

## Schroder Responsible Value UK Equity Fund

October 2018

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1 Collectively these comprise the Manager's report.

# Fund Information

## Investment objective and policy

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

The fund invests at least 80% of its assets in a concentrated range of equity and equity related securities of UK companies. These are companies that are incorporated, headquartered or have their principal business activities in the UK. The fund typically holds 30 to 50 companies.

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

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

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

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

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

## Financial highlights

Dealing price	10.10.18	10.4.18	% change
I Accumulation units	293.10p	284.40p	3.06
S Income units	48.16p	–	–
S Accumulation units	51.61p	50.00p	3.22
X Accumulation units	202.40p	195.70p	3.42
Z Accumulation units	51.54p	50.00p	3.08

# Fund Information (continued)

## Fund information

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

## Ongoing charges figure

	For the period to 10.10.18	For the period from 11.4.18	For the year to 10.4.18
<b>I Accumulation units</b>	0.78% <sup>1</sup>	0.78%	0.78%
<b>S Income units</b>	0.55% <sup>1</sup>	–	–
<b>S Accumulation units</b>	0.55% <sup>1</sup>	0.56% <sup>2</sup>	–
<b>X Accumulation units</b> <sup>3</sup>	0.03% <sup>1</sup>	0.03%	0.03%
<b>Z Accumulation units</b>	0.93% <sup>1</sup>	0.93% <sup>2</sup>	–

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

## Total purchases and sales

	For the period to 10.10.18 £000's	For the year to 10.4.18 £000's
<b>Total purchases</b>	8,906	16,007
<b>Total sales</b>	15,022	19,777

# Review of Investment Activities

**From 10 April 2018 to 10 October 2018, the price of I Accumulation units on a dealing price to dealing price basis rose 3.06%. In comparison, the FTSE<sup>1</sup> All Share Index generated a total return of 0.39%<sup>2</sup>.**

The fund outperformed the market over the period under review.

Our top contributors included Drax Group, Wm Morrison Supermarkets and Centrica. British power generator Drax Group saw its share price continue to rise after announcing strong results, and elsewhere in the sector Centrica performed well against the backdrop of higher energy prices, while sentiment towards the shares also improved as fears eased around the potential severity of a planned cap on standard variable tariffs in the UK. Wm Morrison Supermarkets also reported strong progress with its turnaround strategy and announced a special dividend. A focus on reducing debt levels and distributing excess profits back to shareholders in the absence of attractive capital projects highlights that Wm Morrisons Supermarkets understand the requirement for prudent capital allocation.

On the negative side, Standard Chartered performed poorly in line with other emerging markets exposed stocks. We believe the business is well capitalised and has an adequately diverse business model to weather a range of adverse economic outcomes. The current share price does not fully reflect the benefits of either.

We initiated a position in BT Group. Fundamentally, BT Group is a reasonably stable telecommunications business with a reasonable balance sheet. The market's short-termism has, however, put pressure on BT's share price to the point that it was offered to us at a price that compensated us for the risks.

In aggregate, the UK market is not as expensive as other markets, but nine years into a bull market, it is no longer cheap. What is crucial to point out, however, is that the overall market valuation is a simple average of the individual stocks within it and within those stocks there remain some attractive opportunities. It is these opportunities that give us confidence in our ability to continue to extract the premium returns over and above the market itself, through focusing investment in the cheapest parts of the market. Buying stocks at a discount to their intrinsic value greatly reduces the risk of capital loss. Overpaying for stocks, however it is justified, will ultimately destroy capital. 130 years' of equity market data show that, on average, the price you pay is the key determinant of whether or not you will make money with an investment.

## Co-Fund Manager:

**Kevin Murphy**



Value fund manager with eighteen years investment experience

Previously a sector analyst for Pan European Construction and Building Materials

Investment career commenced in 2000 at Schroders

Chartered Financial Analyst

Degree in Economics, Manchester University

## Co-Fund Manager:

**Nick Kirrage**



Value fund manager with seventeen years investment experience

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

Investment career commenced in 2001 at Schroders

Chartered Financial Analyst

Degree in Aeronautical Engineering, Bristol University

## Co-Fund Manager:

**Value Team**

The Value Team consists of seven investment professionals, including co-heads Kevin and Nick, who manage recovery, income and ethically orientated value portfolios across UK, European and Global equities. The team has over 80 years combined investment experience, and is responsible for over £14 billion assets (as at 30 September 2018), managed in a disciplined value style

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<sup>2</sup> 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 solely in the securities of a particular country. There may be a greater risk than investing in funds that hold securities in a range of countries.

