Schroders

Schroder Income Growth Fund plc

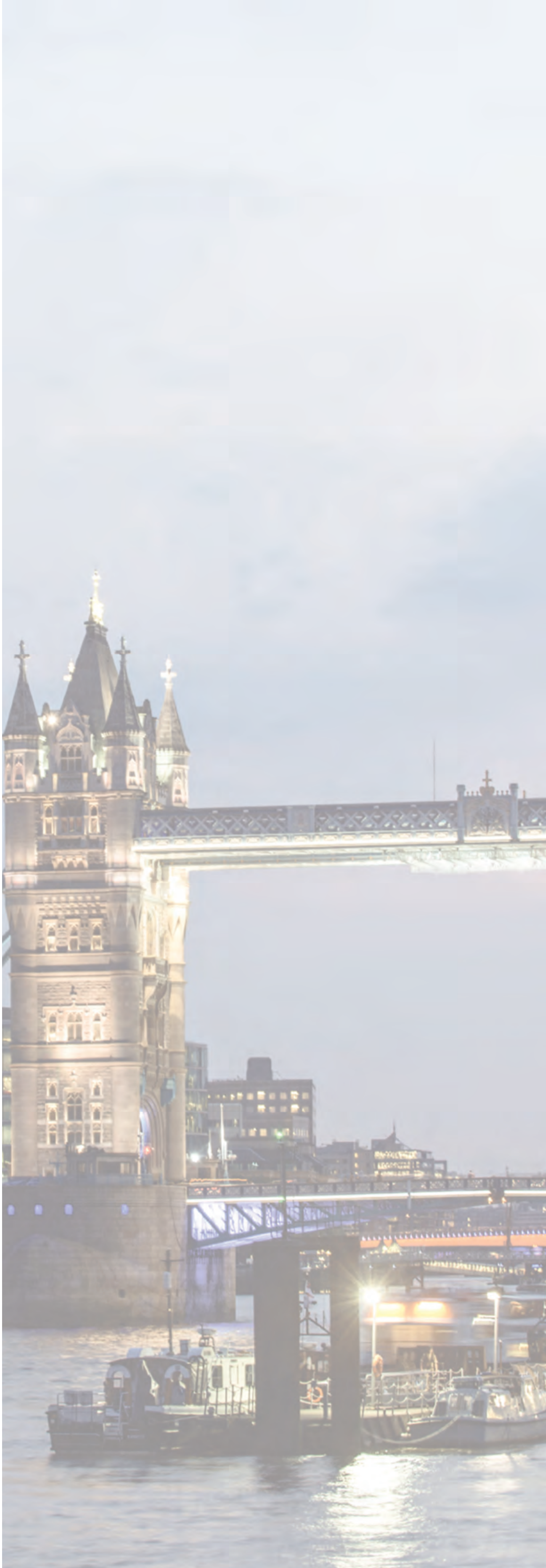
Half Year Report and Accounts for the six months ended 28 February 2022

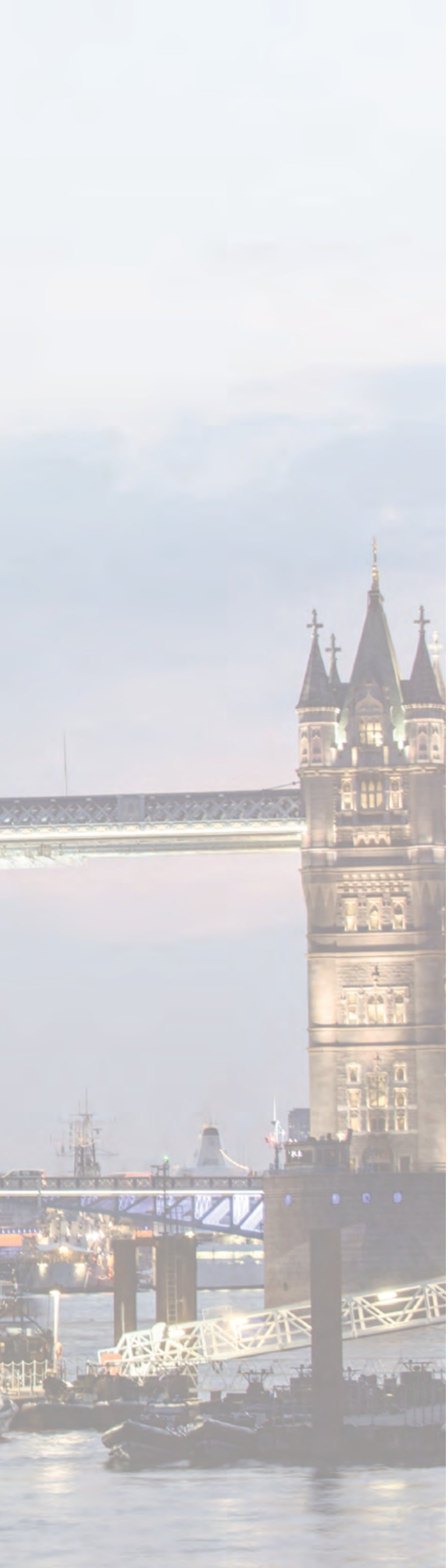
Investment objectives

The Company's principal investment objectives are to provide real growth of income, being growth of income in excess of the rate of inflation, and capital growth as a consequence of the rising income.

