

SCHRODER
Gilt & Fixed Interest (UT)

OBSR Fund Rating
A



Key Information

Launch Date	3 October 1989	
Fund Size	£515.6m	
Type of Units Available	Income & Accumulation	
Distribution Dates	30 April, 30 October	
Distribution Yield	3.11%	
ISA	No	
ISA Transfer	No	
Standard Fund Management Charges	Initial	5.25%
	Annual	0.50%

Classification

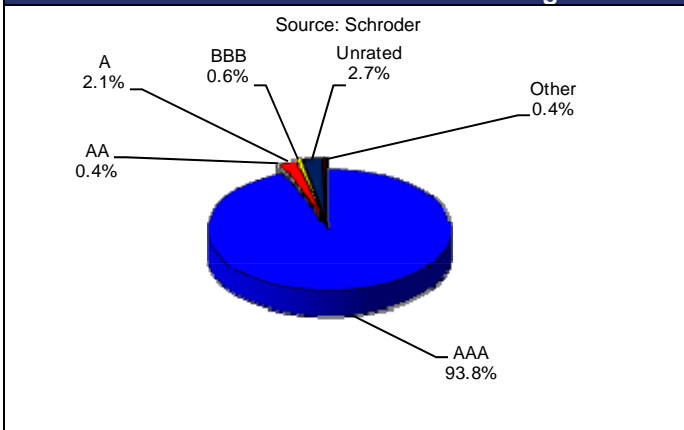
Sector	UK Gilt
OBSR Category	Sovereign
Benchmark/Index	S&P UT Fd UK Gilt

Management/Investment Style

Fund Manager	David Scammell (November 2004)
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Offers investors a fund that invests predominantly in gilts and that employs both top-down and credit-specific strategies with a view to outperforming its benchmark. Much emphasis is placed on the understanding of risk.

Asset Distribution - Credit Rating



Investment Objective & Methodology

The aim of the fund is to achieve a level of income which reflects the underlying gilt market, with the potential for capital gains. The majority of the portfolio will be invested in UK government bonds but it can also purchase sterling bonds issued by those organisations with high credit ratings.

David Scammell joined Schroders in November 2004 as a member of the Sterling Fixed Income team and has responsibility for the management of the sterling conventional gilt portfolios.

The investment process is a three-stage process set to share fixed income ideas across the entire global fixed income team. A monthly macroeconomic meeting attended by portfolio managers and in-house economists sets the overall picture. The output of this meeting is bond forecasts across global fixed income markets. Following this first stage, portfolio managers and sector specialists meet on a weekly basis in two separate strategy groups, interest rates and credit, where investment ideas are discussed in a global context aiming to identify the best investment opportunities. The team will analyse fundamental, quantitative and technical inputs across all markets. Fundamental analysis focuses on the macroeconomic outlook as well as on credit analysis. Credit analysis is based on bottom-up issuer-specific research provided by an extended and experienced credit team worldwide. Technical analysis includes supply/demand trends as well as momentum indicators. Quantitative analysis is used both in economic research and country allocation as well as credit analysis.

Regional teams and sector specialists will then implement investment strategies constructing portfolios in accordance with investment guidelines. The UK Fixed Income team has its own discussion forum to debate the findings of the global forum and they tailor the analysis to the UK market. The asset class specialists in UK bonds (both sovereign and supranational), corporate bonds and index-linked bonds decide which holdings to purchase and each specialist is responsible for the construction of a model portfolio that forms the basis for the positions in the fund. The lead manager will look to add value mainly through duration, yield curve and country strategies. A proprietary system "Quick-Risk" provides pre-trade risk assessment of each strategy giving guidance on diversification and size of strategy. Risk management is a crucial part of the investment process. Risk is managed continuously and monitored through the use of Schroders' proprietary Fixed Income Analytics system as well as the use of Lehman Point and Charles River.

No formal limits are placed on the size of individual positions but the emphasis is placed on understanding the risks taken in the portfolio, expressed in terms of contribution to duration and spread duration. The manager will overlay the fund with interest rate swaps and futures if they are viewed as the most effective way to enact a particular view. As with cash bond positions, their sizing stems from a risk-reward assessment. Through this overlay, the manager may also express views on overseas government bond markets. Generally the fund can only invest 5% in non government backed issues, which includes cash. The typical number of holdings will be around 30 although more stocks may be held when the manager is looking beyond conventional gilts.

www.obsrfundratings.co.uk

Data as at 30 September 2010
Last Updated October 2010