



## Fund Summary



# Schroder Australian Equity Income Fund

## Overview

The objective of the Schroder Australian Equity Income Fund is to provide investors with high levels of income with low levels of capital volatility. The Fund achieves this objective through investing in dividend paying stocks while minimising equity market exposure through the use of derivatives. The Fund's unique characteristics make it a good diversifier for a client's portfolio.

## Benefits

- High levels of income – target income levels in excess of cash
- Tax effective franked income stream
- Low correlation to other asset classes including bonds and equities thus providing excellent diversification

## Portfolio summary

<b>Performance objective</b>	To provide investors with income in excess of the RBA cash rate with low levels of capital volatility in absolute terms
<b>Style</b>	Quantitative absolute return income fund with low correlation to other major asset classes
<b>Volatility</b>	2–4% p.a.

## Investment process

At the heart of the investment philosophy for the Fund is that individual stock valuations can be mis-priced around the dates that stocks trade "ex dividend" (the "ex date"). The Fund's investment strategy offers investors a potential return comprising predominantly of income by exploiting the outperformance of stocks prior to their dividend ex date versus the market. Stocks are purchased in the period leading up to their ex date rather than adopting a buy-and-hold strategy throughout the year. This is achieved without exposing investors to credit risk or significant sensitivity to the equity market whilst the strategy's costs are minimised by utilising the skill and experience of Schroders' equity trading team.

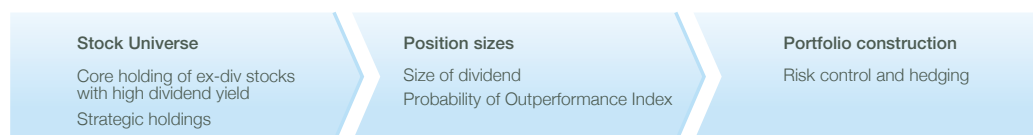
The Fund invests solely in Australian and New Zealand equities but aims to reduce volatility by minimising the overall equity exposure through the use of derivatives. As the strategy only buys securities around their dividend ex date, the seasonal nature of the dividend payout cycle can sometimes result in sector exposures in the Fund that differ to that of the futures index which is used to hedge the equity exposure.

Schroders aims to control these risks by taking into consideration the likelihood that the price of the hedging instrument will move in line with the underlying physical positions and assesses whether the level of hedging risk is acceptable. In order to minimise the hedging risk, the Fund may purchase strategic holdings in non-dividend paying stocks.

An overview of the investment process is as follows:

- Establish the dividend ex dates approximately 60 days ahead and determine entry dates for stock purchases.
- Determine the maximum weight of the stocks the Fund can purchase by analysing their liquidity, attractiveness of their dividends and their weights in the index.
- Construct the portfolio using a proprietary process which maximises the expected return to the Fund whilst minimising equity market exposure. An optimal mix of hedging instruments (short futures contracts or other derivative contracts) and strategic holdings in individual securities is derived at the same time.

Positions are liquidated generally within 10 days after the relevant ex date.



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## What are the risks?

All investments involve risks, however Schroders actively re-assesses and manages risk at every stage of the investment process. The main risks specifically with investing in this Fund are market risk, equities risk and derivatives risk. For further details about the risks of investing in this Fund please refer to the Product Disclosure Statement

## Fund Features

<b>Inception date</b>	September 2004
<b>Pricing</b>	Normally every business day
<b>Minimum investment</b>	\$50,000
<b>Management costs</b>	0.86% p.a.
<b>Buy/sell spread</b>	0.30% on application; 0.30% on redemption
<b>Entry/exit fees</b>	Nil
<b>Distributions</b>	Normally quarterly. Calculated on the last business day in March, June, September and December.

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Disclaimer: Investment in the Schroder Australian Equity Income Fund may be made on an application form in the Schroder Wholesale Series Product Disclosure Statement (PDS) dated 1 December 2008 which is available from Schroders (ABN 22 000 443 274, AFS Licence 226473). The information contained in this Fund Summary is general information only and does not take into account your objectives, financial situation or needs. Before acting on the information contained in this Fund Summary you should obtain a copy of the PDS and consider the appropriateness of the information in regard to your objective, financial situation and needs before making any decision about whether to invest, or continue to hold.

The repayment of capital and performance in the Fund is not guaranteed by Schroders or any other party. Opinions constitute our judgement at the time of issue and are subject to change. Investment guidelines are internal only and are subject to change without notice. Past performance is not an indicator of future performance.

For security reasons telephone calls may be taped.

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