



# Schroder Cash Plus Fund

**Total return %**

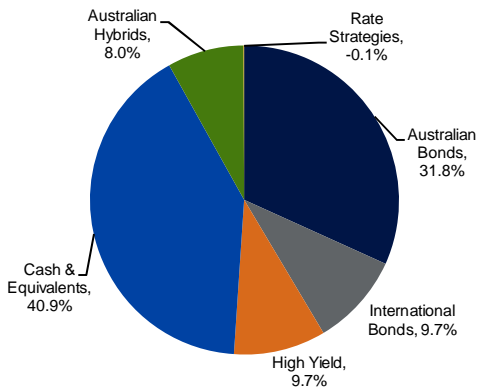
Schroder Cash Plus Fund (pre-fee)	-0.43	0.84	1.11	4.65	7.34	5.98
Schroder Cash Plus Fund (post-fee)	-0.47	0.70	0.83	4.08	6.76	5.40
RBA Cash Rate	0.36	1.14	2.32	4.72	4.15	4.45
<b>Relative performance (pre-fee)</b>	<b>-0.79</b>	<b>-0.30</b>	<b>-1.22</b>	<b>-0.08</b>	<b>3.19</b>	<b>1.53</b>

	1 mnth	3 mths	6 mths	1 yr	3 yrs pa	Inception pa
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Inception date of the Schroder Cash Plus Fund is July 2008

Past performance is not a reliable indicator of future performance  
Please refer to [www.schroders.com.au](http://www.schroders.com.au) for post-tax returns

**Asset allocation %**



**Portfolio statistics**

Duration	0.30 yrs
Yield to maturity	6.45%
Average Coupon	4.42%

**Sector exposure %**

Asset	Allocation
Financials	46.1
Banks	10.6
Diversified financial	2.0
REITS	1.9
Insurance	1.4
Real Estate	0.2
Investment companies	11.3
Other	5.6
Government	5.1
Consumer, Non-cyclical	4.2
Communications	3.9
Consumer, Cyclical	2.3
Industrial	2.1
Energy	1.7
Utilities	1.0
Basic Materials	0.4
Technology	0.1
Diversified	0.1

Unless otherwise stated figures are as at the end of November 2011

Benchmark is the RBA Cash Rate  
Please note numbers may not total 100 due to rounding

**Commentary**

In November the ongoing Euro-zone sovereign debt crisis reached a new level of intensity, with Italian bond yields soaring above 7%, rising pressure on French banks, and a failed German government bond auction. A proposal by the then Greek Prime Minister for a referendum on austerity (that was subsequently scrapped) added to investor uncertainty. Political change was key in the month; by mid-November the Greek Prime Minister had resigned, along with the Italian Prime Minister, while the Spanish Prime Minister suffered a heavy electoral defeat. On the last day of the month risk assets were supported by news that the US Federal Reserve (Fed), along with the European Central Bank (ECB) and four other central banks lowered the cost of US dollar funding in a move designed to "ease strains in financial markets". Other central bank action during the month included: the ECB cutting interest rates by 0.25% to 1.25%, the People's Bank of China announcing a 0.5% cut in the reserve requirement ratio for their banks, and the Reserve Bank of Australia cutting the official cash rate by 0.25% to 4.5%.

November was an unusual month for government bond markets around the world, in that they moved in very different directions. While US 10 bond yields fell, by 0.04% to 2.07%, German 10 year bonds rose, by 0.25% to 2.28%, as contagion in Europe spread to the core countries. Australian government bond yields fell sharply, with Australian 10 year bond yields falling by 0.58% to 3.94%. Risk aversion and soft domestic economic data supported the Australian bond market. Corporate bonds posted negative returns over the month, underperforming government bonds significantly.

**Portfolio review**

The main driver of the Fund's return in November was a substantial widening in credit spreads as the market shifted into "risk-off" mode. This dragged down returns from corporate bonds across the curve. While the Fund has a modest "long" duration position and holds substantial cash, this was insufficient in size to offset the drag from credit over the course of the month.

**Outlook and strategy**

There are several key factors driving Fund positioning at present. Firstly that low sovereign bond yields in the US, Germany and Australia are being primarily driven by safe haven buying and central bank intervention. Low absolute yields and markets that are actively discriminating between sovereign issuers has increased the absolute risk in holding these bonds. Secondly, that the uncertainty surrounding the European economy, the future course of outcomes in Europe (a Euro break-up remains a possibility) and the health of the European banking sector means episodic market dislocation is highly likely. Thirdly, an objective assessment of valuations across the credit curve suggests highly rated spread product (i.e. Australian semi-government bonds and Australian Government Guaranteed debt), investment grade corporate bonds and lower quality / lower rated credits are "fair value" to "cheap".

