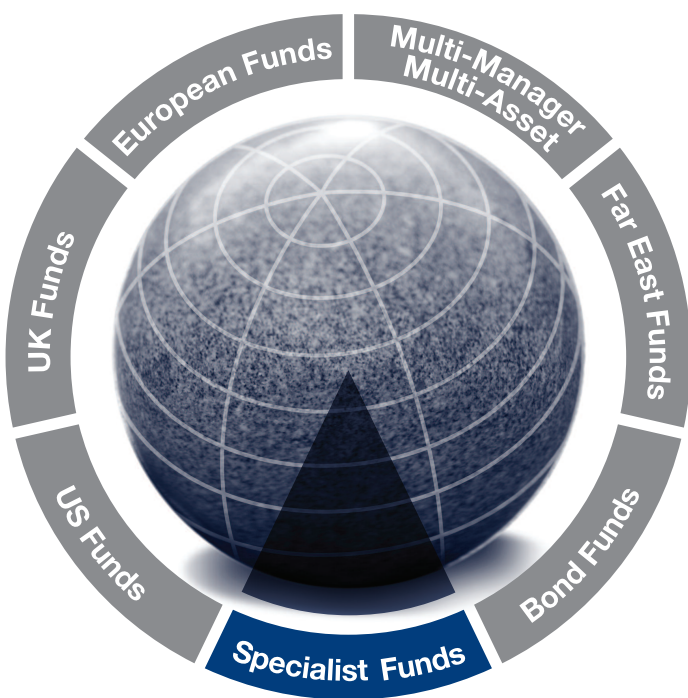


Schroder Medical Discovery Fund

Interim Report and Accounts
February 2012



Schroders

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Schroder

Medical Discovery Fund

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Fund Information

Investment objective and policy

The fund's investment objective is to achieve capital growth.

The fund will invest in healthcare, medical services and related products and companies on a world wide basis.

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

Financial highlights

Selling price	15.2.12	15.8.11	% change
A Income units	65.48p	56.62p	15.65
A Accumulation units	66.13p	57.10p	15.81
Z Income units	55.42p	–	–
Z Accumulation units	55.42p	–	–

Fund information

Launch date	22 May 2000
Launch price	50.00p per A Income unit
	50.00p per A Accumulation unit
Launch date	8 November 2011
Launch price	50.00p per Z Income unit
	50.00p per Z Accumulation unit

	Interim	Final
Accounting dates	15 February	15 August
Revenue allocation date		15 October

Total expense ratio

	For the period to 15.2.12	For the year to 15.8.11
A Income units	1.68% ¹	1.67%
A Accumulation units	1.68% ¹	1.67%
Z Income units	0.87% ¹	–
Z Accumulation units	0.87% ¹	–

¹ The Total expense ratio is annualised based on the fees suffered during the accounting period.

Fund Information (continued)

Total purchases
and sales

	For the period to 15.2.12 £000's	For the year to 15.8.11 £000's
Total purchases	19,837	52,796
Total sales	22,372	56,130

Review of Investment Activities

From 15 August 2011 to 15 February 2012 the price of A Accumulation units on a selling price to selling price basis rose 15.81%. In comparison, the Morgan Stanley Capital International World Health Care Index and the Morgan Stanley Capital International World Index generated total returns of 15.24%¹ and 11.92%¹ respectively in sterling terms.

¹ Source: Thomson Reuters Datastream.

Markets were extremely volatile: the sovereign debt crisis in Europe and lower global growth expectations increasingly worried investors, resulting in at times severe and indiscriminate losses. Markets have been more stable in the new year on hopes that the Greek debt crisis may avoid the worst outcomes and on positive US macroeconomic data.

The fund made a positive return, outperforming both the health care benchmark and global stocks.

In absolute terms, Pharmasset was the stellar performer. The US based drug developer has grown steadily on growing conviction that its new Hepatitis C product will be a game changer. We have now sold our position to lock in profit. Another key contributor was Regeneron Pharmaceuticals, a US based company which discovers and develops pharmaceutical products for serious medical treatments.

We have significantly reduced our exposure to pharmaceuticals after the strong performance in quarter four, while increasing our holdings in health care equipment & supplies and life sciences tools & services. There have been no significant changes to regional exposure.

In the medium term we still see the outlook for health care as improving, especially pharmaceuticals. The much anticipated "patent cliff" for large cap pharmaceuticals is imminent. Most companies have changed management and offer good value and strong focus on shareholder return.

