,857	12,015,014	(5,839,475)	207,276	42,415,672

16 Counterparty exposure

The types of derivatives held at the balance sheet date were forward foreign currency contracts. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

Counterparty	Forward foreign currency contracts £000's	Total £000's
JPMorgan Chase		
2018	653	653
2017	(98)	(98)

Distribution Table

**Quarterly distribution
for the three
months ended
31 March 2018**

Group 1 Shares purchased prior to 1 January 2018

Group 2 Shares purchased on or after 1 January 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.5.18 p per share	<i>Distribution paid 31.5.17 p per share</i>
A Income shares				
Group 1	0.3100	–	0.3100	0.3000
Group 2	0.2326	0.0774	0.3100	0.3000
A Accumulation shares				
Group 1	0.3400	–	0.3400	0.3300
Group 2	0.2456	0.0944	0.3400	0.3300
C Income shares				
Group 1	0.3100	–	0.3100	0.3000
Group 2	0.2916	0.0184	0.3100	0.3000
C Accumulation shares				
Group 1	0.3400	–	0.3400	0.3300
Group 2	0.0000	0.3400	0.3400	0.3300
GBP Hedged C Income shares				
Group 1	0.3500	–	0.3500	0.3400
Group 2	0.3500	0.0000	0.3500	0.3400
GBP Hedged S Income shares				
Group 1	0.3600	–	0.3600	–
Group 2	0.2920	0.0680	0.3600	–
GBP Hedged Z Income shares				
Group 1	0.3600	–	0.3600	0.3500
Group 2	0.3103	0.0497	0.3600	0.3500
L Income shares				
Group 1	0.1150	–	0.1150	0.1100
Group 2	0.0980	0.0170	0.1150	0.1100
L Accumulation shares				
Group 1	0.1150	–	0.1150	0.1100
Group 2	0.0770	0.0380	0.1150	0.1100
S Income shares				
Group 1	0.1050	–	0.1050	0.1000
Group 2	0.0863	0.0187	0.1050	0.1000

Distribution Table (continued)

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.5.18 p per share	<i>Distribution paid 31.5.17 p per share</i>
S Accumulation shares				
Group 1	0.3400	–	0.3400	–
Group 2	0.1683	0.1717	0.3400	–
Z Income shares				
Group 1	0.3100	–	0.3100	0.3000
Group 2	0.2570	0.0530	0.3100	0.3000
Z Accumulation shares				
Group 1	0.3400	–	0.3400	0.3300
Group 2	0.2375	0.1025	0.3400	0.3300

Interim distribution for the three months ended 30 June 2018

Group 1 Shares purchased prior to 1 April 2018
Group 2 Shares purchased on or after 1 April 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.8.18 p per share	<i>Distribution paid 31.8.17 p per share</i>
A Income shares				
Group 1	1.7200	–	1.7200	1.6100
Group 2	0.0000	1.7200	1.7200	1.6100
A Accumulation shares				
Group 1	1.8300	–	1.8300	1.7100
Group 2	0.0000	1.8300	1.8300	1.7100
C Income shares				
Group 1	1.7300	–	1.7300	1.6200
Group 2	0.0000	1.7300	1.7300	1.6200
C Accumulation shares				
Group 1	1.8400	–	1.8400	1.7200
Group 2	0.0000	1.8400	1.8400	1.7200
GBP Hedged C Income shares				
Group 1	1.7800	–	1.7800	1.6600
Group 2	1.7800	0.0000	1.7800	1.6600
GBP Hedged S Income shares				
Group 1	1.7200	–	1.7200	–
Group 2	0.0000	1.7200	1.7200	–

Distribution Table (continued)

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 31.8.18 p per share	<i>Distribution paid 31.8.17 p per share</i>
GBP Hedged Z Income shares				
Group 1	1.7900	–	1.7900	1.6700
Group 2	0.0000	1.7900	1.7900	1.6700
L Income shares				
Group 1	0.5700	–	0.5700	0.5000
Group 2	0.0000	0.5700	0.5700	0.5000
L Accumulation shares				
Group 1	0.6000	–	0.6000	0.5000
Group 2	0.0000	0.6000	0.6000	0.5000
S Income shares				
Group 1	0.5000	–	0.5000	0.4700
Group 2	0.0000	0.5000	0.5000	0.4700
S Accumulation shares				
Group 1	1.8500	–	1.8500	–
Group 2	0.2309	1.6191	1.8500	–
Z Income shares				
Group 1	1.7500	–	1.7500	1.6400
Group 2	0.0000	1.7500	1.7500	1.6400
Z Accumulation shares				
Group 1	1.8600	–	1.8600	1.7400
Group 2	0.0000	1.8600	1.8600	1.7400

Distribution Table (continued)

**Quarterly distribution
for the three
months ended
30 September 2018**

Group 1 Shares purchased prior to 1 July 2018
Group 2 Shares purchased on or after 1 July 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 30.11.18 p per share	Distribution paid 30.11.17 p per share
A Income shares				
Group 1	1.7200	–	1.7200	1.6100
Group 2	0.0000	1.7200	1.7200	1.6100
A Accumulation shares				
Group 1	1.8300	–	1.8300	1.7100
Group 2	0.0000	1.8300	1.8300	1.7100
C Income shares				
Group 1	1.7300	–	1.7300	1.6200
Group 2	0.0000	1.7300	1.7300	1.6200
C Accumulation shares				
Group 1	1.8400	–	1.8400	1.7200
Group 2	0.0000	1.8400	1.8400	1.7200
GBP Hedged C Income shares				
Group 1	1.7800	–	1.7800	1.6600
Group 2	0.0000	1.7800	1.7800	1.6600
GBP Hedged S Income shares				
Group 1	1.7200	–	1.7200	1.6700
Group 2	0.0000	1.7200	1.7200	1.6700
GBP Hedged Z Income shares				
Group 1	1.7900	–	1.7900	1.6700
Group 2	0.0000	1.7900	1.7900	1.6700
L Income shares				
Group 1	0.5700	–	0.5700	0.5000
Group 2	0.0000	0.5700	0.5700	0.5000
L Accumulation shares				
Group 1	0.6000	–	0.6000	0.5000
Group 2	0.0000	0.6000	0.6000	0.5000
S Income shares				
Group 1	0.5000	–	0.5000	0.4700
Group 2	0.0000	0.5000	0.5000	0.4700

Distribution Table (continued)

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution paid 30.11.18 p per share	Distribution paid 30.11.17 p per share
S Accumulation shares				
Group 1	1.8500	–	1.8500	–
Group 2	0.0000	1.8500	1.8500	–
Z Income shares				
Group 1	1.7500	–	1.7500	1.6400
Group 2	0.0000	1.7500	1.7500	1.6400
Z Accumulation shares				
Group 1	1.8600	–	1.8600	1.7400
Group 2	0.0000	1.8600	1.8600	1.7400

Final distribution for the three months ended 31 December 2018

Group 1 Shares purchased prior to 1 October 2018
Group 2 Shares purchased on or after 1 October 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	Distribution paid 28.2.18 p per share
A Income shares				
Group 1	2.9570	–	2.9570	2.6859
Group 2	0.5942	2.3628	2.9570	2.6859
A Accumulation shares				
Group 1	4.1860	–	4.1860	3.6150
Group 2	0.5921	3.5939	4.1860	3.6150
C Income shares				
Group 1	3.1512	–	3.1512	2.8325
Group 2	0.6408	2.5104	3.1512	2.8325
C Accumulation shares				
Group 1	4.3517	–	4.3517	3.7137
Group 2	0.8834	3.4683	4.3517	3.7137
GBP Hedged C Income shares				
Group 1	2.1371	–	2.1371	2.5629
Group 2	2.1371	0.0000	2.1371	2.5629
GBP Hedged S Income shares				
Group 1	3.0262	–	3.0262	2.6068
Group 2	0.7303	2.2959	3.0262	2.6068

Distribution Table (continued)

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	Distribution paid 28.2.18 p per share
GBP Hedged Z Income shares				
Group 1	2.8619	–	2.8619	2.6047
Group 2	0.6383	2.2236	2.8619	2.6047
L Income shares				
Group 1	1.2235	–	1.2235	1.1637
Group 2	0.2448	0.9787	1.2235	1.1637
L Accumulation shares				
Group 1	1.5354	–	1.5354	1.4229
Group 2	0.2797	1.2557	1.5354	1.4229
S Income shares				
Group 1	1.2600	–	1.2600	1.1211
Group 2	0.2387	1.0213	1.2600	1.1211
S Accumulation shares				
Group 1	4.3601	–	4.3601	3.7137
Group 2	0.8205	3.5396	4.3601	3.7137
Z Income shares				
Group 1	3.2174	–	3.2174	2.8416
Group 2	0.6831	2.5343	3.2174	2.8416
Z Accumulation shares				
Group 1	4.5071	–	4.5071	3.8212
Group 2	0.8175	3.6896	4.5071	3.8212

Corporate shareholders (unaudited)

Corporate shareholders receive the dividend distribution payments as detailed below:

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

Equalisation

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

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

Fund Information

Investment objective and policy

The Schroder Global Recovery Fund (the 'fund') aims to provide capital growth over the mid to long term by investing in shares of companies worldwide which are considered to be undervalued relative to their long term earnings potential.

At least 80% of the fund's assets (excluding cash) will be invested in equity and equity related securities of companies worldwide that have suffered a set back in either share price or profitability, but where long term prospects are believed to be good. Recovery investments may be out of favour for many reasons, including weak short-term profitability, macro-economic concerns or an under strength balance sheet. These factors can significantly reduce the attractiveness of companies to short term investors and induce discounts to fair value. Our long term focused recovery investment approach seeks to exploit this in a diversified manner.

The fund can invest in any sector, industry, jurisdiction or geographic region but is not managed with regard to any benchmark. Consequently the fund may be particularly exposed to a specific sector, industry, jurisdiction or region at any time depending on where the fund identifies opportunities for recovery investments.

The fund may use derivative instruments for investment purposes as well as for efficient portfolio management.

Financial highlights

Dealing price	31.12.18	29.12.17	% change
L Income shares	67.10p	74.09p	(9.43)
L Accumulation shares	68.93p	74.95p	(8.03)
S Income shares	52.08p	57.48p	(9.39)
Z Income shares	67.00p	73.97p	(9.42)
Z Accumulation shares	68.79p	74.85p	(8.10)
	28.2.19	28.2.18	
Final distribution per Z Income share	1.3218p	1.0775p	

Fund information

Launch date	30 October 2015	
Launch price	50.00p per L Income share	
	50.00p per L Accumulation share	
	50.00p per Z Income share	
	50.00p per Z Accumulation share	
Launch date	28 November 2016	
Launch price	50.00p per S Income share	
	Interim	Final
Accounting dates	30 June	31 December
Revenue allocation date	28 February	

Fund Information (continued)

Ongoing charges figure

	For the year to 31.12.18	For the year to 31.12.17
L Income shares	0.89%	0.88%
L Accumulation shares	0.89%	0.88%
S Income shares	0.59%	0.58%
Z Income shares	0.96%	0.96%
Z Accumulation shares	0.96%	0.96%

Review of Investment Activities

From 29 December 2017 to 31 December 2018, the price of Z Accumulation shares on a dealing price to dealing price basis fell 8.10%. In comparison, the MSCI World Index generated a negative net return of 3.04%¹ in sterling terms.

The majority of 2018 was characterised by growth stocks (and five famous US tech stocks known as the FAANGs in particular) reaching ever higher valuations, while unloved value stocks have, broadly speaking, remained unloved. Against this difficult backdrop, the portfolio underperformed the MSCI World Index.

Financials featured heavily in the key detractors. Italian bank UniCredit detracted from returns. Perceptions with regard to its exposure to Turkey and ongoing uncertainty in Italian politics have weighted on the shares. However, it has de-risked meaningfully by raising additional capital. Standard Chartered and Barclays also detracted. Barclays revenues fell 2%¹, profit before tax was 10%¹ higher year on year. Both of these banks fit into the portfolio as part of a wider UK banking recovery that we have supported. Our view, and for some time, has been that both share prices and dividends would return to higher levels from these businesses as legacy issues subside and key capital ratios improve.

Anglo American was a key positive contributor. Anglo American has been a real turnaround story since its dark days of 2015. The key protagonists have been a heavy reduction in leverage, and the disposal of non-productive, low margin assets.

Positioning of the index, the MSCI World Index, against which our performance is compared, has no impact on our investment decisions. We are benchmark agnostic investors. We seek to invest in businesses that offer a margin of safety in their absolute valuation rather than their relative valuation. This is an important point in explaining why 2018 was a tough year for the portfolio.

The US stock market currently accounts for over 60%¹ of the MSCI World benchmark. Our US investments make up around 15% of the fund. This is predicated on the view that whichever way you look at US stocks, the overwhelming majority are expensive. From a bottom-up perspective we see few opportunities that warrant our client's funds. In 2018, the already eye-wateringly expensive US market rose to new highs. Our scepticism and lack of participation meant relative performance suffered.

However, this is a single year. As we have said before, markets – and the majority of their participants – are myopic in nature, focussed on far shorter time horizons than our own. We have a genuine long-term investment horizon, and can use this to our advantage. That being said, this will mean there is a divergence in performance which can be painful at times. However, folding now would be choosing capitulation over discipline. By investing judiciously at times like these, we can give ourselves the best chance of being rewarded in the future. As the dislocation between intrinsic and perceived value widens, the rewards for those with a robust resolve and a disciplined investment process becomes larger.

As of 1 November 2018, Kevin Murphy's fund management responsibilities were assumed by Simon Adler.

¹ 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.

Co-Fund Manager:

Nick Kirrage



Co-manager of UK Income, UK Recovery, Global Recovery and Global Income strategies

Founding member of the Global Value Team in 2013

Investment career commenced in 2001 within Schroders' Pan European research team

Previously analyst responsible for a number of sectors including Transport, Metals & Mining and Aerospace and Defence sectors

Chartered Financial Analyst

Degree in Aeronautical Engineering, Bristol University

Co-Fund Manager:

Simon Adler



Co-manager of Global Recovery and Global Income strategies

Joined the Global Value Team in July 2016

Investment career commenced in 2008, at Schroders as a UK equity analyst

Previously sector analyst responsible for Chemicals, Media, Transport, Travel & Leisure and Utilities

Global Sustainability Specialist in Global Equity team until 2016

Chartered Financial Analyst

MA in Politics, Edinburgh University

Co-Fund Manager:

Andrew Lyddon



Co-manager of European Income, European Recovery and Global Recovery strategies

Specialist Value UK equities fund manager with 13 years' investment experience

UK equity analyst responsible for Telecommunications and Support Services

Joined Schroders in October 2005 as an Equity Analyst with the Pan European Industrials desk

Chartered Financial Analyst

MSc in Intellectual Property Law, Queen Mary College

Degree in Chemistry, Bath University

Risk Profile

Risk and reward indicator



The risk category was calculated using simulated performance data and may not be a reliable indicator of the fund’s future risk profile.

The fund 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 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 invests in less developed markets which are generally less well regulated than the UK. They may be less liquid and may have less reliable custody arrangements.