Investment policy

The investment policy of the Company is to invest primarily in UK equities but up to 20% of the portfolio may be invested in equities listed on recognised stock exchanges outside the UK. If considered appropriate, the Company may use equity related instruments such as convertible securities and up to 10% of the portfolio may be invested in bonds. In addition, up to 20% of total income may be generated by short-dated call options written on holdings in the portfolio. Put options comprising short-term exchange-traded instruments on major stock market indices of an amount up to the value of the Company's borrowings may also be utilised.





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Financial Highlights

Total returns for the six months ended 28 February 2022[1]

-0.5%
Net asset value ("NAV") per share[2]

-0.8%
Share price[2]

+2.4%
FTSE All-Share Index[3]

[1] Total returns measure the combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

[2] Source: Morningstar.

[3] Source: Thomson Reuters.

Other financial information

	28 February 2022	31 August 2021	% Change
Shareholders' funds (£'000)	**213,307**	219,915	(3.0)
NAV per share (pence)	**307.08**	316.59	(3.0)
Share price (pence)	**306.00**	316.50	(3.3)
Share price discount to NAV per share (%)	**(0.4)**	0.0	
Gearing (%)[1]	**12.5**	7.9	
Yield (%)[2]	**4.2**	4.0	

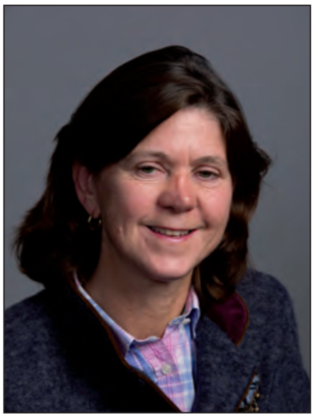
[1] Borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

[2] Calculated as the sum of the last 4 quarterly dividends declared, expressed as a percentage of the current share price.

Dividends

Dividends declared in respect of the six months ended 28 February 2022 amount to 5.0p (six months ended 28 February 2021: 5.0p and year ended 31 August 2021: 12.8p) per share.

Interim Management Report – Chairman's Statement



Performance

During the six-month period to 28 February 2022, the Company's net asset value total return ("NAV") returned -0.5%, compared to 2.4% delivered by the FTSE All-Share Index. The share price lagged the NAV slightly, showing a total return of -0.8%. Both the share price and NAV were affected by the uncertainty surrounding the conflict in Ukraine on the Company's portfolio. Post 28 February 2022 to 18 May 2022 the NAV and share price have delivered total returns of 2.3% and 1.1% respectively, versus the return on the FTSE All-Share Index of -0.1%.

Revenue and dividends

During the period, the Company declared two interim dividends for the year ending 31 August 2022 amounting to 5.00 pence per share (2021: 5.00 pence per share), drawing £856,000 from revenue reserves. This leaves £6,580,000 of revenue reserve carried forward, or 9.5 pence per share.

The income received by the Company during the first half of the year has risen by 49% compared to the same period last year. The Company has revenue reserves of 9.5 pence per share after paying the second interim (equivalent to 74% of the dividends paid last year) available for the Board to distribute at the year end at the end of August, when we will decide on the level of the fourth interim dividend for the year.

We are pleased that we were able to deliver an increased dividend for the year ended 31 August 2021, keeping our 'Dividend Hero' status which has been earned because we have provided annual increases in total dividends for 26 consecutive years. We remain committed to deploying the Company's revenue reserves wisely to provide a growing income for our shareholders. Your Board is carefully monitoring the ability of the Company's portfolio to deliver a dividend which rises in line with inflation over the medium-term.

Gearing

The Company has in place a £30 million revolving credit facility with SMBC Bank International plc ("SMBC"), expiring on 23 August 2022. Average gearing during the period was 11.1%. This made a positive contribution to the Company's income, but this was offset by the negative impact on NAV performance during the period, as a result of the decline in portfolio valuations. As at 18 May 2022, gearing was 11.1%.

Outlook

The outlook for UK companies will continue to be heavily affected by the impact of high, and still rising, inflation as well as the impact of higher taxation for many households, with forecasts indicating that UK household incomes will be squeezed harder than at any point since the 1970s.

Sadly, with no immediate prospect of a peaceful resolution to the conflict in Ukraine, global markets will continue to be heavily disrupted by elevated energy costs as well as increases in the costs of a swathe of key commodities. A renewed focus on energy policy will likely see an accelerated shift towards the rollout of renewables as countries seek to wean themselves away from Russian energy imports. The ongoing Russian invasion will likely exacerbate the significant economic impact of the pandemic and further exacerbate bottlenecks in global supply chains. Many Asian countries are also experiencing new waves of Covid-19 which will result in further disruption to the global economy.

