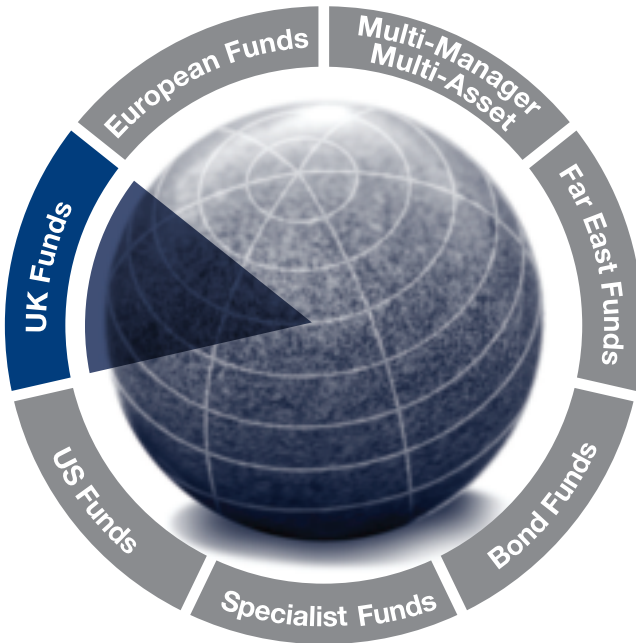


Schroder Income Fund

Final Short Report

26 February 2015 to 25 February 2016



Schroders

Schroder Income Fund

Review of Investment Activities

From 25 February 2015 to 25 February 2016 the price of A Accumulation units on a selling price to selling price basis fell 15.14%. In comparison, the FTSE* All Share Index generated a negative total return of 8.35%¹.

The past twelve months have been difficult for value investors. Conventional wisdom has accepted the current environment of lacklustre economic growth as 'normal', which has led the market to ascribe a considerable scarcity premium to businesses offering the promise of near term growth, irrespective of their valuations and longer term prospects.

Our complete income strategy delivers returns from two sources: firstly, the income the companies generate through paying dividends; and secondly, the capital returns generated by lowly valued underperforming companies improving. By its nature, this is a long term approach and performance should not be appraised over short time periods. Our focus on the potential for dividend growth has allowed us to increase the distribution from the portfolio, with the income available to investors increasing by 8.0%² on the 2015 distribution and now at an all time high for the fund.

Our chosen banks had a difficult twelve months. Royal Bank of Scotland Group revealed its eighth consecutive year of annual losses, and cautioned it would have to delay resuming dividend payments or share buybacks beyond the first quarter of 2017. Elsewhere, Barclays' financial results were also disappointing. The banks are making robust profit margins on new business, but for the time being they remain masked by losses on legacy assets and exceptional charges. Over the longer term, however, we believe the ongoing improvement in their core businesses will warrant significant share price increases.

On the positive side, Wm Morrison Supermarkets enjoyed a strong share price recovery after it revealed an increase in like for like sales at its Christmas trading update. UK insurer Direct Line Insurance Group unveiled robust results, which underpinned an increase in the interim dividend, and electrical retailer Darty was another top contributor after it attracted a bid from France's Groupe Fnac.

We continued to take profits in companies that have performed extremely well over the past couple of years such as interdealer broker ICAP, electrical and mobile phone retailer Dixons Carphone, Direct Line Insurance Group and pest control specialist Rentokil Initial. We took advantage of share price weakness to initiate positions in miners South32 and BHP Billiton. We also increased lowly valued positions such as Home Retail Group, which was subject to a bid approach soon after we added to it.