The fund invests in emerging markets and the Far East. This involves a high degree of risk and should be seen as long term in nature.

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

More than 35% of the property of the fund may be invested in Government securities.

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 share prices of the fund.

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

Comparative Tables

L Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	72.84	66.39	49.25
Return before operating charges	(4.98)	8.20	18.55
Operating charges	(0.64)	(0.62)	(0.53)
Return after operating charges*	(5.62)	7.58	18.02
Distributions ¹	(1.37)	(1.13)	(0.88)
Closing net asset value	65.85	72.84	66.39
*after direct transaction costs of	(0.08)	(0.05)	(0.04)
Performance			
Return after charges (%)	(7.72)	11.42	36.59
Other information			
Closing net asset value (£000's)	3,116	1,402	109
Closing number of shares	4,732,054	1,924,558	163,922
Operating charges (%)	0.89	0.88	0.86
Direct transaction costs (%)**	0.11	0.07	0.07
Prices			
Highest dealing price (p)	76.63	74.28	67.97
Lowest dealing price (p)	66.24	65.74	44.18

Comparative Tables (continued)

L Accumulation shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	74.83	67.19	49.25
Return before operating charges	(5.12)	8.27	18.43
Operating charges	(0.66)	(0.63)	(0.49)
Return after operating charges*	(5.78)	7.64	17.94
Distributions ¹	(1.40)	(1.12)	(0.76)
Retained distributions ¹	1.40	1.12	0.76
Closing net asset value	69.05	74.83	67.19
*after direct transaction costs of	(0.08)	(0.05)	(0.04)
Performance			
Return after charges (%)	(7.72)	11.37	36.43
Other information			
Closing net asset value (£000's)	32,434	42,308	30,056
Closing number of shares	46,969,371	56,536,142	44,733,069
Operating charges (%)	0.89	0.88	0.86
Direct transaction costs (%)**	0.11	0.07	0.07
Prices			
Highest dealing price (p)	78.71	75.15	67.89
Lowest dealing price (p)	68.05	66.53	44.17

Comparative Tables (continued)

S Income shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	56.37	51.37	50.00
Return before operating charges	(3.86)	6.34	1.50
Operating charges	(0.33)	(0.32)	(0.03)
Return after operating charges*	(4.19)	6.02	1.47
Distributions ¹	(1.23)	(1.02)	(0.10)
Closing net asset value	50.95	56.37	51.37
*after direct transaction costs of	(0.06)	(0.04)	(0.04)
Performance			
Return after charges (%)	(7.43)	11.72	2.94
Other information			
Closing net asset value (£000's)	73,110	49,896	47,779
Closing number of shares	143,508,070	88,519,303	93,002,000
Operating charges (%)	0.59	0.58	0.08
Direct transaction costs (%)**	0.11	0.07	0.07
Prices			
Highest dealing price (p)	59.31	57.63	52.01
Lowest dealing price (p)	51.41	50.91	48.83

The share class was launched on 28 November 2016.

Comparative Tables (continued)

Z Income shares

Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	72.78	66.35	49.25
Return before operating charges	(4.98)	8.19	18.47
Operating charges	(0.69)	(0.68)	(0.57)
Return after operating charges*	(5.67)	7.51	17.90
Distributions ¹	(1.32)	(1.08)	(0.80)
Closing net asset value	65.79	72.78	66.35
*after direct transaction costs of	(0.08)	(0.05)	(0.04)
Performance			
Return after charges (%)	(7.79)	11.32	36.35
Other information			
Closing net asset value (£000's)	18,453	1,934	82
Closing number of shares	28,046,699	2,657,116	123,663
Operating charges (%)	0.96	0.96	0.94
Direct transaction costs (%)**	0.11	0.07	0.07
Prices			
Highest dealing price (p)	76.56	74.16	67.86
Lowest dealing price (p)	66.15	65.69	44.18

Comparative Tables (continued)

Z Accumulation shares			
Financial year to 31 December	2018 p per share	2017 p per share	2016 p per share
Change in net asset value			
Opening net asset value	74.73	67.15	49.25
Return before operating charges	(5.11)	8.26	18.44
Operating charges	(0.71)	(0.68)	(0.54)
Return after operating charges*	(5.82)	7.58	17.90
Distributions ¹	(1.35)	(1.08)	(0.84)
Retained distributions ¹	1.35	1.08	0.84
Closing net asset value	68.91	74.73	67.15
*after direct transaction costs of	(0.08)	(0.05)	(0.04)
Performance			
Return after charges (%)	(7.79)	11.29	36.35
Other information			
Closing net asset value (£000's)	34,726	18,440	4,466
Closing number of shares	50,394,300	24,675,828	6,650,182
Operating charges (%)	0.96	0.96	0.94
Direct transaction costs (%)**	0.11	0.07	0.07
Prices			
Highest dealing price (p)	78.60	75.04	67.85
Lowest dealing price (p)	67.91	66.47	44.17

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 share 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 31.12.18	Market Value £000's	% of net assets
Collective Investment Schemes 5.17% (6.09%)			
Cash Funds 5.17% (6.09%)			
Schroder Sterling Liquidity Plus Fund I Accumulation GBP [†]	69,545	8,375	5.17
		8,375	5.17
Collective Investment Schemes total			
		8,375	5.17
Equities 92.79% (91.64%)			
Australia 4.74% (4.17%)			
South32	4,146,583	7,678	4.74
		7,678	4.74
Belgium 1.71% (1.44%)			
Orange Belgium	178,391	2,760	1.71
		2,760	1.71
Bermuda 0.00% (0.86%)			
Croatia 1.78% (1.99%)			
Hrvatski Telekom	159,485	2,889	1.78
		2,889	1.78
Czech Republic 0.00% (0.94%)			
Egypt 0.49% (2.04%)			
Telecom Egypt	1,451,472	798	0.49
		798	0.49
France 7.19% (8.43%)			
Coface	372,499	2,652	1.64
Sanofi	110,751	7,504	4.64
Television Francaise 1	232,244	1,476	0.91
		11,632	7.19

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Greece 5.21% (8.00%)			
Hellenic Exchanges – Athens Stock Exchange	678,955	2,255	1.39
Hellenic Telecommunications Organization	378,175	3,231	2.00
OPAP	432,320	2,947	1.82
		8,433	5.21
Italy 8.84% (7.19%)			
Eni	328,241	4,046	2.50
Intesa Sanpaolo	3,181,474	5,535	3.42
UniCredit	531,502	4,718	2.92
		14,299	8.84
Netherlands 1.45% (1.10%)			
ING Groep	277,980	2,348	1.45
		2,348	1.45
Poland 1.50% (2.73%)			
Orange Polska	2,436,562	2,424	1.50
		2,424	1.50
Russia 4.77% (1.76%)			
Gazprom ADR	883,230	3,061	1.89
LUKOIL ADR	83,047	4,658	2.88
		7,719	4.77
South Africa 1.96% (1.72%)			
Impala Platinum Holdings	1,582,458	3,168	1.96
		3,168	1.96

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
South Korea 4.81% (2.44%)			
Hyundai Mobis	26,105	3,481	2.15
Kia Motors	181,601	4,300	2.66
		7,781	4.81
Spain 3.04% (0.00%)			
Repsol	379,072	4,791	2.96
Repsol Rights 09/01/2019	379,072	136	0.08
		4,927	3.04
Taiwan 2.31% (0.00%)			
Asustek Computer	728,000	3,738	2.31
		3,738	2.31
United Arab Emirates 0.88% (0.00%)			
Aldar Properties	4,150,977	1,420	0.88
		1,420	0.88
United Kingdom 24.77% (23.69%)			
Anglo American	478,882	8,411	5.20
Barclays	3,558,576	5,356	3.31
Centrica	4,593,075	6,196	3.83
HSBC Holdings	268,849	1,739	1.07
Royal Bank of Scotland Group EUR	1,542,762	3,332	2.06
Royal Bank of Scotland Group GBP	782,240	1,729	1.07
Standard Chartered	1,426,018	8,689	5.37
Wm Morrison Supermarkets	2,171,825	4,631	2.86
		40,083	24.77
United States of America 17.34% (23.14%)			
Adtalem Global Education	43,705	1,626	1.00
American International Group	207,269	6,350	3.92
Bridgepoint Education	280,025	1,548	0.96

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United States of America (continued)			
Buckle	105,934	1,587	0.98
Cisco Systems	136,589	4,652	2.87
Citigroup	32,646	1,322	0.82
Dillard's A	41,829	1,987	1.23
HP	215,517	3,469	2.14
Intel	104,883	3,869	2.39
Strategic Education	18,745	1,659	1.03
		28,069	17.34
Equities total		150,166	92.79
Portfolio of investments		158,541	97.96
Net other assets		3,298	2.04
Net assets attributable to shareholders		161,839	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

Unless otherwise stated, all securities are admitted to official stock exchange listings or are permitted collective investment schemes.

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

Summary of Portfolio Transactions

Largest purchases

For the year ended 31 December 2018	Cost £000's
Schroder Sterling Liquidity Plus Fund I Accumulation GBP [†]	7,571
Sanofi	7,007
Standard Chartered	5,812
Centrica	5,383
American International Group	5,265
Asustek Computer	5,243
Repsol Rights 09/01/2019	5,110
Eni	4,557
UniCredit	4,345
Anglo American	4,215

Largest sales

For the year ended 31 December 2018	Proceeds £000's
Schroder Sterling Liquidity Plus Fund I Accumulation GBP [†]	6,154
Citigroup	4,310
Telecom Egypt	2,829
Dillard's A	2,792
HSBC Holdings	2,649
Danieli & C Officine Meccaniche	2,589
Adtalem Global Education	2,309
Bridgepoint Education	2,225
Abercrombie & Fitch A	2,172
Cisco Systems	2,096

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

Statement of Total Return

For the year ended 31 December 2018

		2018	2017
	Notes	£000's	£000's
Income			
Net capital (losses)/gains	2	(14,951)	9,162
Revenue	3	4,623	2,750
Expenses	4	(1,139)	(773)
Net revenue before taxation		3,484	1,977
Taxation	5	(272)	(167)
Net revenue after taxation		3,212	1,810
Total return before distributions		(11,739)	10,972
Distributions	6	(3,212)	(1,810)
Change in net assets attributable to shareholders from investment activities		(14,951)	9,162

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	2018	2017
	£000's	£000's
Opening net assets attributable to shareholders	113,980	82,492
Amounts receivable on issue of shares	85,656	44,129
Amounts payable on cancellation of shares	(24,352)	(22,779)
	61,304	21,350
Dilution adjustment	169	75
Change in net assets attributable to shareholders from investment activities	(14,951)	9,162
Retained distribution on Accumulation shares	1,337	901
Closing net assets attributable to shareholders	161,839	113,980

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£000's	£000's
Assets			
Investments		158,541	111,395
Current assets			
Debtors	8	374	695
Cash and bank balances		5,443	3,354
Total assets		164,358	115,444
Liabilities			
Creditors			
Distributions payable		(2,193)	(953)
Other creditors	9	(326)	(511)
Total liabilities		(2,519)	(1,464)
Net assets attributable to shareholders			
		161,839	113,980

Notes to the Accounts

1 Accounting policies

Basis of preparation

The applicable accounting policies adopted by Schroder Global Recovery Fund are disclosed on pages 17 to 20.

2 Net capital (losses)/gains

The net capital (losses)/gains during the year comprise:

	2018 £000's	2017 £000's
Non-derivative securities	(14,853)	9,213
Foreign currency losses	(77)	(50)
Transaction costs	(21)	(13)
Compensation items	0	12
Net capital (losses)/gains	(14,951)	9,162

3 Revenue

	2018 £000's	2017 £000's
UK dividends	1,497	507
Overseas dividends	3,090	2,242
Interest distributions	32	0
Bank interest	3	0
Administration charge rebates	1	1
Total revenue	4,623	2,750

Notes to the Accounts (continued)

4 Expenses

	2018 £000's	2017 £000's
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD fee	835	568
Administration charge	228	156
	1,063	724
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	16	11
Safe custody fees	34	21
Dividend expenses	14	1
Interest payable	0	1
	64	34
Other expenses:		
Audit fee	9	12
Professional fee	3	3
	12	15
Total expenses	1,139	773

5 Taxation

(a) Analysis of the tax charge for the year

	2018 £000's	2017 £000's
Overseas withholding tax	272	167
Total current tax (Note 5(b))	272	167

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 OEICs of 20% (2017 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2018 £000's	2017 £000's
Net revenue before taxation	3,484	1,977
Net revenue for the year before taxation multiplied by the standard rate of corporation tax	697	395
Effects of:		
Revenue not subject to corporation tax	(848)	(528)
Movement in excess management expenses	166	144
Irrecoverable overseas withholding tax	272	167
Expensed withholding tax incurred	(6)	(1)
Movement in revenue taxable in different periods	(9)	(10)
Current tax charge for the year (Note 5(a))	272	167

(c) Factors that may affect future tax charges

At the balance sheet date, there is a potential deferred tax asset of £350,370 (2017 – £184,226) 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 shares and revenue deducted on the cancellation of shares, and comprises:

	2018 £000's	2017 £000's
Final Dividend distribution	3,530	1,854
Add: Revenue deducted on cancellation of shares	289	178
Deduct: Revenue received on issue of shares	(607)	(222)
Distributions	3,212	1,810
Net revenue after taxation	3,212	1,810
Distributions	3,212	1,810

Details of the distribution per share are set out in the Distribution Table on page 347.

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	2018 Assets £000's	2017 Assets £000's
Level 1: Quoted prices	150,166	104,457
Level 2: Observable market data	8,375	6,938
Level 3: Unobservable data	0	0
Total	158,541	111,395

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 ACD 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 ACD 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 ACD with particular attention paid to the carrying value of the investments.

8 Debtors

	2018 £000's	2017 £000's
Amounts receivable for issue of shares	78	444
Accrued UK dividends	0	104
Accrued overseas dividends	250	134
Overseas withholding tax recoverable	46	13
Total debtors	374	695

Notes to the Accounts (continued)

9 Other creditors

	2018		2017	
	£000's	£000's	£000's	£000's
Amounts payable for cancellation of shares		188		430
Accrued expenses				
ACD and Agents				
ACD fee	77		47	
Administration charge	20		13	
		97		60
Depository and Agents				
Depository's fees	4		2	
Safe custody fees	18		6	
Transaction costs	9		1	
		31		9
Other accrued expenses		10		12
Total other creditors		326		511

10 Contingent liabilities

The aggregate contingent liabilities not provided for at the balance sheet date are:

	2018 £000's	2017 £000's
Nil paid rights	140	0
Total contingent liabilities	140	0

11 Related party transactions

The ACD 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 ACD at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

Administration charge rebates received or receivable from the ACD of £1,470 (2017 – £901) are disclosed under Revenue in the Notes to the Accounts.

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

Shares held or managed by the ACD or associates of the ACD as a percentage of the fund's net asset value at the balance sheet date were 9.36% (2017 – 13.14%).

Notes to the Accounts (continued)

Related party holdings are disclosed in the Portfolio Statement, with any significant purchases and sales of related party holding are disclosed in Summary of Portfolio Transactions. The revenue earned from these investments of £31,546 (2017 – £Nil) is included under Revenue in the Notes to the Accounts.