A rising interest rate environment in the UK is also proving an additional headwind to valuations across many sectors of the equity market, with sentiment towards "growth" stocks turning particularly bearish.

The convergence of these substantial risks in the market today emphasises the importance of a diversified, actively-managed portfolio. Your Board and Manager recognise that there are a wide range of scenarios that could play out in the coming months and your Manager continues to focus on stock-picking and diversifying the portfolio to enable it to perform and to generate a growing level of income, whatever the macroeconomic backdrop.

Bridget Guerin
Chairman

19 May 2022

Interim Management Report – Manager's Review

The net asset value total return in the 6 months to 28 February 2022 was -0.5%. This compares to 2.4% from the FTSE All Share Total Return Index. The share price return was -0.8% (source: Schroders/Morningstar).

Total income for the Company rose 49% compared to the worst Covid-afflicted period of September 2020 to February 2021 when income fell 46%. It is useful to compare this interim period (6 months to end of February 2022) to the prior interim period (covering 6 months to the end of February 2021) to contextualise income distributions.

We have continued to position the portfolio in a way that seeks to minimise the negative effects of Covid disruption and the adverse impact of rising inflation, which has increasingly looked less transitory than policy makers had wished, while taking advantage of emerging opportunities in the market. The disruption to companies' dividend payments from Covid is lessening but comparisons remain distorted by the impact of the pandemic, particularly due to the base levels of the prior year.

The most significant contribution to the Fund's income gain was from the large holding in BHP Billiton, which paid both its final and interim dividends in this period, in contrast to the other mining stocks held in the portfolio which will pay all of their income in the second half of the Fund's financial year. BHP gained from rising commodity prices benefitting from the huge Covid fiscal stimulus worldwide. The company had reduced its payments in the prior interim period. Similarly, Shell increased its dividend payments by 47% in response to a stronger oil price that had bolstered the company's balance sheet and boosted profitability, after cutting its dividend by two thirds in 2021. Our larger position in Shell in this period compared to the prior interim period, led to an almost four-fold increase in income. Additionally, our position in Pets at Home benefitted from a significantly increased dividend, benefitting from higher sales and profitability of both the retail and vets businesses.

A further 11 of the Fund's holdings increased dividends, mostly by mid-single-digit percentages, although private equity company 3i, payments business Paypoint and industrial chemicals company Johnson Matthey managed higher increases of around 10%.

Holdings in the most severely impacted sectors (leisure and hospitality) continued to not pay dividends in this period, like the prior interim period. However, nine others, in sectors which have seen the initial benefits of reopening such as student and flexible workspace property sectors, building and construction, luxury retail and employment agencies, have encouragingly reinstated dividends. For example, portfolio holding Empiric Student Property, which was the fifth largest income contributor over this period, was one of these companies that reinstated dividends.

The Fund suffered from very modest exposure to companies who made further dividend cuts over the period, with only three portfolio holdings affected. TP ICAP cut its dividend payment to shareholders, in part to help fund the purchase of Liquidnet. Meanwhile, Unilever's underlying dividend was increased in Euro-dominated terms but currency movements over the period marginally reduced sterling income payments. Lastly, Bunzl's income distribution over this period saw an unfair comparison to the prior period where it paid both an interim and a catch-up payment of the final dividend deferred for 2019. However, its interim dividend has encouragingly continued to grow.

Companies that did not pay dividends which we would normally expect to, included Whitbread, National Express and Hollywood Bowl, accounting for less than 5% of the investment portfolio as at 28 February 2022. We anticipate that these holdings will contribute to income in the second half of the Fund's financial year.

Portfolio activity also had an impact on income generated. While we removed global tobacco company British American Tobacco and Portuguese oil and gas company GALP before the start of the period, and subsequently lost these sources of income, we sourced others. The proceeds of these sales and the reinvestment of the proceeds of two large holdings that were bid for in the prior period (G4S and William Hill) into a range of holdings, contributed to income generated in the current period. Meanwhile, merger and acquisition activity continued to feature in the market, with publishing and risk data company Daily Mail and General Trust, infrastructure provider John Laing and cyber security company Avast being taken private or bid for, respectively. Proceeds of these bids were invested in a range of companies and sectors including banks Lloyds and Standard Chartered; energy company SSE, staffing agency SThree, medical devices company Convatec, gambling group 888, flexible office provider Workspace, housebuilder Taylor Wimpey and builders merchant Travis Perkins. All of these new holdings in the portfolio contributed to income generated during the period.

Additionally, the average gearing level over the past 6 months was slightly higher than the prior interim period, which will have provided a tailwind to income generated.

There was substantial income recovery in this period to end February 2022 but c.18% below the equivalent pre-pandemic period of 6 months to end February 2020. There are two main reasons for this. First, we have not yet seen a full recovery from Covid income cuts (some businesses have yet to wholly recover). Second, the composition of the portfolio is more skewed, compared to previous periods, to receiving income in the Fund's second half of the financial year.