1 Source: Thomson Reuters Datastream.

2 Refers to A income units.



Co-Fund Managers:
Kevin Murphy
Nick Kirrage

Fund Information

	Interim	Final
Accounting dates	25 August	25 February
Revenue allocation dates	25 October	25 April
	For the year to 25.2.16	For the year to 25.2.15
Ongoing charges figure		
A Income units	1.66%	1.66%
A Accumulation units	1.66%	1.66%
L Income units	0.83%	0.83%
L Accumulation units	0.83%	0.83%
S Income units	0.53%	0.53%
Z Income units	0.91%	0.91%
Z Accumulation units	0.91%	0.91%

Performance Record

	Net Asset Value as at 25.2.16 pence per unit	Net Asset Value as at 25.2.15 pence per unit	Net Asset Value % change
Fund performance			
A Income units	921.38	1,133.92	(18.74)
A Accumulation units	6,824.87	8,028.02	(14.99)
L Income units	47.04	57.41	(18.06)
L Accumulation units	51.88	60.53	(14.29)
S Income units	45.38	55.21	(17.80)
Z Income units	58.26	71.15	(18.12)
Z Accumulation units	70.22	81.98	(14.34)

	3 months	1 year	5 years
Schroder Income Fund	(4.02)%	(15.14)%	39.95%
FTSE* All Share Index	(4.29)%	(8.35)%	26.51%

Fund Source: A Accumulation units on a selling price to selling price basis to 25.2.16.

Index Source: Thomson Reuters Datastream, total return to 25.2.16.

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Comparative Tables

	A Income units		
Financial year to 25 February	2016 p per unit	2015 p per unit	2014 p per unit
Change in net asset value			
Opening net asset value	1,133.92	1,095.84	896.82
Return before operating charges	(152.05)	95.72	252.20
Operating charges	(17.32)	(17.66)	(16.70)
Return after operating charges*	(169.37)	78.06	235.50
Distributions ¹	(43.17)	(39.98)	(36.48)
Closing net asset value	921.38	1,133.92	1,095.84
*after direct transaction costs of	(1.15)	(1.81)	(1.01)
Performance			
Return after charges (%)	(14.94)	7.12	26.26
Other information			
Closing net asset value (£000's)	352,159	548,308	581,219
Closing number of units	38,220,654	48,355,276	53,038,731
Operating charges (%)	1.66	1.66	1.66
Direct transaction costs (%)**	0.11	0.17	0.10
Prices			
Highest buying price (p)	1,157.00	1,171.00	1,121.00
Lowest selling price (p)	866.00	956.00	880.50

Comparative Tables (continued)

	A Accumulation units		
Financial year to 25 February	2016 p per unit	2015 p per unit	2014 p per unit
Change in net asset value			
Opening net asset value	8,028.02	7,488.44	5,921.03
Return before operating charges	(1,079.61)	660.98	1,678.21
Operating charges	(123.54)	(121.40)	(110.80)
Return after operating charges*	(1,203.15)	539.58	1,567.41
Closing net asset value	6,824.87	8,028.02	7,488.44
Retained distributions ¹	306.97	273.45	242.14
*after direct transaction costs of	(8.18)	(12.43)	(6.67)
Performance			
Return after charges (%)	(14.99)	7.21	26.47
Other information			
Closing net asset value (£000's)	374,321	611,727	691,393
Closing number of units	5,484,658	7,619,895	9,232,803
Operating charges (%)	1.66	1.66	1.66
Direct transaction costs (%)**	0.11	0.17	0.10
Prices			
Highest buying price (p)	8,182.00	8,095.00	7,493.00
Lowest selling price (p)	6,213.00	6,608.00	5,815.00

Comparative Tables (continued)

	L Income units		
Financial year to 25 February	2016 p per unit	2015 p per unit	2014 p per unit
Change in net asset value			
Opening net asset value	57.41	55.37	50.00
Return before operating charges	(7.74)	4.49	6.16
Operating charges	(0.44)	(0.44)	(0.17)
Return after operating charges*	(8.18)	4.05	5.99
Distributions ¹	(2.19)	(2.01)	(0.62)
Closing net asset value	47.04	57.41	55.37
*after direct transaction costs of	(0.06)	(0.09)	(0.05)
Performance			
Return after charges (%)	(14.25)	7.31	11.98
Other information			
Closing net asset value (£000's)	35,493	30,394	635
Closing number of units	75,445,894	52,942,334	1,146,521
Operating charges (%)	0.83	0.83	0.31
Direct transaction costs (%)**	0.11	0.17	0.10
Prices			
Highest buying price (p)	58.62	59.29	56.03
Lowest selling price (p)	44.20	48.25	49.72

The unit class was launched on 1 October 2013.