These ideas are being reflected in the portfolio in several ways. Absolute portfolio duration is relatively low with minimal exposure to sovereign issuers. With the Australian yield curve substantially inverted, and despite the fact that the RBA have now lowered rates at the last 2 board meetings, we like Australian cash. Our preference is to effectively "barbell" the portfolio, balancing a substantial cash exposure of around 40% against a diverse array of credit assets supported by attractive spreads. For example, global high yield spreads are above 8%. Australian hybrid securities, while not immune from machinations in investor risk appetite also look attractive compared to the low yields on offer in the sovereign space. While markets are likely to remain volatile over the next few months, we believe that this is presenting investors with some attractive medium term opportunities.

**Fund objective**

To deliver an investment return of 2% pa above the RBA Cash Rate before fees through exposure to a diversified range of domestic and international fixed and floating rate securities.

**Regional exposure %**

Australia	77.4
USA	16.7
Europe ex UK	3.7
UK	2.2

**Investment style**

The core of Schroders' investment philosophy is that a well constructed portfolio should be forward looking, well diversified, and seek to maximise returns 'through the cycle' by allocating risk efficiently.

While it is intended that the primary exposure of the Fund will be allocated to a core of floating rate securities, we believe that the potential to achieve our investment objectives is enhanced by investment across a broad opportunity set, with a focus on instruments that have their primary driver of return as income. The Fund has been designed to take advantage of those areas offering the greatest potential to add value or reduce risk through active management. Our aim is to derive returns from a diversified range of fixed income instruments.

The practical application of our philosophy involves separating the investment process into several key steps (asset allocation, security selection, and portfolio construction) with the aim to achieve higher absolute returns at lower risk than traditional income funds.

Please refer to our product disclosure statement for more information.

**Key features**

- Robust investment process and risk management framework with an emphasis on aiming to deliver low capital volatility
- Experienced Australian team that is well integrated with Schroder's global and regional resources
- Diversified and broad investment universe of fixed and floating securities from which to generate returns
- Defensive Fund that invests in asset classes with a historically low correlation to equity markets which provides the potential for excellent portfolio diversification benefits

**Security profile %**

Floating rate	64.1
Fixed rate	35.9

**Top 10 holdings %**

AMP Limited (AUD 6.000, 6/06/14)	0.9
United States Of America (USD 0.125, 31/08/13)	0.8
Woolworths Ltd (AUD 7.852, 24/11/36)	0.8
QLD Treasury Corp (AUD 6.000, 21/04/16)	0.7
Telstra Corporation Ltd (AUD 7.750, 15/07/20)	0.7
Medallion Trust 2011-1 A1	0.7
Transurban Group (AUD 6.750, 8/06/16)	0.7
Commonwealth Prop Fund (AUD 7.250, 11/03/16)	0.7
Westfield Group (USD 7.125, 15/04/18)	0.7
DB Rreef Finance Ltd (AUD 9.480, 28/07/14)	0.7
<b>Total</b>	<b>7.6</b>

**Maturity profile %**

0-1 year	45.8
1-3 years	11.0
3-5 years	15.6
5 years +	27.5

**Composite broad rating %**

AAA	11.5
AA	50.7
A	12.6
BBB	15.1
BB	3.6
B	5.1
CCC and below	1.4

**Fund details****Schroder Cash Plus Fund**

APIR code	SCH0038AU
Fund size (AUD)	\$175,431,823
Redemption unit price	\$1.0079
Fund inception date	July 2008
Buy / sell spread	0.12%/0.12%
Management costs	0.54%
Minimum initial investment	\$500,000
Distribution frequency	Normally quarterly

Unless otherwise stated figures are as at the end of November 2011

**Contact**

[www.schroders.com.au](http://www.schroders.com.au)

E-mail: [simal@schroders.com](mailto:simal@schroders.com)

Schroder Investment Management Australia Limited

ABN 22 000 443 274 Australian Financial Services Licence 226473

Level 20 Angel Place, 123 Pitt Street, Sydney NSW 2000

Phone: 1300 136 471 Fax: (02) 9231 1119

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