Interim Management Report – Manager's Review

Market background

UK equities were resilient over the period as investors priced in ongoing pandemic related disruption and the additional inflationary shock of Russia's invasion of Ukraine. Large cap equities outperformed, driven by the oil, mining, and banking sectors. Strength in the banks reflected rising interest rate expectations. The Bank of England moved to increase interest rates ahead of other developed market central banks. It increased the main policy rate by 0.15% in December and followed this up with three consecutive increases to 1.0% at 5 May 2022.

A number of consumer-focused areas underperformed, as did some traditionally economically sensitive ones. These factors combined, drove a poor performance from UK small and mid-cap equities. Towards the end of the period, some of the more traditionally defensive sectors advanced up the leader board, particularly those which offer a degree of inflation protection. Intermittent fears of a global recession, however, drove periodic sell-offs in some of these "safer" stocks too.

Portfolio performance

The NAV total return underperformed the FTSE All-Share Index, with stock selection the main driver of negative relative returns. The Fund generated a NAV total return of -0.5% over the 6 month period.

	Impact (%)
FTSE All-Share total return	**2.4**
Stock selection	-2.2
Sector allocation	-0.4
Fees	-0.3
NAV total return	**-0.5**

Source: Schroders, 6 months to 28 February 2022, Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

In this uncertain environment, many companies in more cyclical sectors have experienced near-term trading setbacks, including several of our portfolio holdings. In contrast, more defensive companies, and some growth stocks to which we have less exposure, have performed strongly. While the portfolio had some exposure to companies that have benefitted in this way, such as analytics company RELX, this was not sufficient to offset the negative impact of not owning a number of the outperforming stocks in this market.

One of the main drivers of underperformance over the 6-month period was being underexposed, relative to the index, to the strongly performing oil and banking sectors, as well as some adverse stock selection within the latter. The strength of the economic recovery from the Covid-induced recession boosted demand for oil and gas producers, while bond yields rose as expectations for interest rate rises increased, supporting banks. For instance, not owning large Asian-focused bank HSBC notably weighed on relative performance. Meanwhile, oil, gas and power prices were strong but somewhat volatile in the period. Not owning oil company BP, which outperformed, was detrimental.

Other notable detractors included our large holding in Pets at Home, one of the Fund's top performers over the prior financial year, which suffered from a derating in the shares despite continued, strong operational delivery. Concern that the stock was a Covid winner which would struggle to sustain growth levels, was exacerbated by the announcement of senior management changes. We continue to believe that the shares have more to deliver. Speciality chemicals and sustainable technologies company Johnson Matthey's performance was disappointing, due to changes in senior management and strategy. On the latter, the decision to exit battery materials led to a write down of assets, while the pharmaceuticals business experienced weaker profitability, which ultimately hit its subsequent disposal price. However, we still see attractions in its hydrogen and fuel cell businesses.

Mining companies exposed to a range of commodities performed well over the period. Within the sector, our holdings in Anglo American and BHP more than offset the negative impact of not owning Glencore. We continued to hold BHP through its corporate change to unify the listing in Australia and delist from the UK. Stock selection within real estate detracted from performance as shares in portfolio holdings Empiric Student Property, Unite Students and Workspace, which we believe should benefit from the continued reopening of the economy, were weak due to the Omicron outbreak. The new variant hit sentiment and share prices, in contrast to commercial property companies that benefitted from boosted valuations as a result of overseas investors buying similar assets. We continue to hold our positions in these student property names due to our belief in their longer-term prospects as well as income recovery potential.

On the positive side, our position in power generation company Drax performed strongly. Drax has switched its focus from coal to biomass renewable fuels and has longer-term attractions of the potential to deploy carbon capture and storage technology to become a leading carbon negative energy business. Tesco has continued to price products competitively, reassured investors on capital returns and has taken market share as private equity have bought into some rivals. Our holding in telecoms company BT which we have built over the past year added to performance. Greater clarity on regulation and returns on investment of fibre roll out, together with interest from an external investor Patrick Drahi underscored the attractions of the investment case.

Interim Management Report – Manager's Review

Five top/bottom relative performers

Security	Portfolio weight (%)[1]	Weight relative to index (%)[1]	Relative perfor-mance (%)[2]	Impact (%)[3]
Drax	1.8	+1.7	+67.9	+0.8
Anglo American	4.0	+2.5	+22.3	+0.6
BHP	3.0	+1.5	+10.4	+0.3
Tesco	3.3	+2.4	+12.6	+0.3
BT	2.6	+2.0	+8.9	+0.3

	Portfolio weight (%)[1]	Weight relative to index (%)[1]	Relative perfor-mance (%)[2]	Impact (%)[3]
HSBC	0.0	–3.7	+30.9	–1.0
Pets At Home	3.0	+2.9	–28.8	–0.9
Johnson Matthey	1.8	+1.6	–37.6	–0.7
Glencore	0.0	–2.0	+35.7	–0.6
BP	0.0	–2.8	+22.8	–0.5

Source: Schroders, Factset, for Schroder Income Growth investment portfolio, 6 months to end February 2022.