The fund invests in a smaller number of stocks. This carries more risk than funds spread across a larger number of companies.

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

The fund may use derivatives for specific investment purposes. This involves a higher degree of risk and may lead to a higher volatility in the unit prices of the fund.

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

# Net Asset Value and Comparative Tables

## Unit price range

Financial year to 10 April	I Accumulation units		S Income units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2016	237.90	189.70	–	–
2017	272.70	204.80	–	–
2018	292.50	259.60	–	–
Financial period to 10 October 2018	316.80	285.30	50.83	48.01

Financial year to 10 April	S Accumulation units		X Accumulation units	
	Highest dealing p	Lowest dealing p	Highest dealing p	Lowest dealing p
2016	–	–	160.30	128.40
2017	–	–	186.00	139.10
2018	50.00	50.00	200.90	177.40
Financial period to 10 October 2018	55.73	50.17	218.20	196.30

Financial year to 10 April	Z Accumulation units	
	Highest dealing p	Lowest dealing p
2018	50.00	50.00
Financial period to 10 October 2018	55.71	50.17

## Net revenue

Financial year to 10 April	I Accumulation units pence per unit	X Accumulation units pence per unit
2016	7.4057	6.0549
2017	7.7150	6.4775
2018	7.9868	6.8893
Financial period to 10 October 2018	Nil	Nil

The S Income units, S Accumulation units and Z Accumulation units have made no distributions to date.

# Net Asset Value and Comparative Tables (continued)

## Net asset value

As at 10 April	Net asset value £000's	Net asset value per unit p	Number of units in issue
<b>2016</b>			
I Accumulation units	56,974	215.76	26,406,222
X Accumulation units	50,244	146.26	34,352,070
<b>2017</b>			
I Accumulation units	48,206	268.37	17,962,053
X Accumulation units	44,010	183.28	24,012,549
<b>2018</b>			
I Accumulation units	42,814	284.69	15,038,518
S Accumulation units	1	50.06	2,000
X Accumulation units	46,528	195.89	23,752,228
Z Accumulation units	1	50.06	2,000
<b>2018 at 10 October</b>			
I Accumulation units	42,791	292.58	14,625,704
S Income units	17	48.07	34,000
S Accumulation units	3,649	51.52	7,083,278
X Accumulation units	37,468	202.07	18,542,216
Z Accumulation units	35	51.45	67,868

## Fund performance

	Net asset value per unit p as at 10.10.18	Net asset value per unit p as at 10.4.18	% change
I Accumulation units	292.58	284.69	2.77
S Income units	48.07	–	–
S Accumulation units	51.52	50.06	2.92
X Accumulation units	202.07	195.89	3.15
Z Accumulation units	51.45	50.06	2.78

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.



# Portfolio Statement

	Holding at 10.10.18	Market Value £000's	% of net assets
<b>Equities 96.39% (96.68%)</b>			
<b>Oil &amp; Gas 14.25% (13.09%)</b>			
BP	938,558	5,341	6.36
Eni	161,516	2,279	2.71
Royal Dutch Shell B	167,229	4,346	5.18
		<b>11,966</b>	<b>14.25</b>
<b>Basic Materials 7.67% (7.79%)</b>			
Anglo American	256,596	4,194	5.00
BHP Billiton	142,690	2,245	2.67
		<b>6,439</b>	<b>7.67</b>
<b>Health Care 8.80% (10.67%)</b>			
AstraZeneca	14,316	816	0.97
GlaxoSmithKline	268,660	3,986	4.75
Sanofi	38,569	2,582	3.08
		<b>7,384</b>	<b>8.80</b>
<b>Consumer Services 20.28% (20.68%)</b>			
J Sainsbury	413,631	1,288	1.54
Marks & Spencer Group	929,473	2,746	3.27
Next	14,247	784	0.93
Pearson	576,734	4,541	5.41
Reach	478,416	324	0.39
Tesco	1,698,143	3,670	4.37
Wm Morrison Supermarkets	1,488,865	3,671	4.37
		<b>17,024</b>	<b>20.28</b>
<b>Telecommunications 7.10% (4.26%)</b>			
BT Group	1,184,300	2,806	3.34
Orange Belgium	147,093	1,848	2.20
Vodafone Group	857,668	1,312	1.56
		<b>5,966</b>	<b>7.10</b>