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.



Fund Manager:
John Bowler

Joined Schroders in 2003

Investment career commenced in 1994

Currently Global Sector Specialist with responsibility for the healthcare sector and manager of the Schroder Medical Discovery Fund, as well as having primary research responsibility for Pan-European pharmaceuticals. Based in London

John joined Schroders from AXA Investment Managers, where he had worked since 1998 in a global health care research role. He was voted top buy side analyst for the pharmaceutical and health care sector in the Institutional Investor Pan European Equity survey in 2002

Before this, John worked at State Street Research & Management from 1997 as a fund manager / analyst

Earlier, John joined Hill Samuel Asset Management in 1994 as a graduate trainee, later becoming a junior fund manager for UK equities

Institute of Investment Management and Research (IIMR) qualified. Member of the CFA Society of the UK (CFA UK)

PhD in Biochemistry & Physiology, University of Manchester. Degree in Biology, University of Manchester

Net Asset Value and Comparative Tables

Unit price range

Year to 31 December	A Income units		A Accumulation units	
	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
2007	51.81	44.48	51.81	44.48
2008	52.64	39.93	52.64	40.01
2009	60.59	41.47	60.96	41.55
2010	65.44	51.66	65.85	51.98
2011	68.38	53.53	68.96	53.99
2012 to 15 February	69.19	63.05	69.89	63.67

Year to 31 December	Z Income units		Z Accumulation units	
	Highest buying p	Lowest selling p	Highest buying p	Lowest selling p
2007	–	–	–	–
2008	–	–	–	–
2009	–	–	–	–
2010	–	–	–	–
2011	53.31	48.56	53.31	48.56
2012 to 15 February	55.64	53.31	55.64	53.31

Net revenue

Year to 31 December	A Income units	A Accumulation units
	pence per unit	pence per unit
2007	Nil	Nil
2008	0.0979	0.0979
2009	0.2394	0.2399
2010	0.1234	0.1166
2011	0.0732	0.0778
2012 to 15 February	Nil	Nil

Year to 31 December	Z Income units	Z Accumulation units
	pence per unit	pence per unit
2007	–	–
2008	–	–
2009	–	–
2010	–	–
2011	Nil	Nil
2012 to 15 February	Nil	Nil

Net Asset Value and Comparative Tables (continued)

Net asset value

As at 15 August	Net asset value £000's	Net asset value per unit p	Number of units in issue
2009			
A Income units	8,861	48.51	18,267,362
A Accumulation units	45,186	48.85	92,507,304
2010			
A Income units	11,256	53.14	21,183,405
A Accumulation units	48,490	53.59	90,480,607
2011			
A Income units	10,755	56.83	18,925,951
A Accumulation units	48,443	57.39	84,408,878
2012 at 15 February			
A Income units	11,968	65.59	18,246,335
A Accumulation units	55,341	66.24	83,544,958
Z Income units	1	55.51	2,000
Z Accumulation units	1	55.51	2,000

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

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 focuses on specific sectors. This carries more risk than funds spread across a number of different industry sectors.

The fund stock lends. There is a risk that the borrower might become insolvent or refuse to honour its obligations to return the securities causing a delay to the fund in recovering its securities and possibly incurring a loss.

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

Statement of the Manager's Responsibilities

The Financial Services 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 expenses 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 for Authorised Funds issued by the IMA in October 2010;
- 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.

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 15 February 2012 were signed on 28 March 2012 on behalf of the Manager by:

C.E. Helmstetter
Directors

J.M. Cardew

Portfolio Statement

	Holding at 15.2.12	Market Value £000's	% of total net assets
Africa			
South Africa 0.38%			
(15.8.11 – 0.70%)			
Adcock Ingram Holdings	49,334	256	0.38
		256	0.38
Asia			
China 0.00%			
(15.8.11 – 1.10%)			
India 0.21%			
(15.8.11 – 0.34%)			
Ranbaxy Laboratories GDS	24,954	143	0.21
		143	0.21
Japan 2.99%			
(15.8.11 – 4.01%)			
Astellas Pharma	13,000	342	0.51
Santen Pharmaceutical	23,000	594	0.88
Systemex	14,800	329	0.49
Terumo	13,000	391	0.58
Tsumura	19,000	357	0.53
		2,013	2.99
South Korea 0.34%			
(15.8.11 – 0.48%)			
Celltrion	11,347	230	0.34
		230	0.34
Australasia			
Australia 1.41%			
(15.8.11 – 0.91%)			
Ansell	36,167	347	0.52
Bionomics	370,370	118	0.18
Mesoblast	44,755	212	0.31
Pharmaxis	419,495	272	0.40
		949	1.41