12 Share classes

The fund currently has five share classes: L Income shares, L Accumulation shares, S Income shares, Z Income shares and Z Accumulation shares. The ACD charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the ACD, the Investment Adviser and their overhead expenses and for each share class is as follows:

L Income shares	0.675%
L Accumulation shares	0.675%
S Income shares	0.375%
Z Income shares	0.75%
Z Accumulation shares	0.75%

The closing net asset value of each share class, the closing net asset value per share and the closing number of shares in issue in each class are given in the Comparative Tables on pages 323 to 327. The distribution per share class is given in the Distribution Table on page 347. All classes have the same rights on winding up.

13 Derivative and other financial instruments

In accordance with the investment objective, the company 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 ACD 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 enable the pursuit of the fund's investment objective or to assist in the redemption of shares, the efficient management of the fund or purposes regarded as ancillary to the fund.

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 ACD'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 ACD in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, 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 and the balance sheet can be significantly affected by movements in foreign exchange rates. The ACD seeks to manage exposure to currency movements by using forward foreign exchange contracts.

Revenue received in other currencies is translated to sterling on or near the date of receipt.

Notes to the Accounts (continued)

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
United Arab Emirates dirham			
2018	0	1,420	1,420
2017	0	0	0
Australian dollar			
2018	0	7,678	7,678
2017	0	4,753	4,753
Croatian kuna			
2018	0	2,889	2,889
2017	0	2,273	2,273
Czech koruna			
2018	14	0	14
2017	0	1,074	1,074
Egyptian pound			
2018	3	798	801
2017	0	2,329	2,329
Euro			
2018	56	47,731	47,787
2017	36	33,536	33,572
Hong Kong dollar			
2018	0	0	0
2017	15	986	1,001
Polish zloty			
2018	2	2,424	2,426
2017	2	3,110	3,112
South African rand			
2018	0	3,168	3,168
2017	0	1,961	1,961
South Korean won			
2018	142	7,781	7,923
2017	58	2,779	2,837

Notes to the Accounts (continued)

Currency	Monetary exposure £000's	Non-monetary exposure £000's	Total £000's
Sterling			
2018	2,973	45,126	48,099
2017	2,412	30,222	32,634
Taiwan dollar			
2018	0	3,738	3,738
2017	0	0	0
US dollar			
2018	108	35,788	35,896
2017	62	28,372	28,434

Liquidity risk

The primary source of this risk to the fund is the liability to shareholders for any cancellation of shares. 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.

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
United Arab Emirates dirham			
2018	0	1,420	1,420
2017	0	0	0
Australian dollar			
2018	0	7,678	7,678
2017	0	4,753	4,753
Croatian kuna			
2018	0	2,889	2,889
2017	0	2,273	2,273
Czech koruna			
2018	0	14	14
2017	0	1,074	1,074

Notes to the Accounts (continued)

Currency	Floating rate financial assets £000's	Financial assets not carrying interest £000's	Total £000's
Egyptian pound			
2018	3	798	801
2017	0	2,329	2,329
Euro			
2018	26	47,761	47,787
2017	26	33,546	33,572
Hong Kong dollar			
2018	0	0	0
2017	0	1,001	1,001
Polish zloty			
2018	0	2,426	2,426
2017	0	3,112	3,112
South African rand			
2018	0	3,168	3,168
2017	0	1,961	1,961
South Korean won			
2018	0	7,923	7,923
2017	0	2,837	2,837
Sterling			
2018	13,789	36,829	50,618
2017	10,266	23,832	34,098
Taiwan dollar			
2018	0	3,738	3,738
2017	0	0	0
US dollar			
2018	0	35,896	35,896
2017	0	28,434	28,434

Notes to the Accounts (continued)

Currency	Financial liabilities not carrying interest £000's	Total £000's
Sterling		
2018	2,519	2,519
2017	1,464	1,464

There are no material amounts of non-interest bearing financial assets, other than equities and collective investment schemes, 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 SONIA. Foreign currency bank balances held bear interest at rates based on the LIBOR 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.

Global risk exposure

Commitment approach

When using derivatives, the ACD 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 31 December 2018 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 31 December
2018	0.00%	5.84%	0.29%	0.08%
2017	0.00%	4.34%	0.22%	0.00%

Notes to the Accounts (continued)

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.

2018	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Equities	116,721	60	185	116,966	0.05	0.16
Funds	7,571	0	0	7,571	0.00	0.00
	124,292	60	185	124,537		
Sales						
Equities	56,423	(29)	(11)	56,383	(0.05)	(0.02)
Funds	6,154	0	0	6,154	0.00	0.00
	62,577	(29)	(11)	62,537		
Total cost of the fund's average net asset value (%)						
		0.06	0.13			

2017	Principal £000's	Commissions £000's	Taxes £000's	Total cost £000's	Commissions % of principal	Taxes % of principal
Purchases						
Purchases ¹ :						
Equities	49,174	28	80	49,282	0.06	0.16
Funds	14,946	0	0	14,946	0.00	0.00
Corporate actions purchases:						
Equities	1,091	0	0	1,091	0.00	0.00
	65,211	28	80	65,319		
Sales						
Equities	34,262	(12)	(2)	34,248	(0.04)	(0.01)
Funds	8,029	0	0	8,029	0.00	0.00
	42,291	(12)	(2)	42,277		
Total cost of the fund's average net asset value (%)						
		0.04	0.08			

1 Excluding corporate actions.

Notes to the Accounts (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.52% (2017 – 0.28%).

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 Shares in issue reconciliation

	Number of shares in issue as at 31.12.17	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31.12.18
L Income shares	1,924,558	3,082,174	(274,678)	0	4,732,054
L Accumulation shares	56,536,142	18,601,661	(28,297,982)	129,550	46,969,371
S Income shares	88,519,303	57,398,634	(2,420,924)	11,057	143,508,070
Z Income shares	2,657,116	19,916,895	(519,990)	5,992,678	28,046,699
Z Accumulation shares	24,675,828	33,881,747	(2,187,876)	(5,975,399)	50,394,300

Distribution Table

Final distribution for the year ended 31 December 2018

Group 1 Shares purchased prior to 1 January 2018
Group 2 Shares purchased on or after 1 January 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	Distribution paid 28.2.18 p per share
L Income shares				
Group 1	1.3668	–	1.3668	1.1312
Group 2	0.3905	0.9763	1.3668	1.1312
L Accumulation shares				
Group 1	1.4016	–	1.4016	1.1230
Group 2	0.5663	0.8353	1.4016	1.1230
S Income shares				
Group 1	1.2251	–	1.2251	1.0201
Group 2	1.0373	0.1878	1.2251	1.0201
Z Income shares				
Group 1	1.3218	–	1.3218	1.0775
Group 2	1.1885	0.1333	1.3218	1.0775
Z Accumulation shares				
Group 1	1.3474	–	1.3474	1.0784
Group 2	0.5354	0.8120	1.3474	1.0784

Corporate shareholders (unaudited)

Corporate shareholders receive the dividend distribution payments as detailed below:

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

Equalisation

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

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

Fund Information

Investment objective and policy

The Schroder Multi-Asset Total Return Fund (the 'fund') aims to provide capital growth and income of UK 3 month LIBOR +4% per annum (gross of fees*) over rolling three year periods by investing in a diversified range of assets and markets worldwide. The fund also aims to limit losses when markets fall. This cannot be guaranteed and your capital is at risk.

The fund invests directly or indirectly (through collective investment schemes, ETFs and derivatives) in equity and equity related securities, fixed and floating rate securities, commodities and currencies worldwide. As the fund is index-unconstrained it is managed without reference to an index.

The fund may invest more than 10% of its assets in collective investment schemes (including other Schroder funds).

The fund may invest in below investment grade securities (as measured by Standard & Poor's or any equivalent grade of other credit rating agencies) or in unrated securities.

The fund may also invest in warrants and money market instruments, and hold cash. The investment strategy of the fund and its use of derivatives may lead to situations when it is considered appropriate that prudent levels of cash or cash equivalent liquidity will be maintained, which may be substantial or even represent (exceptionally) 100% of the fund's assets.

The fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the fund more efficiently. The fund will use leverage and take short positions.

* Gross of fees is before the deduction of the fund's ongoing charge.

Financial highlights

Dealing price	31.12.18	29.12.17	% change
I Income shares	48.49p	52.10p	(6.93)
I Accumulation shares	48.50p	52.10p	(6.91)
L Income shares	48.41p	52.06p	(7.01)
L Accumulation shares	48.46p	52.11p	(7.00)
X Income shares	48.93p	52.30p	(6.44)
X Accumulation shares	48.92p	52.31p	(6.48)
Z Income shares	48.46p	52.15p	(7.08)
Z Accumulation shares	48.43p	52.10p	(7.04)
	28.2.19	28.2.18	
Final distribution per I Income share	0.3339p	Nil	

Fund Information (continued)

Fund information

Launch date	28 April 2017	
Launch price	50.00p per I Income share	
	50.00p per I Accumulation share	
	50.00p per L Income share	
	50.00p per L Accumulation share	
	50.00p per X Income share	
	50.00p per X Accumulation share	
	50.00p per Z Income share	
	50.00p per Z Accumulation share	
	Interim	Final
Accounting dates	30 June	31 December
Revenue allocation date	28 February	

Ongoing charges figure

	For the year to 31.12.18	For the period from 1.1.18	For the year to 31.12.17
I Income shares	0.61% ¹	0.68% ^{1 2}	0.84% ^{1 3}
I Accumulation shares	0.61% ¹	0.68% ^{1 2}	0.84% ^{1 3}
L Income shares	0.75% ¹	0.83% ^{1 2}	0.97% ^{1 3}
L Accumulation shares	0.75% ¹	0.83% ^{1 2}	0.82% ^{1 3}
X Income shares⁴	0.06% ¹	0.13% ¹	0.13% ^{1 3}
X Accumulation shares⁴	0.06% ¹	0.13% ¹	0.13% ^{1 3}
Z Income shares	0.83% ¹	0.90% ^{1 2}	0.93% ^{1 3}
Z Accumulation shares	0.83% ¹	0.90% ^{1 2}	0.89% ^{1 3}

- 1 The Audit fee is invoiced directly to the ACD and is therefore not included in the Ongoing charges figure for these share classes.
- 2 The Ongoing charges figure was a projected figure based on the latest expenses of the share class.
- 3 The Ongoing charges figure is annualised based on the fees incurred during the accounting period.
- 4 The ACD fee for X Income shares and X Accumulation shares are invoiced directly to shareholders and is therefore not included in the Ongoing charges figure for these share classes.

Review of Investment Activities

From 29 December 2017 to 31 December 2018, the price of Z Accumulation shares on a dealing price to dealing price basis fell 7.04%. In comparison, Sterling 3 Month London Interbank Offer Rate +4% generated a total return of 4.74%¹.

The fund delivered an overall negative total return in 2018, a year in which the business cycle expansion in the US was revealed to be an atypical one. The cyclical environment we experienced was atypical in that while US growth continued to be strong, growth in the rest of the world weakened. This led to an increasingly narrow market focused on the outperformance of US equities and underperformance of US duration. Our decision to be overweight equities and underweight bonds was therefore correct, but our exposures to other cyclical areas of the market detracted from performance because they relied on a broadening of growth, which didn't come through. Specifically, our calls on emerging markets and commodities detracted from returns and, given the overall risk off sentiment in equity markets, the return seeking portion of the portfolio lost money.

The diversifiers portion of the portfolio was a mixed bag. It delivered on the expected low correlation to equities, but returns suffered in some of our alternative risk premia strategies. Meanwhile, many of our fundamental relative value strategies helped to cushion returns. The risk reducing portion of the portfolio worked to offset some of the portfolio's growth risk; currency strategies played an important role whilst our tactical approach to duration also helped.

Co-Fund Manager:

Johanna Kyrklund



Global Head of Multi-Asset Investments

Joined Schroders in March 2007 and is based in London

Johanna leads the Multi-Asset Investments division, is a member of the Group Management Committee (GMC) and Chairs Global Asset Allocation Committee

Responsible for investments on behalf of Multi-Asset clients globally and is the lead portfolio manager of the Schroder Diversified Growth and Multi-Asset Total Return Strategies

Prior to joining Schroders, Johanna specialised in tactical asset allocation strategies

From 2005 she worked at Insight Investment where she managed an unconstrained global macro absolute return fund. From 1997 to 2005 she worked at Deutsche Asset Management where she was Head of Asset Allocation in the UK and fund manager of the Deutsche tactical asset allocation fund

CFA Charterholder

Degree in Philosophy, Politics & Economics from Oxford University

Johanna is a member of the Cambridge University Investment Board

Co-Fund Manager:

Alastair Baker



Multi-Asset Fund Manager

Joined Schroders in 2007 and is based in London

Member of the Diversified Growth portfolio management team, including co-fund manager of the Multi-Asset Total Return strategy

Member of the commodity risk premium team and the alternative risk premium team of the Strategic Investment Group Multi-Asset

Member of the Model Review Group

Member of the Global Asset Allocation Committee Farm

CFA Charterholder

BSc in Economics and Econometrics, University of Bristol

¹ 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 simulated 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 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 invests in less developed markets which are generally less well regulated than the UK. They may be less liquid and may have less reliable custody arrangements.

The fund invests in emerging markets and the Far East. This involves a high degree of risk and should be seen as long term in nature.

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

The fund may invest in unregulated collective investment schemes, which involves a higher degree of risk as they are not regulated by the FCA. The funds may not be readily realisable and priced less frequently than listed shares or authorised unit trusts, and therefore price swings may be more volatile.

More than 35% of the property of the fund may be invested in Government securities.

The fund invests in higher yielding bonds (non-investment grade). The risk of default is higher with non-investment grade bonds than with investment grade bonds. Higher yielding bonds may also have an increased potential to erode your capital sum than lower yielding bonds.

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 uses derivatives for specific investment purposes. This involves a higher degree of risk and may lead to a higher volatility in the share prices of the fund. The ACD employs a risk management process to allow the ACD to measure derivative and forward positions and their contribution to the overall risk profile of the fund. As part of this risk management process, the ACD conducts daily value at risk analysis of the fund and performs both stress and back testing of the fund.

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

Comparative Tables

I Income shares		
Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	52.06	50.00
Return before operating charges	(3.26)	2.36
Operating charges	(0.31)	(0.30)
Return after operating charges*	(3.57)	2.06
Distributions ¹	(0.33)	Nil ²
Closing net asset value	48.16	52.06
*after direct transaction costs of	0.00	0.00
Performance		
Return after charges (%)	(6.86)	4.12
Other information		
Closing net asset value (£000's)	16,479	1
Closing number of shares	34,215,099	2,000
Operating charges (%)	0.61	0.84
Prices		
Highest dealing price (p)	53.08	52.16
Lowest dealing price (p)	48.20	49.79

The share class was launched on 28 April 2017.