# Portfolio Statement (continued)

	Holding at 10.10.18	Market Value £000's	% of net assets
<b>Utilities 7.03% (6.40%)</b>			
Centrica	2,513,090	3,835	4.57
Drax Group	561,214	2,068	2.46
		<b>5,903</b>	<b>7.03</b>
<b>Financials 29.24% (31.62%)</b>			
Aviva	763,046	3,432	4.09
Barclays	1,701,300	2,920	3.48
HSBC Holdings	624,989	4,084	4.86
Legal & General Group	494,725	1,259	1.50
Lloyds Banking Group	4,278,201	2,527	3.01
NEX Group	80,733	832	0.99
Old Mutual	542,286	816	0.97
Quilter	180,762	223	0.27
Royal Bank of Scotland Group	1,502,974	3,739	4.45
Standard Chartered	487,135	2,836	3.38
TP ICAP	673,003	1,880	2.24
		<b>24,548</b>	<b>29.24</b>
<b>Technology 2.02% (2.17%)</b>			
Cisco Systems	25,501	900	1.07
Computacenter	66,892	797	0.95
		<b>1,697</b>	<b>2.02</b>
<b>Equities total</b>			
		<b>80,927</b>	<b>96.39</b>
<b>Portfolio of investments</b>			
		<b>80,927</b>	<b>96.39</b>
<b>Net other assets</b>			
		3,033	3.61
<b>Net assets attributable to unitholders</b>			
		<b>83,960</b>	<b>100.00</b>

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

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

# Summary of Portfolio Transactions

## Largest purchases

For the six months ended 10 October 2018	Cost £000's
BT Group	2,853
TP ICAP	1,714
Sanofi	700
Marks & Spencer Group	526
Eni	520
Orange Belgium	389
Royal Dutch Shell B	180
GlaxoSmithKline	177
HSBC Holdings	175
Tesco	172

## Largest sales

For the six months ended 10 October 2018	Proceeds £000's
AstraZeneca	2,992
Pearson	1,077
Next	925
BP	725
Royal Dutch Shell B	580
Anglo American	570
HSBC Holdings	567
GlaxoSmithKline	538
Tesco	517
Centrica	495

# Statement of the Manager's Responsibilities

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

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

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

The Manager's report and accounts for the period ended 10 October 2018 were signed on 27 November 2018 on behalf of the Manager by:

**J.A. Walker-Hazell**  
Directors

**R.E. Stoakley**

# Statement of Total Return (unaudited)

For the six months ended 10 October 2018

	10.10.18	10.10.17
	£000's	£000's
<b>Income</b>		
Net capital gains	660	1,963
Revenue	2,415	1,770
Expenses	(184)	(181)
Net revenue before taxation	<b>2,231</b>	<b>1,589</b>
Taxation	(50)	(15)
Net revenue after taxation	<b>2,181</b>	<b>1,574</b>
<b>Total return before distributions</b>	<b>2,841</b>	<b>3,537</b>
Distributions	(177)	(59)
<b>Change in net assets attributable to unitholders from investment activities</b>	<b>2,664</b>	<b>3,478</b>

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

For the six months ended 10 October 2018

	10.10.18	10.10.17
	£000's	£000's
Opening net assets attributable to unitholders	89,344 <sup>1</sup>	92,216
Amounts receivable on issue of units	6,347	1,234
Amounts payable on cancellation of units	(14,415)	(8,884)
	<b>(8,068)</b>	<b>(7,650)</b>
Dilution adjustment	20	6
Change in net assets attributable to unitholders from investment activities	2,664	3,478
<b>Closing net assets attributable to unitholders</b>	<b>83,960</b>	<b>88,050<sup>1</sup></b>

1 The Opening net assets attributable to unitholders for the current period do not equal the Closing net assets attributable to unitholders for the comparative period as they are not consecutive periods.

# Balance Sheet (unaudited)

As at 10 October 2018

	10.10.18	10.4.18
	£000's	£000's
<b>Assets</b>		
Investments	80,927	86,382
<b>Current assets</b>		
Debtors	559	501
Cash and bank balances	2,521	2,621
<b>Total assets</b>	<b>84,007</b>	<b>89,504</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Other creditors	(47)	(160)
<b>Total liabilities</b>	<b>(47)</b>	<b>(160)</b>
<b>Net assets attributable to unitholders</b>	<b>83,960</b>	<b>89,344</b>

# Notes to the Accounts (unaudited)

## Basis of preparation

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the 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)).

## Accounting policies

The accounting policies applied are consistent with those of the annual accounts for the year ended 10 April 2018 and are described in those annual accounts.