Comparative Tables (continued)

	L Accumulation units		
Financial year to 25 February	2016 p per unit	2015 p per unit	2014 p per unit
Change in net asset value			
Opening net asset value	60.53	56.00	50.00
Return before operating charges	(8.19)	4.99	6.17
Operating charges	(0.46)	(0.46)	(0.17)
Return after operating charges*	(8.65)	4.53	6.00
Closing net asset value	51.88	60.53	56.00
Retained distributions ¹	2.33	2.05	0.63
*after direct transaction costs of	(0.06)	(0.09)	(0.05)
Performance			
Return after charges (%)	(14.29)	8.09	12.00
Other information			
Closing net asset value (£000's)	112,963	97,102	7,642
Closing number of units	217,721,213	160,428,740	13,648,203
Operating charges (%)	0.83	0.83	0.31
Direct transaction costs (%)**	0.11	0.17	0.10
Prices			
Highest buying price (p)	61.76	61.03	56.03
Lowest selling price (p)	47.22	49.67	49.72

The unit class was launched on 1 October 2013.

Comparative Tables (continued)

	S Income units		
Financial year to 25 February	2016 p per unit	2015 p per unit	2014 p per unit
Change in net asset value			
Opening net asset value	55.21	52.76	50.00
Return before operating charges	(7.45)	4.65	3.02
Operating charges	(0.27)	(0.27)	(0.02)
Return after operating charges*	(7.72)	4.38	3.00
Distributions ¹	(2.11)	(1.93)	(0.24)
Closing net asset value	45.38	55.21	52.76
*after direct transaction costs of	(0.06)	(0.09)	(0.05)
Performance			
Return after charges (%)	(13.98)	8.30	6.00
Other information			
Closing net asset value (£000's)	41,613	47,515	39,830
Closing number of units	91,703,128	86,065,140	75,489,493
Operating charges (%)	0.53	0.53	0.04
Direct transaction costs (%)**	0.11	0.17	0.10
Prices			
Highest buying price (p)	56.40	57.01	53.03
Lowest selling price (p)	42.62	46.35	49.49

The unit class was launched on 31 January 2014.

Comparative Tables (continued)

	Z Income units		
Financial year to 25 February	2016 p per unit	2015 p per unit	2014 p per unit
Change in net asset value			
Opening net asset value	71.15	68.32	55.49
Return before operating charges	(9.58)	5.94	15.67
Operating charges	(0.59)	(0.61)	(0.57)
Return after operating charges*	(10.17)	5.33	15.10
Distributions ¹	(2.72)	(2.50)	(2.27)
Closing net asset value	58.26	71.15	68.32
*after direct transaction costs of	(0.07)	(0.11)	(0.06)
Performance			
Return after charges (%)	(14.29)	7.80	27.21
Other information			
Closing net asset value (£000's)	258,585	195,402	107,236
Closing number of units	443,815,880	274,620,021	156,953,767
Operating charges (%)	0.91	0.91	0.91
Direct transaction costs (%)**	0.11	0.17	0.10
Prices			
Highest buying price (p)	72.65	73.48	69.93
Lowest selling price (p)	54.74	59.82	54.48

Comparative Tables (continued)