2 There was no distribution as the total amount distributable was below de minimis.

Comparative Tables (continued)

I Accumulation shares		
Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	52.06	50.00
Return before operating charges	(3.20)	2.36
Operating charges	(0.36)	(0.30)
Return after operating charges*	(3.56)	2.06
Distributions	Nil ²	Nil ³
Retained distributions	Nil ²	Nil ³
Closing net asset value	48.50	52.06
*after direct transaction costs of	0.00	0.00
Performance		
Return after charges (%)	(6.84)	4.12
Other information		
Closing net asset value (£000's)	1	1
Closing number of shares	2,000	2,000
Operating charges (%)	0.61	0.84
Prices		
Highest dealing price (p)	53.08	52.16
Lowest dealing price (p)	48.20	49.79

The share class was launched on 28 April 2017.

- 2 There will not be a distribution as the total amount distributable was below de minimis.
- 3 There was no distribution as the total amount distributable was below de minimis.

Comparative Tables (continued)

L Income shares		
Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	52.03	50.00
Return before operating charges	(3.24)	2.37
Operating charges	(0.38)	(0.34)
Return after operating charges*	(3.62)	2.03
Distributions	Nil ²	Nil ³
Closing net asset value	48.41	52.03
*after direct transaction costs of	0.00	0.00
Performance		
Return after charges (%)	(6.96)	4.06
Other information		
Closing net asset value (£000's)	30	1
Closing number of shares	61,895	2,000
Operating charges (%)	0.75	0.97
Prices		
Highest dealing price (p)	53.04	52.13
Lowest dealing price (p)	48.11	49.79

The share class was launched on 28 April 2017.

- 2 There will not be a distribution as the total amount distributable was below de minimis.
- 3 There was no distribution as the total amount distributable was below de minimis.

Comparative Tables (continued)

L Accumulation shares		
Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	52.08	50.00
Return before operating charges	(3.23)	2.37
Operating charges	(0.38)	(0.29)
Return after operating charges*	(3.61)	2.08
Distributions ¹	(0.32)	Nil ²
Retained distributions ¹	0.32	Nil ²
Closing net asset value	48.47	52.08
*after direct transaction costs of	0.00	0.00
Performance		
Return after charges (%)	(6.93)	4.16
Other information		
Closing net asset value (£000's)	244	17
Closing number of shares	502,881	32,951
Operating charges (%)	0.75	0.82
Prices		
Highest dealing price (p)	53.10	52.18
Lowest dealing price (p)	48.17	49.79

The share class was launched on 28 April 2017.

2 There was no distribution as the total amount distributable was below de minimis.

Comparative Tables (continued)

Financial year to 31 December	X Income shares	
	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	52.26	50.00
Return before operating charges	(3.30)	2.32
Operating charges	(0.03)	(0.06)
Return after operating charges*	(3.33)	2.26
Distributions	Nil ²	Nil ³
Closing net asset value	48.93	52.26
*after direct transaction costs of	0.00	0.00
Performance		
Return after charges (%)	(6.37)	4.52
Other information		
Closing net asset value (£000's)	1	1
Closing number of shares	2,000	2,000
Operating charges (%)	0.06	0.13
Prices		
Highest dealing price (p)	53.31	52.36
Lowest dealing price (p)	48.63	49.79

The share class was launched on 28 April 2017.

- 2 There will not be a distribution as the total amount distributable was below de minimis.
- 3 There was no distribution as the total amount distributable was below de minimis.

Comparative Tables (continued)

X Accumulation shares		
Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	52.27	50.00
Return before operating charges	(3.32)	2.33
Operating charges	(0.03)	(0.06)
Return after operating charges*	(3.35)	2.27
Distributions ¹	(0.54)	(0.26)
Retained distributions ¹	0.54	0.26
Closing net asset value	48.92	52.27
*after direct transaction costs of	0.00	0.00
Performance		
Return after charges (%)	(6.41)	4.54
Other information		
Closing net asset value (£000's)	32,440	16,729
Closing number of shares	66,308,102	32,002,126
Operating charges (%)	0.06	0.13
Prices		
Highest dealing price (p)	53.32	52.37
Lowest dealing price (p)	48.61	49.79

The share class was launched on 28 April 2017.

Comparative Tables (continued)

Z Income shares		
Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	52.11	50.00
Return before operating charges	(3.22)	2.44
Operating charges	(0.42)	(0.33)
Return after operating charges*	(3.64)	2.11
Distributions	Nil ²	Nil ³
Closing net asset value	48.47	52.11
*after direct transaction costs of	0.00	0.00
Performance		
Return after charges (%)	(6.99)	4.22
Other information		
Closing net asset value (£000's)	9	8
Closing number of shares	19,393	15,335
Operating charges (%)	0.83	0.93
Prices		
Highest dealing price (p)	53.13	52.21
Lowest dealing price (p)	48.17	49.79

The share class was launched on 28 April 2017.

- 2 There will not be a distribution as the total amount distributable was below de minimis.
- 3 There was no distribution as the total amount distributable was below de minimis.

Comparative Tables (continued)

Z Accumulation shares		
Financial year to 31 December	2018 p per share	2017 p per share
Change in net asset value		
Opening net asset value	52.07	50.00
Return before operating charges	(3.22)	2.39
Operating charges	(0.42)	(0.32)
Return after operating charges*	(3.64)	2.07
Distributions ¹	(0.28)	Nil ²
Retained distributions ¹	0.28	Nil ²
Closing net asset value	48.43	52.07
*after direct transaction costs of	0.00	0.00
Performance		
Return after charges (%)	(6.99)	4.14
Other information		
Closing net asset value (£000's)	307	102
Closing number of shares	634,542	196,005
Operating charges (%)	0.83	0.89
Prices		
Highest dealing price (p)	53.09	52.17
Lowest dealing price (p)	48.13	49.79

The share class was launched on 28 April 2017.

1 These figures have been rounded to 2 decimal places.

2 There was no distribution as the total amount distributable was below de minimis.

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 share 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 31.12.18	Market Value £000's	% of net assets
Collective Investment Schemes 31.52% (42.95%)			
Cash Funds 4.60% (13.42%)			
Schroder Offshore Cash Fund B Accumulation GBP ^{^†}	443,431	815	1.65
Schroder Sterling Liquidity Plus Fund I Accumulation GBP [†]	12,135	1,461	2.95
		2,276	4.60
Chinese Equity Funds 0.54% (0.00%)			
Schroder China A Fund I Accumulation USD ^{^†}	4,041	264	0.54
		264	0.54
Commodity Funds 1.97% (2.72%)			
iShares Physical Gold ETC USD	49,449	977	1.97
		977	1.97
Emerging Markets Equity Funds 3.06% (3.43%)			
Schroder QEP Global Emerging Markets Fund X Accumulation GBP ^{^†}	2,366,956	1,516	3.06
		1,516	3.06
Emerging Markets Fixed Interest Funds 4.29% (11.45%)			
Schroder Emerging Markets Debt Absolute Return Fund I Accumulation USD ^{^†}	72,493	2,125	4.29
		2,125	4.29
Global Equity Funds 7.85% (7.15%)			
Schroder Global Multi-Factor Equity Fund X Accumulation GBP ^{^†}	7,781,804	3,884	7.85
		3,884	7.85

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Global Fixed Interest Funds 9.21% (4.78%)			
Schroder Global Corporate Bond Fund I Accumulation USD ^{^†}	76,236	793	1.60
Schroder Global High Yield Fund I Accumulation USD ^{^†}	94,784	3,769	7.61
		4,562	9.21
Collective Investment Schemes total		15,604	31.52
Government Bonds 64.43% (51.23%)			
United Kingdom 64.43% (48.45%)			
UK Treasury Bill 0% 07/01/2019	£4,540,000	4,539	9.17
UK Treasury Bill 0% 14/01/2019	£3,100,000	3,099	6.26
UK Treasury Bill 0% 21/01/2019	£3,600,000	3,599	7.27
UK Treasury Bill 0% 28/01/2019	£3,000,000	2,998	6.05
UK Treasury Bill 0% 25/02/2019	£3,000,000	2,997	6.05
UK Treasury Bill 0% 04/03/2019	£3,000,000	2,996	6.05
UK Treasury Bill 0% 25/03/2019	£3,370,000	3,365	6.80
UK Treasury Bill 0% 29/04/2019	£2,100,000	2,095	4.23
UK Treasury Bill 0% 07/05/2019	£2,500,000	2,494	5.04
UK Treasury Bill 0% 13/05/2019	£800,000	798	1.61
UK Treasury Bill 0% 28/05/2019	£800,000	798	1.61
UK Treasury Bill 0% 17/06/2019	£2,130,000	2,123	4.29
		31,901	64.43
United States of America 0.00% (2.78%)			
Government Bonds total		31,901	64.43
Contracts for Difference (0.05)% (0.00%)			
Australia 0.01% (0.00%)			
AGL Energy	937	0	0.00
Alumina	37,540	2	0.00
Aristocrat Leisure	(3,589)	0	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Australia (continued)			
BlueScope Steel	1,279	0	0.00
Challenger	(7,213)	1	0.00
CIMIC Group	1,438	1	0.00
CSL	(501)	(1)	0.00
Domino's Pizza Enterprises	(1,240)	0	0.00
LendLease Group	(1,905)	0	0.00
Medibank	29,582	3	0.01
QBE Insurance Group	(7,253)	0	0.00
REA Group	(228)	0	0.00
South32	7,848	0	0.00
Tabcorp Holdings	(19,658)	0	0.00
Telstra	12,696	0	0.00
Treasury Wine Estates	(6,174)	(2)	0.00
		4	0.01
Austria (0.01)% (0.00%)			
ANDRITZ	(790)	0	0.00
OMV	938	(2)	0.00
Raiffeisen Bank International	2,088	(3)	(0.01)
		(5)	(0.01)
Belgium 0.00% (0.00%)			
Ageas	(950)	0	0.00
Umicore	(1,601)	1	0.00
		1	0.00
Bermuda 0.00% (0.00%)			
Alibaba Health Information Technology	(64,000)	2	0.00
Alibaba Pictures Group	(210,000)	0	0.00
Axis Capital Holdings	(1,127)	1	0.00
Beijing Enterprises Water Group	(80,000)	2	0.00
Brilliance China Automotive Holdings	(76,000)	0	0.00
Bunge	(1,104)	3	0.01

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Bermuda (continued)			
China Resources Gas Group	6,000	(1)	0.00
CK Infrastructure Holdings	(8,500)	0	0.00
Credicorp	(136)	(1)	0.00
IHS Markit	(448)	1	0.00
Jardine Matheson Holdings	(900)	(4)	(0.01)
Kerry Properties	13,000	(2)	0.00
		1	0.00
Brazil (0.01)% (0.00%)			
Banco do Brasil	1,100	1	0.00
BB Seguridade Participacoes	7,800	1	0.00
Braskem A	1,000	0	0.00
Centrais Eletricas Brasileiras	1,600	0	0.00
Cia Energetica de Minas Gerais	(2,300)	(1)	0.00
Cielo	10,000	(1)	0.00
Cosan	4,400	0	0.00
Hypera	2,700	0	0.00
Itau Unibanco Holding	2,400	0	0.00
Itausa – Investimentos Itau	12,900	1	0.00
Localiza Rent a Car	(9,400)	(4)	(0.01)
Qualicorp Consultoria e Corretora de Seguros	16,300	(2)	0.00
Ultrapar Participacoes	(2,300)	(2)	0.00
Vale	2,200	0	0.00
		(7)	(0.01)
Canada (0.02)% (0.00%)			
Agnico Eagle Mines	(836)	0	0.00
Alimentation Couche-Tard	(1,263)	(1)	0.00
AltaGas	(6,355)	0	0.00
Bausch Health	2,613	(4)	(0.01)
BlackBerry	7,264	(2)	(0.01)
Bombardier	28,667	2	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Canada (continued)			
Cameco	3,042	0	0.00
Canadian Utilities	(1,204)	0	0.00
Cenovus Energy	2,527	0	0.00
Element Fleet Management	(6,822)	(1)	0.00
Empire	2,039	0	0.00
Fairfax Financial Holdings	(140)	(2)	0.00
Franco-Nevada	(764)	1	0.00
Hydro One	438	0	0.00
Industrial Alliance Insurance & Financial Services	(955)	0	0.00
Kinross Gold	7,496	1	0.00
Lundin Mining	10,623	0	0.00
Manulife Financial	1,849	0	0.00
Methanex	1,205	(1)	0.00
National Bank of Canada	1,168	(1)	0.00
Shopify	(415)	(2)	0.00
SNC-Lavalin Group	(1,647)	1	0.00
Teck Resources B	2,196	0	0.00
Turquoise Hill Resources	(7,293)	(1)	0.00
West Fraser Timber	1,046	1	0.00
		(9)	(0.02)
Cayman Islands 0.00% (0.00%)			
ASM Pacific Technology	(6,400)	1	0.00
Baozun ADR	(1,660)	4	0.01
Chailease Holding	16,000	0	0.00
China Evergrande Group	(8,000)	1	0.00
China Resources Cement Holdings	26,000	0	0.00
China State Construction International Holdings	(50,000)	0	0.00
CIFI Holdings Group	(96,000)	(3)	(0.01)
CK Asset Holdings	8,500	0	0.00
Ctrip.com International ADR	(1,452)	0	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Cayman Islands (continued)			
Future Land Development Holdings	(48,000)	(1)	0.00
GDS Holdings ADR	(1,122)	1	0.00
Geely Automobile Holdings	(22,000)	0	0.00
General Interface Solution Holding	14,000	(2)	0.00
Kaisa Group Holdings	49,000	1	0.00
Kingboard Holdings	(11,000)	0	0.00
Kingsoft	(30,000)	0	0.00
KWG Group Holdings	(46,500)	(2)	(0.01)
Logan Property Holdings	22,000	1	0.00
Longfor Group Holdings	18,000	1	0.00
MGM China Holdings	28,800	(2)	0.00
Minth Group	(12,000)	1	0.00
Momo ADR	1,057	(1)	0.00
Noah Holdings ADR	321	0	0.00
Sands China	7,200	0	0.00
Semiconductor Manufacturing International	(19,500)	1	0.00
Shimao Property Holdings	8,000	1	0.00
SINA	311	(1)	0.00
Sunny Optical Technology Group	(4,100)	0	0.00
Vipshop Holdings ADR	(8,140)	(1)	0.00
Wuxi Biologics Cayman	(7,000)	4	0.01
Wynn Macau	14,800	(1)	0.00
Xinyi Solar Holdings	(62,000)	0	0.00
YY ADR	312	0	0.00
Zhen Ding Technology Holding	10,000	(1)	0.00
		2	0.00
China (0.04)% (0.00%)			
Air China H	34,000	(1)	0.00
Angang Steel	16,000	0	0.00
Anhui Conch Cement H	6,000	(1)	0.00
AviChina Industry & Technology	(39,000)	0	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
China (continued)			
BAIC Motor H	74,000	0	0.00
BBMG	(65,000)	0	0.00
China Cinda Asset Management H	175,000	(1)	0.00
China Coal Energy	48,000	(1)	0.00
China Galaxy Securities	(73,500)	1	0.00
China Pacific Insurance Group H	10,600	(1)	0.00
China Petroleum & Chemical H	76,000	(6)	(0.02)
China Railway Construction	(25,500)	0	0.00
China Shenhua Energy H	24,000	(1)	0.00
China Southern Airlines	28,000	(1)	0.00
Chongqing Rural Commercial Bank H	44,000	0	0.00
Guangzhou Automobile Group H	(22,000)	(1)	0.00
Guangzhou R&F Properties	(10,400)	0	0.00
Jiangxi Copper	(23,000)	0	0.00
PetroChina H	92,000	(3)	(0.01)
Sinopharm Group	(13,600)	(1)	0.00
TravelSky Technology H	(9,000)	0	0.00
Weichai Power H	56,000	0	0.00
Yanzhou Coal Mining	70,000	(3)	(0.01)
Zijin Mining Group	44,000	0	0.00
		(20)	(0.04)
Colombia 0.00% (0.00%)			
Ecopetrol ADR	1,591	(2)	0.00
		(2)	0.00
Denmark (0.01)% (0.00%)			
Carlsberg B	438	(1)	0.00
Coloplast B	374	(1)	0.00
Genmab	(422)	(1)	0.00
H Lundbeck	1,564	(2)	(0.01)
Novo Nordisk B	1,345	0	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Denmark (continued)			
Orsted A	(774)	1	0.00
Pandora	1,254	(2)	0.00
		(6)	(0.01)
Finland 0.00% (0.00%)			
Nokia	(10,612)	1	0.00
		1	0.00
France 0.02% (0.00%)			
Alstom	(909)	2	0.01
Atos	462	1	0.00
Bollore	(7,404)	0	0.00
Bouygues	1,549	(1)	0.00
Casino Guichard Perrachon	1,637	2	0.01
Dassault Aviation	30	(1)	0.00
Electricite de France	4,194	1	0.00
Faurecia	947	2	0.00
Getlink	(4,185)	1	0.00
Iliad	(477)	1	0.00
Peugeot	1,840	0	0.00
Remy Cointreau	(462)	1	0.00
Renault	(701)	0	0.00
Sanofi	250	0	0.00
Societe BIC	409	0	0.00
Teleperformance	(221)	0	0.00
		9	0.02
Germany 0.02% (0.00%)			
adidas	(204)	1	0.00
Allianz	302	0	0.00
Commerzbank	(3,881)	2	0.01
Covestro	1,245	(1)	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Germany (continued)			
Daimler	(1,213)	1	0.00
Delivery Hero	(1,903)	(6)	(0.01)
Deutsche Bank	(3,939)	2	0.01
Deutsche Lufthansa	2,836	1	0.00
GEA Group	(1,377)	(1)	0.00
HOCHTIEF	288	1	0.00
Infineon Technologies	628	0	0.00
METRO	(933)	(1)	0.00
OSRAM Licht	(634)	1	0.00
Porsche Automobil Holding	(898)	3	0.01
ProSiebenSat.1 Media	3,404	0	0.00
Puma	(125)	(2)	0.00
Schaeffler	3,961	1	0.00
Symrise	(470)	0	0.00
thyssenkrupp	(2,054)	2	0.00
United Internet	(803)	0	0.00
Volkswagen	(292)	2	0.00
Zalando	(1,531)	2	0.00
		8	0.02
Hong Kong 0.00% (0.00%)			
China Everbright International	(74,000)	(3)	(0.01)
China Jinmao Holdings Group	(104,000)	1	0.00
China Overseas Land & Investment	(12,000)	(1)	0.00
China Taiping Insurance Holdings	20,000	(2)	0.00
Fosun International	15,000	(1)	0.00
Henderson Land Development	(9,000)	1	0.00
Lenovo Group	(90,000)	2	0.01
MMG	64,000	0	0.00
Sino Land	(20,000)	1	0.00
SJM Holdings	(45,000)	0	0.00
		(2)	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Ireland 0.01% (0.00%)			
AIB Group	9,411	1	0.00
Alkermes	(791)	1	0.00
Kerry Group A	(344)	1	0.00
Paddy Power Betfair	(772)	0	0.00
Pentair	1,577	(1)	0.00
Seagate Technology	1,536	2	0.01
		4	0.01
Israel 0.00% (0.00%)			
Bank Hapoalim	(9,590)	2	0.01
Bank Leumi Le-Israel	(8,186)	2	0.00
Nice	(218)	0	0.00
Teva Pharmaceutical Industries ADR	2,450	(3)	(0.01)
		1	0.00
Italy (0.01)% (0.00%)			
Assicurazioni Generali	3,746	1	0.00
Davide Campari-Milano	(7,448)	0	0.00
Leonardo	6,867	(3)	(0.01)
Mediobanca Banca di Credito Finanziario	7,559	(1)	0.00
Poste Italiane	8,701	1	0.00
Snam	(10,957)	2	0.01
Telecom Italia	95,355	(6)	(0.01)
UniCredit	2,515	(1)	0.00
		(7)	(0.01)
Japan 0.02% (0.00%)			
Aeon	1,100	(3)	(0.01)
Aeon Mall	2,500	(2)	(0.01)
ANA Holdings	900	0	0.00
Asahi Group Holdings	1,200	(2)	0.00
Astellas Pharma	4,200	(5)	(0.01)
Bank of Kyoto	(1,000)	3	0.01