# General Information

## Manager<sup>1</sup>

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

Authorised and regulated by the Financial Conduct Authority

## Investment Adviser<sup>1</sup>

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

Authorised and regulated by the Financial Conduct Authority

## Trustee

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

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

## Registrar<sup>1</sup>

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

Authorised and regulated by the Financial Conduct Authority

## Administration Details

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Fax 0870 043 4080

## Independent Auditors

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

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

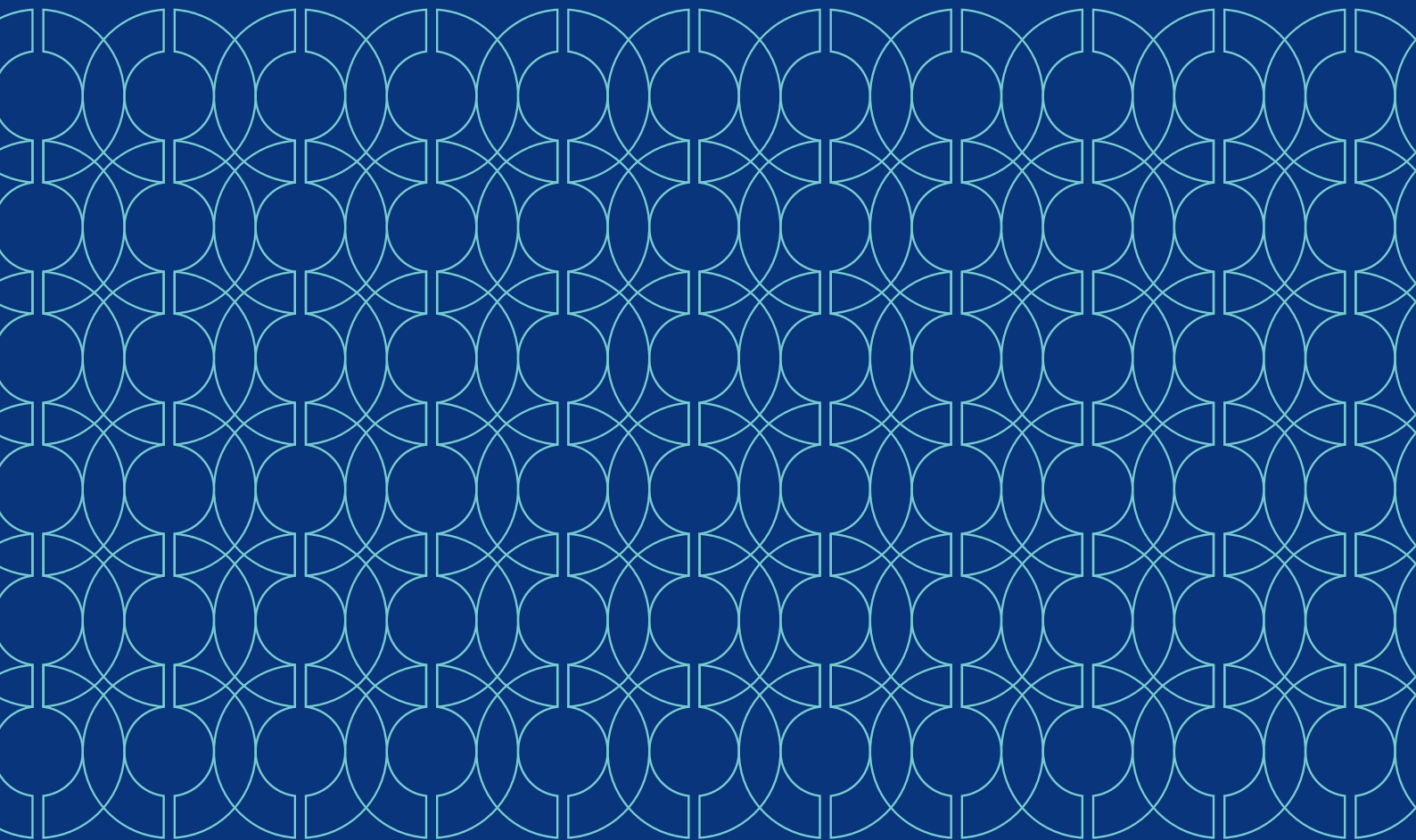
## Authorisation

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

## Other information

The Prospectus, the Key Investor Information Document and details of investment charges and costs are available on request or can be downloaded from our website [www.schroders.co.uk](http://www.schroders.co.uk).





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