[1] Average weights over period.

[2] Total return of the stock relative to the FTSE All-Share TR over the period.

[3] Contribution to performance relative to the FTSE All-Share TR. The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Portfolio activity

Turnover in the portfolio has been influenced by our view of increased and enduring inflation risks and associated rises in bond yields, which has led us to establish new positions in stocks we believe are set to benefit from this environment, as well as adding to holdings which we believe will prove resilient in this situation. We established four new holdings and exited five others. Significant additions were mainly in larger companies that we believe possess strong franchises and balance sheets, pricing power and attractive prospects. Meanwhile, corporate activity again featured as a driving rationale for stocks exiting the Fund.

We bought new positions in domestic bank Lloyds Banking Group, which is well-capitalised and focused on lower-risk mortgage lending, as well as Asian-focused bank Standard Chartered, which is exposed to US interest rate rises. Like all UK banks, Lloyds has provisioned very conservatively through the pandemic. Our analysis suggests there is considerable scope for those provisions to be released in the next couple of years, boosting earnings. Additionally, central banks may be forced to raise rates more quickly due to persistent inflation and we believe Lloyds is well placed to benefit from higher interest rates and retains a strong capital position. Meanwhile, we believe Standard Chartered currently trades at an attractive valuation, which we would expect to be lifted as profitability improves.

We added to a selection of existing large-cap stocks in the portfolio, including oil major Shell, fixed line and mobile telecoms operator BT and biopharmaceutical business AstraZeneca.

We have built a high conviction position in BT Group, where regulatory clarity for Openreach has seen it accelerate plans for its Fibre to the Premise (FTP) roll out. This will be vital in enabling the UK to fulfil its broadband ambition. Additionally, we believe the business will benefit from the super-tax deduction on capital expenditure in the UK over the next two years. Furthermore, sporting TV rights have been renewed without cost increases and the new plan for resolving the pension deficit provides certainty of future cash flows.

Having cut positions in oil majors in the autumn of 2019 and start of 2020 on the belief that they would struggle to manage the energy transition while supporting shareholder returns, we have continued to reassess their situation and have become more optimistic. In 2019, BP and Shell were heavily committed to paying dividends and buying back stock from shareholders. Additionally, they had ongoing obligations to service their significant debt levels. At that time, combining these commitments with the significant required investments in renewable energy sources did not seem, in our view, to add up. We constantly review the investment case for companies and are always open to changing our minds. This is often on the basis of valuations, which are now more appealing than prior to the pandemic. We have subsequently rebuilt the position size in Shell, with purchases of stock over the course of the second half of the Fund's past financial year (2021), and further additions during this period (mainly in January 2022) following reassessment of the number of significant changes to the company and the outlook for the both the oil price and demand. Dividends were rebased to more sustainable levels in 2020 and improved disclosures give us a sense of what is required to implement their transition strategies. The oil price has strengthened from the lows of early 2020, which enables investment, has boosted cashflows and reduced debt. Shell has a good mix of downstream and gas assets – the integrated gas and marketing business puts the company in a good place to monetise the recovery in demand from Covid and the dislocations between emerging markets and developed markets through its trading activities. Dividends are now growing, supplemented by capital returns to shareholders in the form of share buy backs.

Within pharmaceuticals, we made a partial switch from GlaxoSmithKline to AstraZeneca. AstraZeneca shares had not moved following the purchase of Alexion in the early part of 2021 and it has become relatively more attractive within the sector after strong results from its breast cancer drug Enhertu. Furthermore, we are encouraged by the company’s attractive growth runway from products on the market and with further potential from its R&D pipeline.

Sources of cash for these purchases included the sale of our relatively new holding in cyber security firm Avast, after receipt of a bid from US peer NortonLifeLock, and a take private transaction for publishing and risk business Daily Mail and General Trust, which has been held in the Fund for some years. Additionally, we made outright sales of defence products company BAE Systems, using some of the proceeds to fund additions to defence services business QinetiQ, taking advantage of share price weakness. The company had warned that a large, complex program with a defence customer had been negatively impacted by supply chain problems. We expect these problems to be relatively short-lived and believe QinetiQ offers stronger organic growth potential on a medium-term view with a strong balance sheet and a good record on management execution.

We reduced our holding in Unilever, concerned by its exposure to both rising input costs as well as a squeeze on consumer spending. Furthermore, positions in a range of insurance, investment and other financials stocks, including Legal and General, M&G and Intermediate Capital were scaled back after reasonable performance and with valuations closer to fair value. These financial companies are potentially vulnerable to a derating should inflation pressures lead to a widening out of credit spreads, despite their strong business models for the longer term. Proceeds from private asset-related holdings Intermediate Capital and Bridgepoint were recycled into a purchase at IPO and subsequent additions in peer Petershill. Housebuilder Taylor Wimpey was sold to part fund the purchase of Shell.

Within the mining sector, we switched preference from BHP to Rio Tinto, as BHP had performed more strongly around its delisting from the premium segment of the UK market in order to consolidate its listing on the Australian Index.

