



Schroder Fixed Income Fund

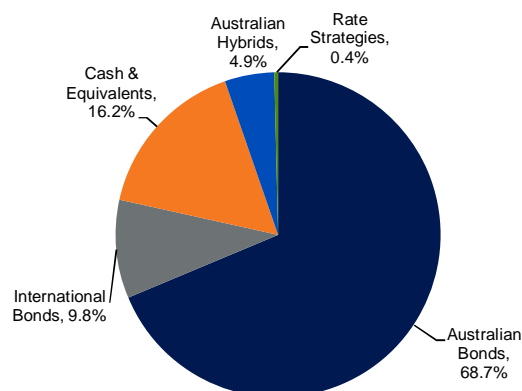
Total return %

Schroder Fixed Income Fund (pre-fee)	1.44	2.18	5.50	10.28	8.43	7.94
Schroder Fixed Income Fund (post-fee)	1.40	2.06	5.24	9.73	7.88	7.39
UBS Composite Bond Index	1.73	2.06	6.42	10.54	6.47	7.17
Relative performance (post-fee)	-0.33	0.00	-1.18	-0.81	1.41	0.23

	1 mnth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa
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Past performance is not a reliable indicator of future performance
Please refer to www.schroders.com.au for post-tax returns

Asset allocation %



Portfolio statistics

	Fund	Benchmark
Duration	2.57 yrs	3.81 yrs
Yield to maturity	5.59%	4.55%
Average Coupon	4.83%	5.01%

Sector exposure %

Asset	Allocation
Financials	35.6
Banks	12.0
Diversified financial	2.4
Real Estate	2.1
REITS	1.5
Insurance	0.1
Investment companies	18.6
Government	9.2
Other	4.5
Consumer, Non-cyclical	3.2
Communications	2.7
Industrial	2.2
Consumer, Cyclical	2.2
Utilities	1.7
Basic Materials	1.3
Energy	0.6
Diversified	0.1
Technology	

Benchmark is the UBS Composite Bond Index
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

In total return terms, the Fund's performance was supported by the continued rally in Australia government bond yields. The 1.40% monthly return (post-fees) took the return for the latest 12 month period to 9.73%. However, with the Fund positioned 1.25 years shorter than benchmark duration, the ongoing decline in Australian government bond yields, together with the broad based widening in spreads across the curve (capturing spread widening in semis, supnationals and corporates) the Fund underperformed the benchmark by 0.33% (post-fee) during the month, with similar underperformance of 0.81% (post-fee) for the year.

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 favours good quality corporate bonds and highly rated spread product (i.e. Australian semi-government bonds and Australian Government Guaranteed debt).

These ideas are being reflected in the portfolio in several ways. We have minimal exposure to sovereign bonds and have been actively reducing duration to reduce the absolute risk in the portfolio. We expect that over the medium term this will also generate substantial outperformance against our benchmark. We are currently -0.75 years short duration in Australia vs. benchmark and have an outright 0.5 yr short duration position in the US. Despite the RBA lowering interest rates at both its November and December Board meetings, we believe that the market has already priced substantial easing. Consistent with this, the inversion of the Australian yield curve and the importance of maintaining substantive Fund liquidity, we have raised our cash weight to over 15%. We have also maintained an overweight position in both Australian and global investment grade corporate bonds given the relative attractiveness of their spreads and the absolute attractiveness of corporate exposure compared to governments.

Fund objective

To obtain exposure to a diversified range of domestic and international fixed income securities with the principal aim of outperforming the UBS Composite Bond Index after fees over the medium term.

Investment style

Our fixed income philosophy is based on our belief that most investors make inefficient use of the opportunity set available to them. For example, such investors may focus too much on arbitrary benchmarks that are not aligned with their objectives or they may have too narrow a focus (ie duration or credit).

It is our belief that this creates an inefficiency that can be captured by broadening the opportunity set to capture diversified sources of risk and return. This can be broken down into 4 components - market return (strategic beta selection), active return (active beta rotation), active return (security selection) and portfolio management / implementation. Please refer to our product disclosure statement for more information.

Fund details**Schroder Fixed Income Fund**

APIR code	SCH0028AU
Fund size (AUD)	\$1,032,110,304
Redemption unit price	\$1.1091
Fund inception date	February 2004
Buy / sell spread	0.05%/0.05%
Management costs	0.50%
Minimum initial investment	\$50,000
Distribution frequency	Normally quarterly

Regional exposure %

Australia	83.4
USA	11.1
Europe ex UK	3.4
UK	2.0

Security profile %

Fixed rate	64.8
Floating rate	35.2

Top 10 holdings %

QLD Treasury Corp (AUD 6.000, 21/04/16)	3.5
Treasury Corp of Victoria (AUD 5.750, 15/11/16)	2.0
QLD Treasury Corp (AUD 5.750, 21/11/14)	1.9
NSW Treasury Corp (AUD 6.000, 1/04/16)	1.8
QLD Treasury Corp (AUD 6.000, 21/02/18)	1.7
QLD Treasury Corp (AUD 6.000, 21/10/15)	1.5
National Australia Bank Ltd (AUD 5.750, 19/12/13)	1.5
ANZ Banking Group Ltd (AUD 5.250, 16/01/14)	1.2
Commonwealth Bank of Aus (AUD 4.500, 20/02/14)	1.0
ING Groep NV (AUD 5.750, 28/08/13)	1.0
Total	16.9

Maturity profile %

0-3 Years	47.4
3-5 Years	26.3
5-10 Years	16.7
10 Years +	9.6

Composite broad rating %

AAA	26.2
AA	37.1
A	19.1
BBB	16.2
BB	1.1
B	0.3

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

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