Portfolio Statement (continued)

	Holding at 15.2.12	Market Value £000's	% of total net assets
Europe			
Denmark 4.08%			
(15.8.11 – 2.30%)			
Coloplast B	4,915	489	0.73
Novo Nordisk B	17,317	1,530	2.27
William Demant Holdings	12,844	725	1.08
		2,744	4.08
France 3.83%			
(15.8.11 – 5.19%)			
Cie Generale d'Optique Essilor International	15,965	784	1.16
Medica	13,268	140	0.21
Sanofi-Aventis	35,080	1,652	2.45
Sanofi-Aventis Contingent Value Rights 2020	6,753	5	0.01
		2,581	3.83
Germany 3.24%			
(15.8.11 – 4.94%)			
Bayer	23,141	1,073	1.59
Fresenius Medical Care	4,138	275	0.41
Merck	7,217	493	0.73
Rhoen-Klinikum	27,864	341	0.51
		2,182	3.24
Hungary 0.60%			
(15.8.11 – 0.00%)			
Richter Gedeon	3,722	404	0.60
		404	0.60
Ireland 1.57%			
(15.8.11 – 0.99%)			
Covidien	31,835	1,056	1.57
		1,056	1.57
Jersey 1.58%			
(15.8.11 – 1.77%)			
Shire	46,352	1,062	1.58
		1,062	1.58

Portfolio Statement (continued)

	Holding at 15.2.12	Market Value £000's	% of total net assets
Switzerland 9.39%			
(15.8.11 – 9.20%)			
Novartis	71,417	2,560	3.80
Roche Holding Genusscheine	29,310	3,284	4.88
Sonova Holdings	6,650	477	0.71
		6,321	9.39
United Kingdom 6.87%			
(15.8.11 – 9.21%)			
AstraZeneca	43,038	1,247	1.85
GlaxoSmithKline	151,277	2,149	3.19
Hikma Pharmaceuticals	54,928	403	0.60
Smith & Nephew	64,604	410	0.61
Synergy Health	32,589	277	0.41
Vectura Group	227,338	139	0.21
		4,625	6.87
Middle East			
Israel 2.45%			
(15.8.11 – 2.30%)			
Teva Pharmaceutical Industries ADR	56,944	1,646	2.45
		1,646	2.45
North America			
Canada 0.59%			
(15.8.11 – 1.53%)			
Resverlogix	11,658	15	0.02
Valeant Pharmaceuticals International	12,331	380	0.57
		395	0.59
Mexico 0.46%			
(15.8.11 – 0.67%)			
Genomma Lab Internacional B	215,624	306	0.46
		306	0.46
United States 56.02%			
(15.8.11 – 52.31%)			
Abbott Laboratories	29,631	1,050	1.56
Aetna	23,432	705	1.05
Agilent Technologies	30,810	862	1.28

Portfolio Statement (continued)

	Holding at 15.2.12	Market Value £000's	% of total net assets
United States (continued)			
Alexion Pharmaceuticals	15,242	810	1.20
Allergan	6,971	393	0.58
Amgen	16,979	734	1.09
Ariad Pharmaceuticals	35,199	344	0.51
Baxter International	31,075	1,123	1.67
Becton Dickinson	8,220	404	0.60
Biogen Idec	6,387	485	0.72
Biomarin Pharmaceutical	23,360	566	0.84
Boston Scientific	60,471	227	0.34
Bristol-Myers Squibb	62,041	1,261	1.87
Cardinal Health	34,077	904	1.34
Celgene	19,735	923	1.37
Cerner	6,860	297	0.44
Chemocentryx	29,262	205	0.31
CVS Caremark	26,482	738	1.10
Dendreon	40,204	381	0.57
DENTSPLY International	36,546	902	1.34
Dynavax Technologies	101,942	272	0.40
Edwards Lifesciences	5,204	246	0.37
Express Scripts	56,125	1,845	2.75
Gilead Sciences	70,860	2,473	3.67
Johnson & Johnson	79,972	3,293	4.89
Laboratory Corporation of America	11,673	649	0.96
Life Technologies	21,928	689	1.02
McKesson	4,951	257	0.38
Medtronic	60,254	1,515	2.25
Merck	133,115	3,223	4.79
Pfizer	292,711	3,949	5.87
Regeneron Pharmaceuticals	5,158	351	0.52
St. Jude Medical	14,875	411	0.61
Thermo Fisher Scientific	34,675	1,238	1.84
UnitedHealth Group	59,631	2,076	3.08
Verastem	40,000	289	0.43
Vertex Pharmaceutical	8,698	199	0.30
WellPoint	14,581	612	0.91
Zimmer Holdings	20,544	808	1.20
		37,709	56.02