We started a new position in gambling group 888 believing the shares did not reflect the attractions of market growth online, a large opportunity in the US market with a strategic partnership with Sports Illustrated, building a sports book and iGaming, and the potential to incorporate the William Hill assets.

We continued to build positions in recently purchased stocks, such as medical devices company Convatec, and energy utility businesses Drax and SSE, which are exposed to rising power prices and increased demand for renewable energy. Where we have seen near-term trading disappointments but retain our conviction in a company being a long-term winner, we use lower share prices to add to our positions at attractive valuations. This has been the case with defence services business QinetiQ, and industrial chemicals business Johnson Matthey.

Outlook

Russia’s invasion of Ukraine, continued pandemic challenges, as well as the effects of rising inflation and taxation on UK consumers, have all been at the forefront of our minds recently.

With the human impact of the invasion paramount, the sanctions applied to Russia, a key exporter of commodities, also have far reaching economic and financial implications. The invasion has prompted commitments to increase defence spend, notably from Germany. Energy security has become a key priority with governments re-thinking any reliance on Russian supply. We expect renewables to benefit as a result, on top of the action pledged to achieve climate objectives longer term. This geopolitical disruption also exacerbates the significant difficulties caused by the pandemic to global supply chains, including food commodities. Though Western countries are moving to ‘live with Covid-19’, many in Asia are experiencing new waves of the virus and living with restrictions. As a result, the disruption to supply chains is likely to be a significant longer-term issue for companies to manage.

Closer to home, the forecast change in real household disposable income is stark. UK household income could be squeezed harder than it has been for many years. Lower income households will be hit disproportionately hard whilst many other households will have the cushion of elevated savings built up during the pandemic. This will be compounded by the upward trajectory in interest rates adding to mortgage repayments for many homeowners. Concerns over the financial pressures on households adds to persistent pandemic challenges and of course Russia’s invasion of Ukraine.

The convergence of these substantial risks in the market today emphasises the importance of a diversified portfolio. We recognise that there are a wide range of scenarios that could play out in 2022. Inflation, stagflation and recession are all potential outcomes, but as ever, we are unable to accurately predict the macroeconomic environment. The prospect of further rate hikes by the Bank of England also adds to this uncertainty However, we continue to focus on stock-picking and diversifying the portfolio to enable it to deliver on its objectives whatever the macroeconomic backdrop.

As ever, we continue to stick by our investment process, which has served our investment team well for over 20 years, and look to identify companies that we believe are well-placed to navigate many of these future challenges by possessing pricing power, unique assets, and which are exposed to structural tailwinds.

Interim Management Report – Manager's Review

Investment policy

Regardless of external conditions, our aims and our investment approach remain constant: to construct a diversified portfolio of mispriced opportunities capable of delivering both real growth of income and attractive capital returns. The market volatility in early 2022 has been yet another reminder of the importance of diversification when constructing portfolios. We remain bottom-up stock pickers looking for idiosyncratic investment opportunities in individual companies. We continue to see an attractive opportunity set of mispriced assets in the UK equity market, as the market as a whole, has been and continues to be out of favour with international investors. One feature of recent months has been a sell-off in more 'speculative' areas of the market where valuations had become extended. The UK market's lower starting valuation point and lower exposure to some of these more speculative areas positions it well to perform in an environment where investors become more discerning about valuations.

Schroder Investment Management Limited

19 May 2021

The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Investment Portfolio

at 28 February 2022

Companies in bold represent the 20 largest investments, which by value account for 69.9% (28 February 2021: 71.7% and 31 August 2021: 67.7%) of total investments.

All companies are headquartered in the UK unless otherwise stated. All investments are equities, listed on a recognised stock exchange.

	£'000	%
Financials		
Lloyds Banking	**9,144**	**3.8**
Legal & General	**6,452**	**2.7**
Standard Chartered	**6,258**	**2.6**
Empiric Student Property	**6,181**	**2.6**
Prudential	**5,455**	**2.3**
M&G	4,995	2.1
3i Group	3,794	1.6
Unite Group	3,753	1.6
Intermediate Capital	3,625	1.5
Assura	3,372	1.4
Workspace Group	3,207	1.3
Direct Line Insurance	3,096	1.3
TP ICAP	1,827	0.8
Peterhill Partners	1,765	0.7
Total Financials	**62,924**	**26.3**
Consumer Services		
RELX	**8,847**	**3.7**
Tesco	**8,229**	**3.4**
Pets At Home	**6,211**	**2.6**
Pearson	**5,677**	**2.4**
Hollywood Bowl	**5,085**	**2.1**
Whitbread	3,775	1.6
888 (Gibraltar)	2,803	1.2
National Express	1,486	0.7
Cazoo	441	0.2
Total Consumer Services	**42,554**	**17.9**
Basic Materials		
Rio Tinto	**13,794**	**5.8**
Anglo American	**12,290**	**5.1**
Johnson Matthey	4,531	1.9
BHP	3,737	1.6
Total Basic Materials	**34,352**	**14.4**

