

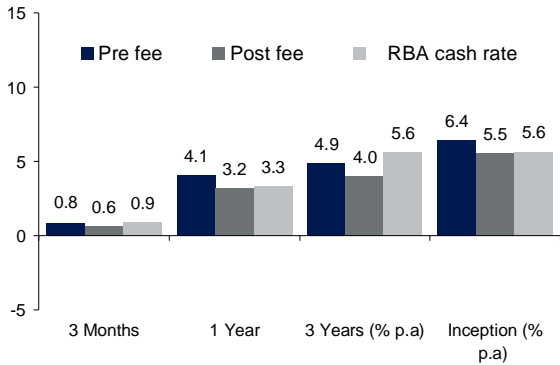


December 2009

Quarterly Report

Schroder Australian Equity Income Fund

Total return before franking (%)¹



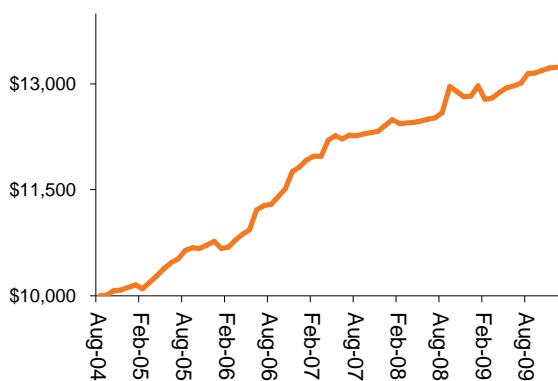
Inception: September 2004

Franking credits added another 1.2% to returns in the year to June 09

Top 5 and bottom 5 contributors to performance over the quarter

Stock name	Performance Contribution %
INCITEC PIVOT ORDINARY FULLY PAID	0.14
MACQUARIE GROUP LTD ORDINARY FULLY PAID	0.10
NUFARM LIMITED ORDINARY FULLY PAID	0.05
BHP BILLITON LIMITED ORDINARY FULLY PAID	0.05
WESTFIELD GROUP ORDINARY/UNITS FULLY PAID	0.04
ANZ BANKING GRP LTD ORDINARY FULLY PAID	-0.05
NEWCREST MINING ORDINARY FULLY PAID	-0.05
TRANSURBAN GROUP ORDINARY SHARES/UNITS	-0.06
COMMONWEALTH BANK. ORDINARY FULLY PAID	-0.06
AXA ASIA PACIFIC ORDINARY FULLY PAID	-0.06

Growth of \$10,000 invested since inception^{1 2}



Calculations based on post fee performance returns since inception with distributions reinvested.

Fund objective

The objective of the Schroder Australian Equity Income Fund is to provide investors with access to the dividend stream from companies whilst removing the bulk of equity market exposure with futures. The Fund achieves this by purchasing stocks between 45-60 days before they go ex-dividend and then liquidating the position very soon after the ex-dividend date. Equity exposure is reduced by selling SPI futures contracts such that the strategy exhibits much reduced correlation with the wider market, reflecting its status as a predominantly defensive income generating vehicle. Fund performance also benefits from harvesting franking credits, which is estimated to add over 1% pa.

Portfolio review

Whilst the Australian equity market did not repeat the strong performance of the previous quarter the ASX/S&P 200 still gained 2.7% during the course of Q4. Materials strongly outperformed all other sectors, whilst Financials (including REITs) along with Energy underperformed the market. Value based styles, which had been performing very well in prior months, struggled however (e.g. MSCI's definition of Value for the Australian market underperformed MSCI Growth by as much as 5.1%).

The Fund finished the quarter up 0.84% (pre fee) broadly in line with the cash benchmark of 0.88% although investment levels were seasonally low during the period due to the absence of significant dividend payouts. At the sector level, REITs were the main positive contributors whilst Financials and Industrials detracted slightly from performance.

Outlook

Whilst the Reserve Bank has started to increase interest rates from generational lows, they are likely to remain relatively low in absolute terms over the short to medium term. Against this backdrop demand for income is expected to remain elevated which is expected to be supportive of the strategy going ahead. As the reporting and dividend payout season approaches for the majority of Australian companies the Fund's investment level in equities is expected to remain high (currently at 80%) as well as diversified across most sectors in the market.

The Fund continues to offer good diversification benefits from equities without requiring exposure to credit whilst possessing bond-like volatility. It should be viewed as an insurance premium against equity market declines whilst offering a steady income stream and access to franking credits where available.

Portfolio details¹

APIR code	SCH0029AU
Fund size (AUD)	\$123,818,516
NAV unit price	\$0.9916
Redemption unit price	\$0.9886
Fund inception date	Sep-04
Valuation	Normally each business day
Distribution	Normally quarterly, calculated on the last business day of each quarter.

1) Figures quoted are as at 31 December 2009 unless otherwise stated.

2) Inception is September 2004

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