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Japan (continued)			
Brother Industries	2,600	(1)	0.00
Coca-Cola Bottlers Japan Holdings	1,600	3	0.01
Daifuku	(1,300)	3	0.01
Daito Trust Construction	300	(1)	0.00
Daiwa House Industry	900	(1)	0.00
Eisai	400	(2)	0.00
Hisamitsu Pharmaceutical	(400)	2	0.00
Hitachi Metals	(5,400)	2	0.00
Hitachi	2,200	(3)	(0.01)
Hitachi Chemical	(3,200)	(1)	0.00
Hitachi High-Technologies	(1,600)	1	0.00
Hulic	(4,200)	1	0.00
IHI	1,200	(4)	(0.01)
Iida Group Holdings	(3,300)	3	0.01
Japan Airlines	1,800	0	0.00
Japan Airport Terminal	(1,400)	0	0.00
Japan Post Bank	(5,600)	2	0.00
Japan Post Holdings	(5,300)	1	0.00
JGC	(4,300)	1	0.00
JSR	(1,500)	0	0.00
JTEKT	1,000	(1)	0.00
JXTG Holdings	9,700	(1)	0.00
Kajima	2,700	(1)	0.00
Kakaku.com	2,800	(5)	(0.01)
Kansai Electric Power	4,100	(3)	(0.01)
Kansai Paint	(2,300)	(1)	0.00
Kao	400	1	0.00
Keyence	(100)	0	0.00
Kirin Holdings	1,200	0	0.00
Komatsu	(2,200)	3	0.01
Kose	(200)	(1)	0.00
Kubota	(1,200)	1	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Japan (continued)			
Kyushu Financial Group	(5,600)	2	0.00
Lawson	800	(2)	0.00
LINE	(1,600)	(2)	0.00
Lion	(700)	0	0.00
LIXIL Group	2,400	1	0.00
M3	(2,000)	1	0.00
Marui Group	(2,800)	2	0.00
Maruichi Steel Tube	(900)	0	0.00
Mazda Motor	2,000	(1)	0.00
MINEBEA MITSUMI	3,000	(1)	0.00
MISUMI Group	(1,400)	1	0.00
Mitsubishi Chemical Holdings	5,800	0	0.00
Mitsubishi Materials	(1,800)	3	0.01
Mitsui Fudosan	(2,300)	4	0.01
Mitsui OSK Lines	2,600	(3)	(0.01)
Mixi	2,500	(1)	0.00
Nabtesco	(1,000)	1	0.00
Nikon	3,800	(1)	0.00
Nintendo	(100)	1	0.00
Nippon Paint Holdings	(700)	0	0.00
Nippon Telegraph & Telephone	1,500	(1)	0.00
Ono Pharmaceutical	(2,800)	7	0.01
Otsuka	(800)	2	0.00
Otsuka Holdings	(700)	4	0.01
Panasonic	4,400	(2)	0.00
Park24	1,500	(3)	(0.01)
Persol Holdings	(2,400)	3	0.01
Pola Orbis Holdings	1,000	1	0.00
Rakuten	(4,400)	3	0.01
Recruit Holdings	(1,700)	1	0.00
Renesas Electronics	2,800	0	0.00
Resona Holdings	12,800	(2)	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Japan (continued)			
Rohm	(200)	0	0.00
Seiko Epson	1,900	0	0.00
Sekisui House	3,100	(1)	0.00
Shinsei Bank	1,500	(1)	0.00
Shionogi	1,000	(4)	(0.01)
Shiseido	(600)	0	0.00
SoftBank Group	(800)	5	0.01
Sohgo Security Services	(800)	1	0.00
Sony	1,100	(2)	0.00
Sony Financial Holdings	3,200	(3)	(0.01)
Subaru	1,200	(1)	0.00
Sumitomo Chemical	9,300	(1)	0.00
Sumitomo Dainippon Pharma	1,800	(3)	(0.01)
Sumitomo Metal Mining	(1,700)	3	0.01
Sumitomo Rubber Industries	1,900	(1)	0.00
Suzuken	1,200	(3)	(0.01)
Taisei	1,200	(1)	0.00
TDK	(400)	0	0.00
THK	(1,000)	2	0.00
Toho	800	1	0.00
Tokyo Electric Power Co Holdings	10,800	(6)	(0.01)
Tokyo Tatemono	(4,700)	4	0.01
Toshiba	(2,100)	3	0.01
Tosoh	3,400	(1)	0.00
Toyota Industries	(1,000)	2	0.00
Tsuruha Holdings	(700)	7	0.01
Unicharm	2,100	1	0.00
Yahoo Japan	(12,000)	1	0.00
Yamaha	(400)	1	0.00
Yamaha Motor	(1,400)	1	0.00
Yamato Holdings	(1,200)	1	0.00
		12	0.02

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Jersey 0.00% (0.00%)			
WPP	(2,986)	1	0.00
		1	0.00
Luxembourg 0.00% (0.00%)			
ArcelorMittal	1,313	(1)	0.00
Eurofins Scientific	(93)	(1)	0.00
PLAY Communications	3,708	0	0.00
Tenaris	(5,529)	1	0.00
		(1)	0.00
Mexico 0.00% (0.00%)			
Infraestructura Energetica Nova	(6,600)	(1)	0.00
		(1)	0.00
Netherlands (0.03)% (0.00%)			
ABN AMRO Group CVA	1,861	(1)	0.00
Aegon	(10,570)	1	0.00
AerCap Holdings	1,184	(6)	(0.02)
Akzo Nobel	(588)	(1)	0.00
ASML Holding	(333)	2	0.00
CNH Industrial	3,441	(1)	0.00
Fiat Chrysler Automobiles	4,109	(4)	(0.01)
Koninklijke Philips	586	0	0.00
LyondellBasell Industries A	626	0	0.00
Mylan	603	(1)	0.00
NN Group	(1,563)	(1)	0.00
Unilever CVA	1,142	(1)	0.00
X5 Retail Group GDR	2,311	(1)	0.00
		(14)	(0.03)
New Zealand 0.00% (0.00%)			
Auckland International Airport	(5,806)	(1)	0.00
		(1)	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Norway 0.00% (0.00%)			
Schibsted	(440)	0	0.00
Yara International	(719)	0	0.00
		0	0.00
Peru 0.00% (0.00%)			
Cia de Minas Buenaventura ADR	(1,469)	0	0.00
		0	0.00
Poland 0.00% (0.00%)			
CCC	(451)	1	0.00
CD Projekt	(830)	(1)	0.00
Dino Polska	(895)	1	0.00
Grupa Lotos	(944)	0	0.00
Jastrzebska Spolka Weglowa	1,101	0	0.00
KGHM Polska Miedz	(2,443)	0	0.00
Polski Koncern Naftowy ORLEN	(2,265)	(1)	0.00
Polskie Gornictwo Naftowe i Gazownictwo	(19,439)	(1)	0.00
Powszechna Kasa Oszczednosci Bank Polski	(3,376)	2	0.00
Powszechny Zaklad Ubezpieczen	(2,617)	0	0.00
Santander Bank Polska	(319)	1	0.00
		2	0.00
Russia 0.00% (0.00%)			
Mobile TeleSystems ADR	3,228	0	0.00
		0	0.00
Singapore 0.00% (0.00%)			
City Developments	(9,100)	0	0.00
Venture	700	0	0.00
Wilmar International	(25,500)	0	0.00
Yangzijiang Shipbuilding Holdings	16,900	1	0.00
		1	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
South Africa 0.02% (0.00%)			
AngloGold Ashanti	2,724	1	0.00
Bid	(1,472)	(1)	0.00
Bidvest Group	3,522	1	0.00
Coronation Fund Managers	4,735	0	0.00
Exxaro Resources	3,004	0	0.00
Gold Fields	10,909	1	0.00
Kumba Iron Ore	1,812	1	0.00
Mr Price Group	3,585	3	0.01
RMB Holdings	5,533	1	0.00
Standard Bank Group	1,463	1	0.00
Truworths International	7,863	2	0.01
		10	0.02
South Korea (0.02)% (0.00%)			
Amorepacific	(385)	(4)	(0.01)
CJ CheilJedang	(149)	1	0.00
CJ Logistics	(287)	0	0.00
Daelim Industrial	413	0	0.00
GS Holdings	162	0	0.00
Hanmi Pharm	(147)	(1)	0.00
Hanmi Science	(205)	(1)	0.00
Hanwha Chemical	1,950	1	0.00
Hyundai Heavy Industries	(239)	1	0.00
Hyundai Mobis	(166)	1	0.00
Korea Investment Holdings	784	(1)	0.00
Korea Zinc	(132)	1	0.00
Korean Air Lines	2,007	1	0.00
LG Chem	(93)	(1)	0.00
LG Display	4,038	0	0.00
LG Electronics	410	(1)	0.00
Lotte Shopping	339	(2)	(0.01)
Medy-Tox	(36)	(1)	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
South Korea (continued)			
Samsung Engineering	2,688	(1)	0.00
Samsung SDI	(101)	(2)	0.00
SK Holdings	212	(1)	0.00
SK Innovation	(83)	0	0.00
S-Oil	(498)	2	0.00
Yuhan	(123)	0	0.00
		(8)	(0.02)
Spain 0.01% (0.00%)			
ACS Actividades de Construccion y Servicios	1,581	2	0.00
Banco de Sabadell	(23,728)	1	0.00
Bankia	(20,742)	3	0.01
		6	0.01
Sweden (0.01)% (0.00%)			
Boliden	3,071	(2)	(0.01)
Essity B	1,404	(1)	0.00
Husqvarna B	(3,144)	1	0.00
Kinnevik B	1,810	0	0.00
Modern Times Group MTG B	(1,328)	(1)	0.00
SKF B	2,058	0	0.00
Swedbank A	2,303	(1)	0.00
Swedish Match	1,628	(1)	0.00
Volvo B	3,087	0	0.00
		(5)	(0.01)
Switzerland 0.00% (0.00%)			
Cie Financiere Richemont	(277)	0	0.00
Partners Group Holding	60	0	0.00
Swatch Group	(136)	0	0.00
Vifor Pharma	(368)	1	0.00
Zurich Insurance Group	205	0	0.00
		1	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Taiwan (0.02)% (0.00%)			
Acer	43,000	0	0.00
AU Optronics	149,000	0	0.00
China Airlines	48,000	0	0.00
China Life Insurance	36,000	0	0.00
Chunghwa Telecom	(6,000)	(1)	(0.01)
Compal Electronics	(38,000)	0	0.00
Globalwafers	5,000	(4)	(0.01)
Hiwin Technologies	4,000	(1)	0.00
Hon Hai Precision Industry	(23,000)	0	0.00
Innolux	130,000	(1)	0.00
MediaTek	(4,000)	0	0.00
Pegatron	(23,000)	(1)	0.00
Pou Chen	20,000	0	0.00
Wistron	(31,000)	0	0.00
Yageo	1,000	0	0.00
		(8)	(0.02)
Turkey 0.02% (0.00%)			
Ford Otomotiv Sanayi	2,471	0	0.00
KOC Holding	(17,047)	0	0.00
TAV Havalimanlari Holding	7,156	2	0.01
Tupras Turkiye Petrol Rafinerileri	(1,818)	1	0.00
Turk Hava Yollari	18,536	2	0.01
Turkiye Garanti Bankasi	20,597	0	0.00
Turkiye Halk Bankasi	32,968	1	0.00
Turkiye Is Bankasi C	45,705	2	0.00
Turkiye Vakiflar Bankasi D	45,906	1	0.00
		9	0.02
United Kingdom 0.01% (0.00%)			
3i Group	2,906	0	0.00
Admiral Group	2,270	2	0.01
Anglo American	3,255	1	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United Kingdom (continued)			
Antofagasta	6,573	1	0.00
AstraZeneca	(412)	0	0.00
Auto Trader Group	7,761	1	0.00
Barclays	(28,517)	0	0.00
Berkeley Group Holdings	790	1	0.00
BHP Group	3,300	1	0.00
British American Tobacco	(1,147)	1	0.00
Burberry Group	1,437	0	0.00
Fresnillo	(1,368)	0	0.00
Hargreaves Lansdown	2,688	2	0.01
Imperial Brands	1,491	1	0.00
Informa	(7,644)	0	0.00
John Wood Group	(8,424)	1	0.00
Johnson Matthey	(557)	0	0.00
Kingfisher	(12,385)	2	0.00
Liberty Global A	2,686	(4)	(0.01)
Marks & Spencer Group	10,366	(1)	0.00
Mediclinic International	6,858	0	0.00
Merlin Entertainments	(3,451)	0	0.00
Micro Focus International	(3,424)	0	0.00
Next	656	(1)	0.00
Nielsen Holdings	1,329	(2)	0.00
NMC Health	(1,477)	1	0.00
Reckitt Benckiser	(322)	0	0.00
Rio Tinto	1,339	0	0.00
Royal Bank of Scotland Group	(23,898)	(2)	0.00
Royal Mail	16,548	(2)	0.00
Standard Chartered	(7,418)	(1)	0.00
Weir Group	(3,697)	1	0.00
		3	0.01