	£'000	%
Healthcare		
AstraZeneca	**15,428**	**6.4**
GlaxoSmithKline	**11,706**	**4.9**
ConvaTec	1,972	0.8
Total Healthcare	**29,106**	**12.1**
Industrials		
QinetiQ	4,998	2.1
Balfour Beatty	3,850	1.6
Bunzl	3,777	1.6
SThree	2,822	1.2
Travis Perkins	2,668	1.1
Paypoint	2,245	0.9
Total Industrials	**20,360**	**8.5**
Oil and Gas		
Royal Dutch Shell	**15,617**	**6.5**
Total Oil and Gas	**15,617**	**6.5**
Utilities		
National Grid	**5,507**	**2.3**
Drax	**5,384**	**2.3**
SSE	3,154	1.3
Total Utilities	**14,045**	**5.9**
Consumer Goods		
Burberry	**6,555**	**2.7**
Unilever	**5,076**	**2.1**
Total Consumer Goods	**11,631**	**4.8**
Telecommunications		
BT	**8,671**	**3.6**
Total Telecommunications	**8,671**	**3.6**
Total Investments	**239,260**	**100.0**

Interim Management Report

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; market; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; service provider; and cyber. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 20 and 21 of the Company's published annual report and accounts for the year ended 31 August 2021.

The Company's principal risks and uncertainties have not materially changed during the six months ended 28 February 2022.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 20 of the published annual report and accounts for the year ended 31 August 2021, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 28 February 2022.

Directors' responsibility statement

The directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice,"Financial Statements of Investment Companies and Venture Capital Trusts" issued in April 2021 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Income Statement

	(Unaudited) For the six months ended 28 February 2022			(Unaudited) For the six months ended 28 February 2021			(Audited) For the year ended 31 August 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	**–**	**(5,187)**	**(5,187)**	–	23,923	23,923	–	47,565	47,565
Net foreign currency (losses)/gains	**–**	**(2)**	**(2)**	–	–	–	–	5	5
Income from investments	**3,193**	**1,707**	**4,900**	2,136	1,832	3,968	9,432	1,832	11,264
Other interest receivable and similar income	–	–	–	–	–	–	–	–	–
Gross return/(loss)	**3,193**	**(3,482)**	**(289)**	2,136	25,755	27,891	9,432	49,402	58,834
Investment management fee	**(258)**	**(258)**	**(516)**	(328)	(328)	(656)	(592)	(592)	(1,184)
Administrative expenses	**(251)**	**–**	**(251)**	(166)	–	(166)	(382)	–	(382)
Net return/(loss) before finance costs and taxation	**2,684**	**(3,740)**	**(1,056)**	1,642	25,427	27,069	8,458	48,810	57,268
Finance costs	**(67)**	**(67)**	**(134)**	(48)	(48)	(96)	(88)	(88)	(176)
Net return/(loss) before taxation	**2,617**	**(3,807)**	**(1,190)**	1,594	25,379	26,973	8,370	48,722	57,092
Taxation (note 3)	**–**	**–**	**–**	20	–	20	–	–	–
Net return/(loss) after taxation	**2,617**	**(3,807)**	**(1,190)**	1,614	25,379	26,993	8,370	48,722	57,092
Return/(loss) per share (note 4)	**3.77p**	**(5.48)p**	**(1.71)p**	2.33p	36.69p	39.02p	12.08p	70.33p	82.41p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return after taxation is also the total comprehensive income for the period.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

Statement of Changes in Equity

For the six months ended 28 February 2022 (unaudited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2021	6,946	9,449	2,011	1,596	34,936	153,859	11,118	219,915
Net (loss)/return after taxation	–	–	–	–	–	(3,807)	2,617	(1,190)
Dividends paid in the period (note 5)	–	–	–	–	–	–	(5,418)	(5,418)
At 28 February 2022	**6,946**	**9,449**	**2,011**	**1,596**	**34,936**	**150,052**	**8,317**	**213,307**

For the six months ended 28 February 2021 (unaudited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2020	6,904	8,270	2,011	1,596	34,936	105,137	11,470	170,324
Issue of shares	25	655	–	–	–	–	–	680
Net return after taxation	–	–	–	–	–	25,379	1,614	26,993
Dividends paid in the period (note 5)	–	–	–	–	–	–	(5,253)	(5,253)
At 28 February 2021	**6,929**	**8,925**	**2,011**	**1,596**	**34,936**	**130,516**	**7,831**	**192,744**

For the year ended 31 August 2021 (audited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2020	6,904	8,270	2,011	1,596	34,936	105,137	11,470	170,324
Issue of shares	42	1,179	–	–	–	–	–	1,221
Net return after taxation	–	–	–	–	–	48,722	8,370	57,092
Dividends paid in the year (note 5)	–	–	–	–	–	–	(8,722)	(8,722)
At 31 August 2021	**6,946**	**9,449**	**2,011**	**1,596**	**34,936**	**153,859**	**11,118**	**219,915**