	Z Accumulation units		
Financial year to 25 February	2016 p per unit	2015 p per unit	2014 p per unit
Change in net asset value			
Opening net asset value	81.98	75.90	59.57
Return before operating charges	(11.08)	6.76	16.96
Operating charges	(0.68)	(0.68)	(0.63)
Return after operating charges*	(11.76)	6.08	16.33
Closing net asset value	70.22	81.98	75.90
Retained distributions ¹	3.15	2.78	2.45
*after direct transaction costs of	(0.08)	(0.13)	(0.07)
Performance			
Return after charges (%)	(14.34)	8.01	27.41
Other information			
Closing net asset value (£000's)	195,418	156,189	95,839
Closing number of units	278,292,915	190,517,029	126,269,777
Operating charges (%)	0.91	0.91	0.91
Direct transaction costs (%)**	0.11	0.17	0.10
Prices			
Highest buying price (p)	83.64	82.66	75.95
Lowest selling price (p)	63.90	67.30	58.50

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 unit class that has not been in existence for a full year.

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

Portfolio Information

	% of net assets as at 25.2.16	% of net assets as at 25.2.15
Spread of investments		
Oil & Gas	9.56	7.29
Basic Materials	7.21	1.60
Industrials	3.08	6.33
Health Care	14.35	16.48
Consumer Services	21.02	19.70
Telecommunications	4.70	8.98
Utilities	5.52	3.52
Financials	26.01	30.10
Technology	8.78	4.98
Euro Denominated Derivatives	0.00	0.08
US Dollar Denominated Derivatives	(0.30)	0.26
Net other assets	0.07	0.68

	% of net assets as at 25.2.16		% of net assets as at 25.2.15
Major holdings			
GlaxoSmithKline	6.26	GlaxoSmithKline	6.60
BP	5.55	Friends Life Group	5.56
Aviva	5.17	BP	4.88
AstraZeneca	5.05	Vodafone Group	4.73
Royal Bank of Scotland Group	4.22	AstraZeneca	4.40
Royal Dutch Shell B	4.01	BAE Systems	4.12
Vodafone Group	3.99	Tesco	3.94
HSBC Holdings	3.96	HSBC Holdings	3.80
Tesco	3.88	Barclays	3.79
Wm Morrison Supermarkets	3.78	ICAP	3.54



Investment Objective & Policy

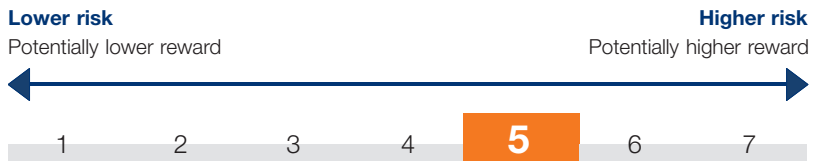
The fund's investment objective is to provide a growing income, predominantly from investment in UK equities.

In seeking a yield higher than that offered by the major UK equity indices, the fund will invest primarily in above average yielding equities rather than fixed interest securities.

Investment will be in directly held transferable securities. The fund may also invest in collective investment schemes, warrants and money market instruments.

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 is in this category because it can take higher risks in search of higher rewards and its price may rise and fall accordingly.

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.

Risk Profile (continued)

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.

As a result of the Annual management charge 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 units should not normally be regarded as a short term investment.

Report & Accounts

This document is a short report for Schroder Income Fund for the year ended 25 February 2016. The long form Report & Accounts for the fund are available on our website www.schroders.co.uk or upon written request to Schroders, FREEPOST, RLTZ-CHSY-HBUT, PO Box 1102, Chelmsford, Essex CM99 2XX.

Other Information

The information contained in this report is designed to enable unitholders to make an informed judgement on the activities of the fund during the period it covers and the results of those activities at the end of the period. For more information about the activities and performance of the fund during this and previous periods, please contact the Manager.

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.

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.

For investors' security, calls to Schroder Investor Services may be recorded. **Manager:** Schroder Unit Trusts Limited, 31 Gresham Street, London EC2V 7QA. Authorised and regulated by the Financial Conduct Authority. **Investment Adviser:** Schroder Investment Management Limited, 31 Gresham Street, London, EC2V 7QA. 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. **Independent Auditors:** PricewaterhouseCoopers LLP, Atria One, 144 Morrison Street, Edinburgh EH3 8EX.

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.