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United States of America (0.01)% (0.00%)			
Advance Auto Parts	(316)	0	0.00
Advanced Micro Devices	(1,231)	1	0.00
AES	4,191	(2)	(0.01)
Albemarle	(396)	1	0.00
Alleghany	(69)	(1)	0.00
Alliance Data Systems	285	(2)	(0.01)
Alliant Energy	(831)	1	0.00
Alnylam Pharmaceuticals	(812)	0	0.00
Alphabet A	24	0	0.00
American Airlines Group	467	(1)	0.00
American International Group	(1,267)	(2)	(0.01)
Ameriprise Financial	300	(1)	0.00
Archer-Daniels-Midland	(1,415)	2	0.00
Arconic	(1,605)	2	0.00
Arrow Electronics	(496)	1	0.00
Autodesk	(343)	1	0.00
Avnet	(1,342)	1	0.00
Baker Hughes a GE	(1,710)	0	0.00
Best Buy	393	0	0.00
Boeing	186	(1)	0.00
Brighthouse Financial	1,613	(2)	0.00
Cardinal Health	1,181	(2)	(0.01)
CarMax	(1,004)	(2)	(0.01)
Cboe Global Markets	(534)	1	0.00
CBS	(1,109)	2	0.00
Centene	(143)	1	0.00
CF Industries Holdings	1,160	2	0.00
Chemours	1,624	1	0.00
CIT Group	(1,161)	1	0.00
CME Group	(127)	(1)	0.00
Comerica	447	0	0.00
Cooper	(82)	0	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United States of America (continued)			
CoStar Group	(153)	0	0.00
Coty	(6,332)	3	0.01
Crown Holdings	(1,283)	4	0.01
Cummins	212	0	0.00
Deere	(250)	0	0.00
Delta Air Lines	939	(2)	(0.01)
Dollar Tree	(282)	(1)	0.00
Domino's Pizza	66	0	0.00
DR Horton	(795)	1	0.00
DXC Technology	1,007	(2)	0.00
Facebook A	142	(1)	0.00
Fidelity National Financial	1,633	0	0.00
Fifth Third Bancorp	2,426	0	0.00
First Republic Bank	(669)	(1)	0.00
FirstEnergy	907	0	0.00
Flowserve	(531)	1	0.00
Fluor	(1,497)	0	0.00
FMC	(533)	1	0.00
Ford Motor	4,355	(3)	(0.01)
Fortinet	721	0	0.00
Fortive	(393)	0	0.00
Freeport-McMoRan	5,807	(1)	0.00
Gartner	(354)	1	0.00
General Motors	849	(1)	0.00
Global Payments	(292)	0	0.00
H&R Block	2,324	(1)	0.00
HCA Healthcare	367	0	0.00
Henry Schein	(503)	0	0.00
Hewlett Packard Enterprise	3,038	(1)	0.00
Hilton Worldwide Holdings	(408)	0	0.00
Hologic	(913)	(1)	0.00
HP	2,091	(2)	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United States of America (continued)			
Humana	(205)	1	0.00
Incyte	(885)	0	0.00
International Business Machines	114	0	0.00
Intuit	294	0	0.00
IPG Photonics	(138)	0	0.00
Jacobs Engineering Group	(297)	0	0.00
Kimberly-Clark	573	0	0.00
Knight-Swift Transportation Holdings	(2,043)	3	0.01
Kohl's	914	3	0.01
Kraft Heinz	(1,131)	3	0.01
Kroger	1,837	(2)	0.00
L Brands	1,162	(3)	(0.01)
Lam Research	238	0	0.00
Las Vegas Sands	342	0	0.00
Liberty Broadband	(785)	3	0.01
Liberty Media Corp-Liberty Formula One C	(1,718)	0	0.00
Lincoln National	(1,006)	1	0.00
LKQ	(1,678)	1	0.00
Macy's	1,482	(1)	0.00
Martin Marietta Materials	(170)	1	0.00
Mattel	(4,703)	3	0.01
McKesson	387	0	0.00
MercadoLibre	(185)	3	0.01
MetLife	885	1	0.00
Micron Technology	1,719	(3)	(0.01)
Middleby	(539)	2	0.00
Molson Coors Brewing	688	(2)	0.00
Mondelez International A	(951)	2	0.00
MSCI	296	1	0.00
Nektar Therapeutics	512	(1)	0.00
Netflix	(229)	1	0.00
Nordstrom	648	(1)	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United States of America (continued)			
Owens Corning	681	0	0.00
PACCAR	978	1	0.00
PayPal Holdings	(335)	0	0.00
Philip Morris International	755	(5)	(0.01)
Plains GP Holdings A	1,761	(1)	0.00
Progressive	999	(1)	0.00
PulteGroup	1,475	(1)	0.00
Qorvo	(323)	0	0.00
Ralph Lauren	385	0	0.00
Regions Financial	4,218	0	0.00
Robert Half International	849	0	0.00
Sabre	2,511	(3)	(0.01)
Seattle Genetics	(1,044)	(1)	0.00
Signature Bank	(556)	2	0.00
Sirius XM Holdings	5,766	(2)	0.00
Splunk Inc	(181)	0	0.00
Sprint	5,047	0	0.00
Square	(986)	3	0.01
SS&C Technologies Holdings	(969)	0	0.00
Stericycle	(817)	1	0.00
SVB Financial	(253)	0	0.00
Target	646	0	0.00
TD Ameritrade Holding	(657)	(1)	0.00
Tesla	(178)	1	0.00
TransUnion	(665)	(1)	0.00
TripAdvisor	253	(1)	0.00
Twitter	(715)	3	0.01
UGI	539	(1)	0.00
Under Armour	(1,197)	1	0.00
United Continental Holdings	695	(2)	0.00
United Rentals	618	(1)	0.00
Veeva Systems	(70)	0	0.00

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
United States of America (continued)			
Vistra Energy	2,683	(1)	0.00
Voya Financial	(1,434)	0	0.00
Vulcan Materials	(275)	0	0.00
Wabtec	(613)	0	0.00
Walmart	340	1	0.00
Western Digital	1,444	(2)	0.00
Western Union	1,309	(1)	0.00
Westlake Chemical	199	0	0.00
Workday	(300)	(1)	0.00
Worldpay	(436)	0	0.00
WW Grainger	186	0	0.00
Wynn Resorts	(470)	2	0.00
XPO Logistics	(296)	(1)	0.00
Yum China Holdings	773	(1)	0.00
Zayo Group Holdings	(676)	0	0.00
Zillow Group	(1,221)	(1)	0.00
		(3)	(0.01)
Virgin Islands, British 0.00% (0.00%)			
Michael Kors Holdings	1,066	0	0.00
		0	0.00
Contracts for Difference total		(23)	(0.05)
Forward Foreign Currency Contracts (0.41)% (0.20%)			
Buy AUD 1,800,402 Sell SGD 1,776,000 29/01/2019	AUD 1,800,402	(26)	(0.05)
Buy AUD 2,956,000 Sell USD 2,142,579 29/01/2019	AUD 2,956,000	(43)	(0.09)
Buy BRL 2,396,000 Sell USD 613,570 29/01/2019	BRL 2,396,000	2	0.00
Buy CAD 2,721,000 Sell USD 2,057,977 29/01/2019	CAD 2,721,000	(46)	(0.09)
Buy CHF 1,799,000 Sell USD 1,823,101 29/01/2019	CHF 1,799,000	8	0.02

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Forward Foreign Currency Contracts (continued)			
Buy COP 10,379,220,000 Sell USD 3,216,368 29/01/2019	COP 10,379,220,000	(17)	(0.04)
Buy CZK 32,500,000 Sell USD 1,435,132 29/01/2019	CZK 32,500,000	10	0.02
Buy EUR 2,582,000 Sell USD 2,959,170 29/01/2019	EUR 2,582,000	4	0.01
Buy HUF 408,180,000 Sell USD 1,455,187 29/01/2019	HUF 408,180,000	3	0.01
Buy IDR 27,063,300,000 Sell USD 1,844,910 29/01/2019	IDR 27,063,300,000	24	0.05
Buy ILS 11,974,000 Sell USD 3,224,139 29/01/2019	ILS 11,974,000	(21)	(0.04)
Buy INR 157,990,000 Sell USD 2,207,836 29/01/2019	INR 157,990,000	41	0.08
Buy JPY 224,000,000 Sell EUR 1,734,955 10/01/2019	JPY 224,000,000	40	0.08
Buy JPY 201,940,000 Sell USD 1,798,435 29/01/2019	JPY 201,940,000	33	0.07
Buy KRW 59,000,000 Sell USD 52,365 29/01/2019	KRW 59,000,000	0	0.00
Buy MXN 8,786,000 Sell USD 424,080 29/01/2019	MXN 8,786,000	16	0.03
Buy MYR 1,543,000 Sell USD 368,258 29/01/2019	MYR 1,543,000	4	0.01
Buy NOK 24,140,000 Sell USD 2,817,517 29/01/2019	NOK 24,140,000	(25)	(0.05)
Buy PHP 95,900,000 Sell USD 1,818,992 29/01/2019	PHP 95,900,000	3	0.01
Buy PHP 76,540,000 Sell USD 1,456,102 29/01/2019	PHP 76,540,000	(1)	0.00
Buy PLN 4,320,000 Sell USD 1,141,363 29/01/2019	PLN 4,320,000	8	0.02
Buy RUB 118,516,000 Sell USD 1,785,890 29/01/2019	RUB 118,516,000	(72)	(0.15)
Buy SGD 1,776,000 Sell AUD 1,841,739 29/01/2019	SGD 1,776,000	3	0.01
Buy SGD 2,481,000 Sell USD 1,806,255 29/01/2019	SGD 2,481,000	13	0.03
Buy TRY 12,466,000 Sell USD 2,271,545 29/01/2019	TRY 12,466,000	38	0.08
Buy TWD 20,664,000 Sell USD 672,650 29/01/2019	TWD 20,664,000	4	0.01

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Forward Foreign Currency Contracts (continued)			
Buy USD 1,867,749 Sell AUD 2,577,000 29/01/2019	USD 1,867,749	37	0.07
Buy USD 4,917 Sell BRL 19,000 03/01/2019	USD 4,917	0	0.00
Buy USD 1,597,978 Sell BRL 6,227,000 03/01/2019	USD 1,597,978	(5)	(0.01)
Buy USD 1,590,750 Sell BRL 6,246,000 04/02/2019	USD 1,590,750	(12)	(0.03)
Buy USD 1,783,250 Sell CAD 2,358,000 29/01/2019	USD 1,783,250	40	0.08
Buy USD 764,140 Sell CHF 758,000 29/01/2019	USD 764,140	(7)	(0.01)
Buy USD 1,417,778 Sell CLP 957,000,000 29/01/2019	USD 1,417,778	30	0.06
Buy USD 640,062 Sell COP 2,077,000,000 29/01/2019	USD 640,062	1	0.00
Buy USD 1,701,615 Sell CZK 38,870,000 29/01/2019	USD 1,701,615	(24)	(0.05)
Buy USD 4,753,012 Sell EUR 4,148,000 29/01/2019	USD 4,753,012	(7)	(0.02)
Buy USD 3,965,146 Sell GBP 3,095,340 29/01/2019	USD 3,965,146	6	0.01
Buy USD 4,354,958 Sell GBP 3,452,196 29/01/2019	USD 4,354,958	(46)	(0.09)
Buy USD 1,800,196 Sell HUF 512,180,000 29/01/2019	USD 1,800,196	(24)	(0.05)
Buy USD 339,111 Sell IDR 4,950,000,000 29/01/2019	USD 339,111	(3)	(0.01)
Buy USD 3,592,166 Sell ILS 13,330,000 29/01/2019	USD 3,592,166	25	0.05
Buy USD 424,358 Sell INR 30,300,000 29/01/2019	USD 424,358	(7)	(0.02)
Buy USD 2,155,995 Sell JPY 243,440,000 29/01/2019	USD 2,155,995	(49)	(0.10)
Buy USD 4,220 Sell KRW 4,740,000 29/01/2019	USD 4,220	0	0.00
Buy USD 1,434,564 Sell MXN 29,759,000 29/01/2019	USD 1,434,564	(57)	(0.12)
Buy USD 1,791,782 Sell MYR 7,509,000 29/01/2019	USD 1,791,782	(19)	(0.04)
Buy USD 1,407,070 Sell NOK 12,000,000 29/01/2019	USD 1,407,070	18	0.04