Statement of Financial Position at 28 February 2022 (unaudited)

	(Unaudited) 28 February 2022 £'000	(Unaudited) 28 February 2021 £'000	(Audited) 31 August 2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	**239,260**	203,935	234,811
Current assets			
Debtors	**980**	507	2,796
Cash at bank and in hand	**3,431**	8,760	7,718
	4,411	9,267	10,514
Current liabilities			
Creditors: amounts falling due within one year	**(30,364)**	(20,458)	(25,410)
Net current liabilities	**(25,953)**	(11,191)	(14,896)
Total assets less current liabilities	**213,307**	192,744	219,915
Net assets	**213,307**	192,744	219,915
Capital and reserves			
Called-up share capital (note 6)	**6,946**	6,929	6,946
Share premium	**9,449**	8,925	9,449
Capital redemption reserve	**2,011**	2,011	2,011
Warrant exercise reserve	**1,596**	1,596	1,596
Share purchase reserve	**34,936**	34,936	34,936
Capital reserves	**150,052**	130,516	153,859
Revenue reserve	**8,317**	7,831	11,118
Total equity shareholders' funds	**213,307**	192,744	219,915
Net asset value per share (note 7)	**307.08p**	278.18p	316.59p

Registered in England and Wales as a public company limited by shares.

Company registration number: 03008494

Notes to the Accounts

1. Financial Statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's auditor.

The figures and financial information for the year ended 31 August 2021 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditor which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in April 2021.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 August 2021.

3. Taxation

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. Taxation on ordinary activities comprises irrecoverable overseas withholding tax.

4. Return/(loss) per share

	(Unaudited) Six months ended 28 February 2022 £'000	(Unaudited) Six months ended 28 February 2021 £'000	(Audited) Year ended 31 August 2021 £'000
Revenue return	**2,617**	1,614	8,370
Capital (loss)/return	**(3,807)**	25,379	48,722
Total (loss)/return	**(1,190)**	26,993	57,092
Weighted average number of shares in issue during the period	**69,463,343**	69,170,663	69,279,644
Revenue return per share	**3.77p**	2.33p	12.08p
Capital (loss)/return per share	**(5.48)p**	36.69p	70.33p
Total (loss)/return per share	**(1.71)p**	39.02p	82.41p

5. Dividends paid

	(Unaudited) Six months ended 28 February 2022 £'000	(Unaudited) Six months ended 28 February 2021 £'000	(Audited) Year ended 31 August 2021 £'000
2021 fourth interim dividend of 5.3p (2020: 5.1p)	**3,682**	3,521	3,521
First interim dividend of 2.5p (2020: 2.5p)	**1,736**	1,732	1,732
Second interim dividend of 2.5p	**–**	–	1,732
Third interim dividend of 2.5p	**–**	–	1,737
	5,418	5,253	8,722

A second interim dividend of 2.5p (2021: 2.5p) per share, amounting to £1,737,000 (2021: £1,732,000) has been declared payable in respect of the six months ended 28 February 2022.

6. Called-up share capital

	(Unaudited) Six months ended 28 February 2022 £'000	(Unaudited) Six months ended 28 February 2021 £'000	(Audited) Year ended 31 August 2021 £'000
Opening balance of ordinary shares of 10p each	**6,946**	6,904	6,904
Issue of shares	**–**	25	42
Closing balance of ordinary shares of 10p each	**6,946**	6,929	6,946

Changes in the number of shares in issue during the period were as follows:

	(Unaudited) Six months ended 28 February 2022	(Unaudited) Six months ended 28 February 2021	(Audited) Year ended 31 August 2021
Ordinary shares of 10p each, allotted, called-up and fully paid			
Opening balance of shares in issue	**69,463,343**	69,038,343	69,038,343
Issue of shares	**–**	250,000	425,000
Closing balance of shares in issue	**69,463,343**	69,288,343	69,463,343

7. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 28 February 2022 of 69,463,343 (28 February 2021: 69,288,343 and 31 August 2021: 69,463,343).

8. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 28 February 2022, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (28 February 2021 and 31 August 2021: same).

9. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the interim date and have not noted any other events which have not been reflected in the financial statements.

www.schroders.co.uk/incomegrowth

Directors

Bridget Guerin (Chairman)
Ewen Cameron Watt
Fraser McIntyre
Victoria Muir

Advisers

Alternative investment fund manager (the "Manager")

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

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 6501

Registered office

1 London Wall Place
London EC2Y 5AU

Depositary and custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending bank

SMBC Bank International plc
99 Queen Victoria Street
London EC4V 4EH

Corporate broker

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Independent auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk

*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the above address.

Shareholder enquiries

General enquiries about the Company should be addressed to the company secretary at the Company's registered office.

Dealing codes

ISIN: GB0007915860
SEDOL: 0791586
Ticker: SCF

Global intermediary identification number (GIIN)

T34UKV.99999.SL.826

Legal entity identifier (LEI)

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The Company's privacy notice is available on its webpages.

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