Portfolio Statement (continued)

	Holding at 15.2.12	Market Value £000's	% of total net assets
South America			
Brazil 0.54%			
(15.8.11 – 0.81%)			
Brazil Pharma	120,000	365	0.54
		365	0.54
Chile 0.27%			
(15.8.11 – 0.29%)			
CFR Pharmaceuticals ADR	12,055	183	0.27
		183	0.27
Portfolio of investments		65,170	96.82
Net other assets		2,141	3.18
Net assets attributable to unitholders		67,311	100.00%

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock market listings.

Statement of Total Return (unaudited)

For the six months ended 15 February 2012

	15.2.12		15.2.11	
	£000's	£000's	£000's	£000's
Income				
Net capital gains		9,070		5,490
Revenue	553		499	
Expenses	(529)		(513)	
Finance costs:				
Interest payable	0		(2)	
Net revenue /(expenses) before taxation	24		(16)	
Taxation	(64)		(48)	
Net expenses after taxation		(40)		(64)
Total return before distributions		9,030		5,426
Change in net assets attributable to unitholders from investment activities		9,030		5,426

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

For the six months ended 15 February 2012

	15.2.12		15.2.11	
	£000's	£000's	£000's	£000's
Opening net assets attributable to unitholders		59,198 ¹		59,746
Amounts receivable on issue of units	2,511		861	
Amounts payable on cancellation of units	(3,427)		(5,448)	
		(916)		(4,587)
Stamp duty reserve tax		(1)		(1)
Change in net assets attributable to unitholders from investment activities		9,030		5,426
Closing net assets attributable to unitholders		67,311		60,584¹

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 15 February 2012

	15.2.12		15.8.11	
	£000's	£000's	£000's	£000's
Assets				
Investment assets		65,170		58,638
Debtors	1,009		2,292	
Cash and bank balances	2,397		1,794	
Total other assets		3,406		4,086
Total assets		68,576		62,724
Liabilities				
Creditors	(1,190)		(3,512)	
Bank overdrafts	(75)		0	
Distribution payable on A Income units	0		(14)	
Total other liabilities		(1,265)		(3,526)
Total liabilities		(1,265)		(3,526)
Net assets attributable to unitholders		67,311		59,198

Notes to the Accounts (unaudited)

Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in October 2010.

The accounting policies applied are consistent with those of the annual accounts for the year ended 15 August 2011 and are described in those annual accounts.

General Information

Manager

Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA
Authorised and regulated by
the Financial Services Authority

Investment Adviser

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Authorised and regulated by
the Financial Services Authority

Trustee

J.P. Morgan Trustee and
Depositary Company Limited
Chaseside
Bournemouth BH7 7DA
Authorised and regulated by
the Financial Services Authority

Registrar¹

International Financial Data Services Limited
IFDS House
St Nicholas Lane
Basildon
Essex SS15 5FS

Administration details

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PO Box 1102
Chelmsford
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0800 718 777
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Fax 0870 043 4080

Independent Auditors

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh EH2 4NH

¹ The Manager has delegated the function of Registrar to International Financial Data Services Limited.

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.

Initial management charge

The issue price of A Income units and A Accumulation units reflects an initial management charge of 5.25% of the creation price (this is approximately 4.99% of the buying price). This is retained by the manager. With effect from 1 March 2012 the initial management charge was reduced for A Income units and A Accumulation units to 3.25% of the creation price (this is approximately 3.15% of the buying price). There is no initial management charge on Z Income units and Z Accumulation units.

Prospectus

The Prospectus and the Simplified Prospectus are available on request or can be downloaded from our website www.schroders.co.uk.



Schroders

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