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Forward Foreign Currency Contracts (continued)			
Buy USD 1,141,667 Sell NZD 1,682,000 29/01/2019	USD 1,141,667	9	0.02
Buy USD 1,824,408 Sell PHP 95,900,000 29/01/2019	USD 1,824,408	1	0.00
Buy USD 308,034 Sell PHP 16,240,000 29/01/2019	USD 308,034	(1)	0.00
Buy USD 260,293 Sell RUB 17,490,000 29/01/2019	USD 260,293	8	0.02
Buy USD 367,630 Sell SEK 3,320,000 29/01/2019	USD 367,630	(3)	(0.01)
Buy USD 1,808,608 Sell SGD 2,481,000 29/01/2019	USD 1,808,608	(11)	(0.02)
Buy USD 2,191,528 Sell TRY 12,061,000 29/01/2019	USD 2,191,528	(42)	(0.09)
Buy USD 3,840,516 Sell TWD 118,044,000 29/01/2019	USD 3,840,516	(26)	(0.05)
Buy USD 3,026,720 Sell ZAR 42,400,000 29/01/2019	USD 3,026,720	69	0.14
Buy ZAR 31,630,000 Sell USD 2,262,723 29/01/2019	ZAR 31,630,000	(55)	(0.11)
Sell AUD 130,000 Buy GBP 73,447 29/01/2019	AUD (130,000)	2	0.00
Sell CAD 327,000 Buy GBP 192,803 29/01/2019	CAD (327,000)	5	0.01
Sell CHF 110,000 Buy GBP 86,895 29/01/2019	CHF (110,000)	(1)	0.00
Sell DKK 703,000 Buy GBP 84,285 29/01/2019	DKK (703,000)	0	0.00
Sell EUR 384,000 Buy GBP 343,440 29/01/2019	EUR (384,000)	(1)	0.00
Sell HKD 5,317,000 Buy GBP 530,120 29/01/2019	HKD (5,317,000)	(1)	0.00
Sell JPY 54,930,000 Buy GBP 381,487 29/01/2019	JPY (54,930,000)	(10)	(0.02)
Sell NOK 516,000 Buy GBP 47,182 29/01/2019	NOK (516,000)	1	0.00
Sell SEK 914,000 Buy GBP 79,245 29/01/2019	SEK (914,000)	(1)	0.00
Sell USD 1,261,506 Buy GBP 999,877 29/01/2019	USD (1,261,506)	13	0.03

Portfolio Statement (continued)

	Holding at 31.12.18	Market Value £000's	% of net assets
Forward Foreign Currency Contracts (continued)			
Sell USD 21,898,959 Buy GBP 17,068,307 29/01/2019	USD (21,898,959)	(58)	(0.12)
Forward Foreign Currency Contracts total		(202)	(0.41)
Futures 0.09% (0.20%)			
Australia 10 Year Bond March 2019	60	54	0.11
Canada 10 Year Bond March 2019	(47)	(78)	(0.16)
Euro-Bobl March 2019	8	2	0.00
Euro-Bund March 2019	4	2	0.00
Euro-Buxl March 2019	2	4	0.01
EURO STOXX 50 Index March 2019	(26)	29	0.06
FTSE 100 Index March 2019	(4)	6	0.01
Hang Seng Mini Index January 2019	(7)	(2)	0.00
Japan 10 Year Bond Mini March 2019	(29)	(13)	(0.03)
Long Gilt March 2019	33	23	0.05
MSCI Emerging Markets Index March 2019	8	3	0.01
NASDAQ 100 Emini Index March 2019	1	(7)	(0.01)
OMXS30 Index January 2019	(19)	12	0.02
Russell 2000 Emini Index March 2019	2	(9)	(0.02)
S&P 500 Emini Index March 2019	41	(170)	(0.34)
SPI 200 Index March 2019	(4)	(1)	0.00
STOXX 600 Oil Index March 2019	35	(18)	(0.04)
TOPIX Mini Index March 2019	(18)	11	0.02
US 5 Year Note March 2019	6	8	0.02
US 10 Year Note March 2019	146	241	0.49
US 10 Year Ultra Bond March 2019	20	66	0.13
US Long Bond March 2019	(3)	(16)	(0.03)
US Ultra Bond March 2019	(8)	(53)	(0.11)
XAV Health Care Index March 2019	14	(51)	(0.10)
Futures total		43	0.09

Portfolio Statement (continued)

	Market Value £000's	% of net assets
Portfolio of investments	47,323	95.58
Net other assets	2,188	4.42
Net assets attributable to shareholders	49,511	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

Unless otherwise stated, all securities are admitted to official stock exchange listings or are permitted collective investments schemes.

^ Unlisted, suspended or delisted security.

† A related party to the fund (Note 13).

Summary of Portfolio Transactions

Largest purchases

For the year ended 31 December 2018	Cost £000's
UK Treasury Bill 0% 07/01/2019	4,529
Schroder Global Multi-Factor Equity Fund X Accumulation GBP [†]	3,714
UK Treasury Bill 0% 21/01/2019	3,589
UK Treasury Bill 0% 25/03/2019	3,359
Schroder Global High Yield Fund I Accumulation USD [†]	3,305
UK Treasury Bill 0% 14/01/2019	3,091
UK Treasury Bill 0% 28/01/2019	2,992
UK Treasury Bill 0% 25/02/2019	2,990
UK Treasury Bill 0% 04/03/2019	2,989
Schroder Emerging Markets Debt Absolute Return Fund I Accumulation USD [†]	2,598

Largest sales

For the year ended 31 December 2018	Proceeds £000's
UK Treasury Bill 0% 03/09/2018	2,500
US Treasury Inflation Indexed 0.5% 15/01/2028	2,423
UK Treasury Bill 0% 24/09/2018	2,070
UK Treasury Bill 0% 05/03/2018	2,059
UK Treasury Bill 0% 09/07/2018	2,000
UK Treasury Bill 0% 25/06/2018	2,000
UK Treasury Bill 0% 29/05/2018	2,000
UK Treasury Bill 0% 18/06/2018	1,670
Schroder Emerging Markets Debt Absolute Return Fund I Accumulation USD [†]	1,617
US Treasury Inflation Indexed 0.625% 15/01/2026	1,611

[†] A related party to the fund (Note 13).

Statement of Total Return

For the year ended 31 December 2018

		2018	28.4.17 to 31.12.17
	Notes	£000's	£000's
Income			
Net capital (losses)/gains	2	(3,424)	646
Revenue	3	462	108
Expenses	4	(44)	(7)
Net revenue before taxation		418	101
Taxation	5	(69)	(18)
Net revenue after taxation		349	83
Total return before distributions		(3,075)	729
Distributions	6	(349)	(83)
Change in net assets attributable to shareholders from investment activities		(3,424)	646

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	2018	28.4.17 to 31.12.17
	£000's	£000's
Opening net assets attributable to shareholders	16,860	0
Amounts receivable on issue of shares	35,895	16,131
Amounts payable on cancellation of shares	(181)	0
	35,714	16,131
Dilution adjustment	1	0
Change in net assets attributable to shareholders from investment activities	(3,424)	646
Retained distribution on Accumulation shares	360	83
Closing net assets attributable to shareholders	49,511	16,860

Balance Sheet

As at 31 December 2018

		2018	2017
	Notes	£000's	£000's
Assets			
Investments		48,812	16,189
Current assets			
Debtors	8	13	17
Cash and bank balances	9	2,500	935
Total assets		51,325	17,141
Liabilities			
Investment liabilities		(1,489)	(243)
Creditors			
Bank overdrafts	10	(100)	(19)
Distributions payable		(114)	0
Other creditors	11	(111)	(19)
Total liabilities		(1,814)	(281)
Net assets attributable to shareholders			
		49,511	16,860

Notes to the Accounts

1 Accounting policies

Basis of preparation

The applicable accounting policies adopted by Schroder Multi-Asset Total Return Fund are disclosed on pages 17 to 20.

2 Net capital (losses)/gains

The net capital (losses)/gains during the year/period comprise:

	2018 £000's	28.4.17 to 31.12.17 £000's
Non-derivative securities	(799)	65
Derivative contracts	(1,708)	345
Forward foreign currency contracts	(956)	203
Foreign currency gains	47	37
Transaction costs	(8)	(4)
Net capital (losses)/gains	(3,424)	646

3 Revenue

	2018 £000's	28.4.17 to 31.12.17 £000's
Franked distributions	69	17
Unfranked distributions	106	28
Interest on debt securities	163	11
Bank interest	7	2
Net revenue return from derivative contracts	116	50
Annual management charge rebates	1	0
Total revenue	462	108

Notes to the Accounts (continued)

4 Expenses

	2018 £000's	28.4.17 to 31.12.17 £000's
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD Fee	36	0
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	4	1
Interest payable	1	1
	5	2
Other expenses:		
Professional fee	3	5
Total expenses	44	7

The Audit fee of £12,979 (2017 – £15,839) has been invoiced directly to the ACD.

5 Taxation

(a) Analysis of the tax charge for the year/period

	2018 £000's	28.4.17 to 31.12.17 £000's
Corporation tax	70	17
Overseas withholding tax	(1)	1
Total current tax (Note 5(b))	69	18

Corporation tax has been provided for at a rate of 20% (2017 – 20%).

Notes to the Accounts (continued)

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

The tax assessed for the year/period is different from that calculated when the standard rate of corporation tax for OEICs of 20% (2017 – 20%) is applied to the net revenue before taxation. The differences are explained below.

	2018 £000's	28.4.17 to 31.12.17 £000's
Net revenue before taxation	418	101
Net revenue for the year/period before taxation multiplied by the standard rate of corporation tax	84	20
Effects of:		
Revenue not subject to corporation tax	(14)	(3)
Irrecoverable overseas withholding tax	(1)	1
Current tax charge for the year/period (Note 5(a))	69	18

6 Distributions

Distributions

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

	2018 £000's	28.4.17 to 31.12.17 £000's
Final Dividend distribution	474	83
Add: Revenue deducted on cancellation of shares	1	0
Deduct: Revenue received on issue of shares	(126)	0
Distributions	349	83
Net revenue after taxation	349	83
Distributions	349	83

Details of the distribution per share are set out in the Distribution Table on page 406.

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	2018		2017	
	Assets £000's	Liabilities £000's	Assets £000's	Liabilities £000's
Level 1: Quoted prices	33,339	(418)	9,482	(55)
Level 2: Observable market data	15,473	(1,071)	6,707	(188)
Level 3: Unobservable data	0	0	0	0
Total	48,812	(1,489)	16,189	(243)

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 ACD 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 ACD 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 ACD with particular attention paid to the carrying value of the investments.

8 Debtors

	2018 £000's	2017 £000's
Amounts receivable for issue of shares	0	16
Accrued interest on debt securities	0	1
Accrued bank interest	1	0
Revenue receivable from derivative contracts	12	0
Total debtors	13	17

9 Cash and bank balances

	2018 £000's	2017 £000's
Cash and bank balances	1,303	574
Amounts held at futures clearing houses and brokers	1,197	361
Total cash and bank balances	2,500	935

Notes to the Accounts (continued)

10 Bank overdrafts

	2018 £000's	2017 £000's
Amounts overdrawn at futures clearing houses and brokers	100	19
Total bank overdrafts	100	19

11 Other creditors

	2018		2017	
	£000's	£000's	£000's	£000's
Amounts payable on derivative contracts		28		1
Accrued expenses				
ACD and Agents				
ACD fee	8		0	
		8		0
Depository and Agents				
Depository fees	1		0	
Transaction costs	4		1	
		5		1
Corporation tax payable		70		17
Total other creditors		111		19

12 Contingent liabilities

There were no contingent liabilities at the balance sheet date (2017 – Nil).

13 Related party transactions

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

Amounts paid during the year/period or due to the ACD at the balance sheet date are disclosed under Expenses and Other creditors in the Notes to the Accounts.

Annual management charge rebates received or receivable from the ACD of £778 (2017 – £Nil) are disclosed under Net capital (losses)/gains and Revenue in the Notes to the Accounts.

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

Shares held or managed by the ACD or associates of the ACD as a percentage of the fund's net asset value at the balance sheet date were 65.53% (2017 – 99.27%).

Notes to the Accounts (continued)

Related party holdings are disclosed in the Portfolio Statement, with any significant purchases and sales disclosed in Summary of Portfolio Transactions. The revenue earned from these investments of £161,244 (2017 – £24,406) is included under Revenue in the Notes to the Accounts.

14 Share classes

The fund currently has eight share classes: I Income shares, I Accumulation shares, L Income shares, L Accumulation shares, X Income shares, X Accumulation shares, Z Income shares and Z Accumulation shares. The ACD charge is based on the average value of the fund, calculated on a daily basis, and covers the remuneration of the ACD, the Investment Adviser and their overhead expenses and for each share class is as follows:

I Income shares	0.55%
I Accumulation shares	0.55%
L Income shares	0.55%
L Accumulation shares	0.55%
Z Income shares	0.625%
Z Accumulation shares	0.625%

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

The closing net asset value of each share class, the closing net asset value per share and the closing number of shares in issue are given in the Comparative Tables on pages 352 to 359. The distributions per share class are given in the Distribution Table on page 406. All classes have the same rights on winding up.

15 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 ACD 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 enable the pursuit of the fund's investment objective or to assist in the redemption of shares, the efficient management of the fund or purposes regarded as ancillary to the fund.

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

Market price risk

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

Notes to the Accounts (continued)

Derivative risk

The fund trades in a high volume of derivatives to achieve its investment objective. This involves a higher degree of risk and may lead to a higher volatility in the share prices of the fund. The ACD employs a risk management process to allow the ACD to measure derivative and forward positions and their contribution to the overall risk profile of the fund. As part of this risk management process the ACD conducts daily value at risk analysis of the fund and performs both stress and back testing of the fund.

Foreign currency risk

The fund invests in collective investment schemes valued in foreign currencies and underlying funds investing in overseas securities may cause the balance sheet to be significantly affected by movements in foreign exchange rates. The ACD seeks to manage exposure to currency movements by using forward foreign currency contracts.

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.

Liquidity risk

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

Credit risk

The fund and some underlying funds invest in debt securities. The debt securities are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The majority of debt securities in which the fund invests are investment grade listed bonds or government securities which are lower risk. The fund can invest in the full spectrum of available securities, which include non-investment grade securities (known as high yield). The ACD monitors credit weightings on a regular basis as well as reviewing individual issuers and respective bonds at risk of default.

Interest rate risk

The fund and some underlying funds invests in debt securities. The revenue of the fund may be affected by changes to interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future. The ACD monitors and controls the sensitivity of the portfolio to fluctuations of interest rates (duration) to best match the return of revenue gains/losses with potential losses/gains of capital value.

Interest receivable on bank balances and amounts held or overdrawn at futures clearing houses and brokers will be affected by fluctuations in interest rates.

Floating rate financial assets and financial liabilities

Sterling denominated bank balances bear interest at rates based on the SONIA. Foreign currency bank balances and amounts held or overdrawn at futures clearing houses and brokers bear interest at rates based on the LIBOR 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.

Derivatives

During the year the fund entered into derivative contracts for specific investment purposes in addition to being used for efficient management.

Notes to the Accounts (continued)

Global risk exposure

Absolute VaR approach

The approach used for the funds managed with an absolute return target, an absolute volatility limit or a target of outperforming an interest rate benchmark.

Regulatory VaR limit utilisation

	Lowest	Highest	Average
2018	5.40%	25.20%	11.23%
28.4.17 to 31.12.17	4.90%	16.10%	9.68%

Information on VaR model

Model type	Length of data history	Confidence level	Holding period
2018			
MonteCarlo simulation	All available history	99%	20 days
28.4.17 to 31.12.17			
Monte Carlo simulation	All available history	99%	20 days

Leverage

Information on the limit usage and level of leverage

The level of leverage is an indication of the derivative usage and of any leverage generated by the reinvestment of cash received as collateral when using efficient portfolio management techniques. It does not take into account other physical assets directly held in the portfolio of the Fund. The figure is not representative of the maximum amount that a fund could lose, as it includes the derivatives used to protect the Net Asset Value of a fund as well as the derivatives backed by risk free assets and derivatives which do not generate any incremental exposure, leverage or market risk from an economic perspective. The reported leverage figure is therefore not a true representation of the economic leverage¹ in the fund.

The level of leverage disclosed is based on the total notional value² of all derivative instruments held by the fund and is expressed as a percentage of the fund's Net Asset Value. For the purpose of this calculation the holdings and offset derivative positions (long and short positions) do not cancel each other out and the figure is a sum of the total holdings.

Leverage

	Lowest	Highest	Average	Leverage at 31 December
2018	243.54%	1005.04%	436.78%	470.86%
28.4.17 to 31.12.17	269.26%	829.16%	415.55%	296.34%

1 Where economic leverage is the sum of derivative commitments (calculated in line with ESMA (European Securities and Markets Authority) 10/788) and excludes derivatives used within hedging arrangements, derivatives whose commitments is covered by risk free assets and derivatives which are not considered to generate any incremental exposure and leverage or market risk.

2 Delta adjusted in line with ESMA 10/788 when appropriate.

Notes to the Accounts (continued)

16 Debt security credit analysis

	2018 £000's	2017 £000's
Investment grade securities	31,901	8,638
Total debt securities	31,901	8,638

17 Direct transaction costs

The transaction costs on the purchase and sale of investments incurred by the fund during year/period were immaterial. The total purchases for the year/period amounted to £68,572,509 (2017 – £31,993,981) and the total sales amounted to £36,326,725 (2017 – £16,181,263).

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.01% (2017 – 0.02%).

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.

18 Shares in issue reconciliation

	Number of shares in issue as at 31.12.17	Number of shares issued	Number of shares cancelled	Number of shares converted	Number of shares in issue as at 31.12.18
I Income shares	2,000	34,213,099	0	0	34,215,099
I Accumulation shares	2,000	0	0	0	2,000
L Income shares	2,000	102,277	(42,382)	0	61,895
L Accumulation shares	32,951	545,254	(75,324)	0	502,881
X Income shares	2,000	0	0	0	2,000
X Accumulation shares	32,002,126	34,370,983	(65,007)	0	66,308,102
Z Income shares	15,335	14,580	(10,522)	0	19,393
Z Accumulation shares	196,005	601,344	(162,807)	0	634,542

Notes to the Accounts (continued)

19 Counterparty exposure

The types of derivatives held at the balance sheet date were forward foreign currency contracts, futures contracts and contracts for difference. Details of individual contracts are disclosed in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

Counterparty	Forward foreign currency contracts £000's	Futures contracts £000's	Contracts for difference £000's	Total £000's
ANZ Banking Group				
2018	(10)	0	0	(10)
2017	0	0	0	0
Barclays Capital				
2018	(34)	0	0	(34)
2017	48	0	0	48
BNP Paribas				
2018	1	0	0	1
2017	0	0	0	0
Citibank				
2018	(4)	0	0	(4)
2017	0	0	0	0
Deutsche Bank				
2018	(1)	0	0	(1)
2017	0	0	0	0
Goldman Sachs				
2018	2	0	0	2
2017	(15)	0	0	(15)
HSBC				
2018	1	0	0	1
2017	5	0	0	5
JPMorgan Chase				
2018	(85)	0	(23)	(108)
2017	8	0	0	8
Morgan Stanley				
2018	(16)	0	0	(16)
2017	0	0	0	0

Notes to the Accounts (continued)

Counterparty	Forward foreign currency contracts £000's	Futures contracts £000's	Contracts for difference £000's	Total £000's
Nomura				
2018	0	0	0	0
2017	(2)	0	0	(2)
Standard Chartered				
2018	65	0	0	65
2017	2	0	0	2
State Street				
2018	(59)	0	0	(59)
2017	(14)	0	0	(14)
UBS				
2018	(62)	43	0	(19)
2017	1	33	0	34

The collateral pledged by the fund on behalf of the counterparties at the balance sheet date was as follows:

Counterparty	2018 £000's	2017 £000's
State Street	(310)	0
Total	(310)	0

The nature of collateral pledged by the fund on behalf of the counterparties at the balance sheet date was as follows:

Counterparty	2018 £000's	2017 £000's
Cash	(310)	0
Total	(310)	0

Securities Financing Transactions

The fund engaged in Securities Financing Transactions (SFTs) (as defined in Article 3 of Regulation (EU) 2015/2365, SFTs include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) and contracts for difference (CFDs). In accordance with Article 13 of the Regulation, the funds involvement in and exposures related to SFTs and CFDs for the accounting year ended 31 December 2018 are detailed below.

Global data

Amount of assets engaged in CFDs

The total value of assets engaged in CFDs is as follows:

31.12.18	Total outstanding value £000's	% of Net Assets
Long position		
CFDs	9,444	19.07
Short position		
CFDs	9,403	18.99

Concentration data

Ten largest collateral issuers across all CFDs

As at the balance sheet date, there are no collateral securities and commodities received in respect of CFDs.

Top ten counterparties

The top ten counterparties (based on gross volume of outstanding transactions) in respect of CFDs, as at the balance sheet date are as follows:

CFDs

Counterparty	Total outstanding value £000's
JPMorgan Chase	18,847

Aggregate transaction data

Type and quality of collateral

As at the balance sheet date, no collateral was received in respect of CFDs.

Maturity tenor of collateral

As at the balance sheet date, no collateral was received in respect of CFDs.

Currency of collateral

As at the balance sheet date, no collateral was received in respect of CFDs.

Securities Financing Transactions (continued)

Maturity tenor of CFDs

An analysis of the maturity tenor of CFDs, outstanding as at the balance sheet date is as follows:

Maturity tenor	Value Long Positions £000's	Value Short Positions £000's
1 to 4 weeks	9,444	9,403
Total	9,444	9,403

The above maturity tenor analysis has been based on the respective transaction contractual maturity date. Open maturity transactions are those transactions that are callable or terminable on a daily basis and include CFDs.

Country in which counterparties are established

Details of the country of incorporation of counterparties across all CFDs, as at the balance sheet date are as follows:

Counterparty	Country
JPMorgan Chase	United Kingdom

Settlement and clearing

Method of settlement and clearing	CFDs Value £000's
Bilateral	18,847

Reuse of collateral

Share of collateral received that is reused and reinvestment return

As at the balance sheet date, no collateral was received in respect of CFDs.

Safekeeping of collateral

Collateral received

As at the balance sheet date, no collateral was received in respect of CFDs.

Collateral granted

As at the balance sheet date, no collateral was received in respect of CFDs.

Securities Financing Transactions (continued)

Return and cost

Gross Return

All returns from CFDs transactions accrue to the fund and are not subject to any returns sharing arrangements with the ACD or any other third party. Data on return and cost in respect of CFDs transactions during the period are as follows:

	CFDs return* £000's	% of overall returns
Net interest on CFDs	6	2.40
Net realised losses	221	88.40
Net change in unrealised gains	23	9.20
Total	250	100.00

* Expressed in absolute terms.

Distribution Table

Final distribution for the year ended 31 December 2018

Group 1 Shares purchased prior to 1 January 2018

Group 2 Shares purchased on or after 1 January 2018

	Net revenue 2018 p per share	Equalisation 2018 p per share	Distribution payable 28.2.19 p per share	Distribution paid 28.2.18 p per share
I Income shares				
Group 1	0.3339	–	0.3339	0.0000 ¹
Group 2	0.1344	0.1995	0.3339	0.0000 ¹
L Accumulation shares				
Group 1	0.3231	–	0.3231	0.0000 ¹
Group 2	0.2105	0.1126	0.3231	0.0000 ¹
X Accumulation shares				
Group 1	0.5370	–	0.5370	0.2609
Group 2	0.3739	0.1631	0.5370	0.2609
Z Accumulation shares				
Group 1	0.2841	–	0.2841	0.0000 ¹
Group 2	0.1685	0.1156	0.2841	0.0000 ¹

The I Accumulation shares, L Income shares, X Income shares and Z Income shares have made no distributions to date.

1 There was no distribution for I Income shares, L Accumulation shares, Z Accumulation shares and as the total amount distributable was below de minimis.

Corporate shareholders (unaudited)

Corporate shareholders receive the dividend distribution payments as detailed below:

19.83%	of the total distribution is received as franked investment income.
80.17%	of the distribution is deemed to be an annual payment (non-foreign element) received after deduction of income tax at the lower rate and is liable to corporation tax. It is not franked investment income.

Equalisation

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

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

UCITS remuneration disclosures for Schroder Unit Trusts Limited ('SUTL') for the year to 31 December 2017

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 62 to 90 of the 2017 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 2017 the Remuneration Policy was reviewed and changes were made to ensure compliance with the UCITS/AIFMD remuneration requirements.

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 and compliance matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2017.

- The total amount of remuneration paid by SUTL to its staff was nil as SUTL has no employees. SUTL has an independent Non Executive Director who receives fees in respect of his 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 135 UCITS MRTs of SUTL in respect of the financial year ended 31 December 2017, and attributed to SUTL or the UCITS funds that it manages, is £11.8 million, of which £1.8 million was paid to senior management, £8.9 million was paid to MRTs deemed to be taking risk on behalf of SUTL or the UCITS funds that it manages and £1.1 million was paid to other UCITS MRTs.

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

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

General Information

Authorised Corporate Director (ACD)¹

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

Directors

G. Henriques (Chairman)
J. Barker (appointed 21 February 2018)
P. Chislett
P. Middleton
J. Rainbow (resigned 13 November 2018)
J. W. Stewart
R. E. Stoakley (resigned 20 December 2018)
C. Thomson
J. A. Walker-Hazell
H. Williams (appointed 21 February 2018)

Investment Adviser¹

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

Depository

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
1 London Wall Place
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Authorised and regulated by the Financial Conduct Authority

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Edinburgh EH3 8EX

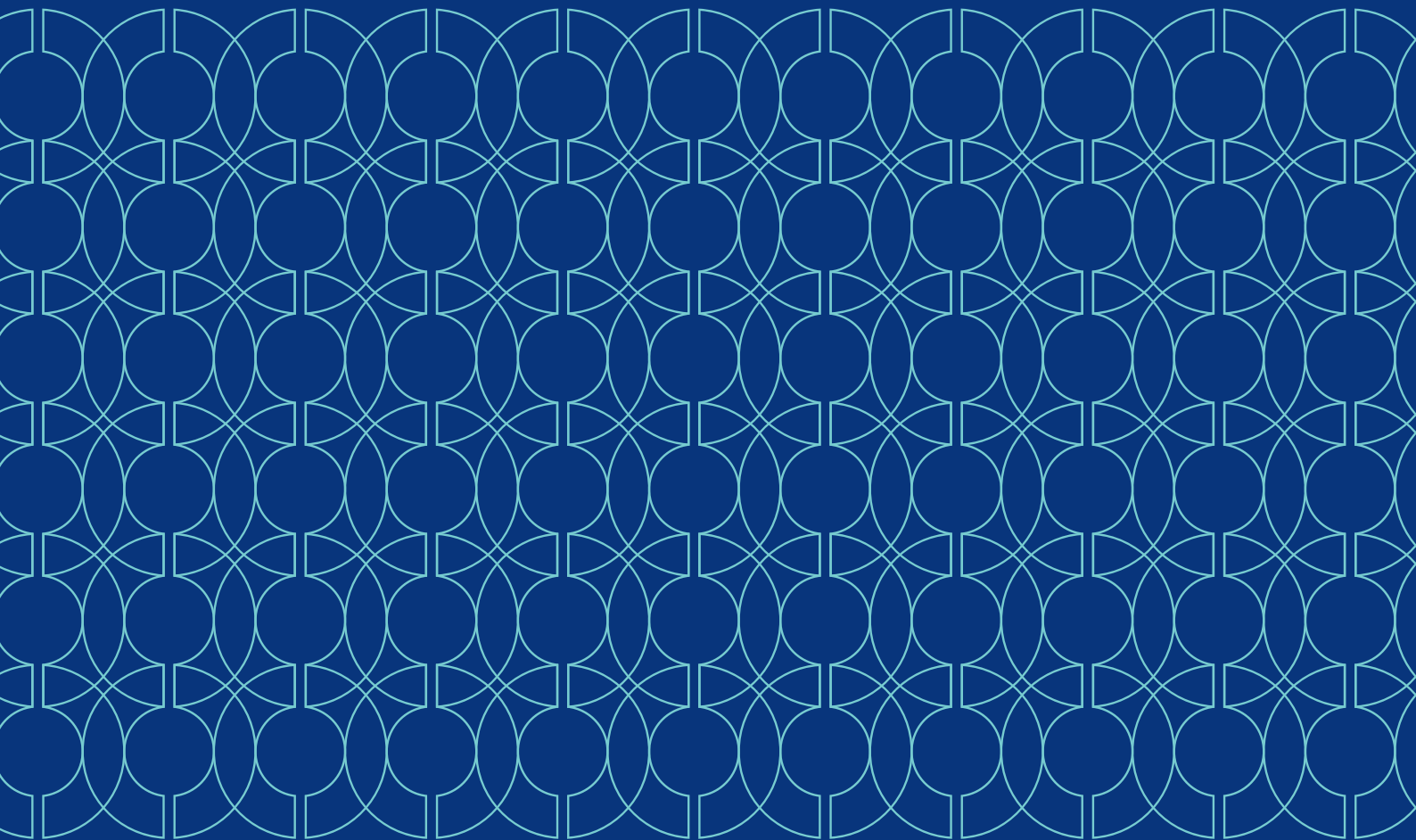
¹ With effect from 4 September 2018, Schroder Unit Trusts Limited and Schroder Investment Management Limited changed address, previously it was 31 Gresham Street, London EC2V 7QA.

Authorisation

The company is an investment company with variable capital under Regulation 12 of the OEIC Regulations, incorporated with limited liability in England and Wales and authorised by the FCA under Regulation 14 of the OEIC Regulations. The company 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.



EST. 1804

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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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