



Schroder Global Active Value

Total return % AUD

Schroder Global Active Value Fund (pre-fee)	
MSCI World ex Australia Index	
Relative performance	
Schroder Global Active Value Fund (post-fee)	
MSCI World ex Australia Index	
Relative performance	

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	S.I. p.a.*	S.I. cum*
Schroder Global Active Value Fund (pre-fee)	-0.44	-0.59	-12.11	-8.66	2.66	-4.73	0.11	0.70
MSCI World ex Australia Index	0.93	2.75	-8.28	-5.23	-3.86	-7.17	-2.70	-15.96
Relative performance	-1.37	-3.34	-3.83	-3.43	6.52	2.44	2.81	16.66
Schroder Global Active Value Fund (post-fee)	-0.52	-0.83	-12.54	-9.54	1.70	-5.48	-0.58	-3.61
MSCI World ex Australia Index	0.93	2.75	-8.28	-5.23	-3.86	-7.17	-2.70	-15.96
Relative performance	-1.45	-3.58	-4.26	-4.31	5.56	1.69	2.12	12.35

* Since Inception p.a. and cumulative from July 2005
 Past performance is not a reliable indicator of future performance
 Please refer to www.schroders.com.au for post-tax returns

Portfolio Characteristics

No. of stocks	758
Active share*	76.1%
Beta relative to MSCI	0.95
Tracking error %p.a. (Not targeted)	3.5

*Active share is % sum of absolute active positions x 1/2

Portfolio

Investment sentiment swung wildly during November, once again driven by Europe's sovereign debt issues although global equities only ended slightly down after a strong rebound at the very end of month. The weak start to November followed the surprising call for a Greek referendum and with growing fears of contagion, spreads over Germany bunds skyrocketed to fresh euro-era highs. Markets particularly targeted the sovereign debt of Italy where bond yields quickly rose to the perceived critical 7% level at which Greece, Ireland and Portugal had all opted for bailouts. Sentiment deteriorated further following a poorly-subscribed German bund auction later in the month indicating that the growing burden on Europe's strongest economy was starting to weigh on the country's status as a safe haven. Two thirds of the way through November the MSCI World Index had declined by nearly 8% in local currency terms but it subsequently recovered to be only 1.2% down on the month (up 0.8% in AUD terms) thanks to a very strong recovery in the closing days fuelled by increasing optimism ahead of a European leader's summit.

Monthly performance attribution by region

Group	Allocation Effect %	Selection Effect %	Total Effect %
North America	-0.24	-0.29	-0.53
Pan Europe	0.00	-0.30	-0.30
Japan	-0.05	0.00	-0.05
Pacific ex Japan	-0.17	0.09	-0.08
Emerging Markets Asia	-0.37	0.00	-0.37
Emerging Markets EMEA	-0.03	0.00	-0.03
Emerging Markets LatAm	-0.02	0.00	-0.02
Cash	0.01	0.00	0.01
Total	-0.87	-0.50	-1.37

North American equities again proved to be the safe haven during the month. From a country asset allocation perspective being overweight the US, which has outperformed by 6% since the start of the year, has proved to be one of the most significant investment calls this year as every other geographical region has lagged behind the MSCI World Index. Emerging Markets in particular continued to underperform such that by the end of November they were more than 12% behind developed markets in local currency terms over 2011. Moreover, three of the four BRIC markets are down over 20% in 2011, the exception being Russia which was helped by strong oil prices.

Monthly performance attribution by sector

Group	Allocation Effect %	Selection Effect %	Total Effect %
Consumer Staples	-0.07	-0.04	-0.11
Health Care	0.02	-0.02	0.00
Telecommunication Services	0.02	-0.07	-0.05
Utilities	0.00	0.00	0.00
Consumer Discretionary	0.02	-0.25	-0.23
Information Technology	-0.01	-0.30	-0.31
Industrials	-0.02	-0.19	-0.21
Materials	0.00	-0.29	-0.29
Energy	0.03	-0.35	-0.32
Financials	-0.08	0.22	0.14
Cash	0.01	0.00	0.01
Total	-0.08	-1.29	-1.37

As has been the case in recent months, fundamental stock drivers were somewhat overwhelmed during November with macroeconomic risk manifesting itself once again via strong sector and country effects. With regard to the former, the wedge between the performance of the two best performing global sectors this year (Health Care and Staples) and the two worst (Financials and Materials) is well over 20%. The decoupling in Resources is now quite significant with Energy stocks up 0.8% year to date while Materials are down 16.1% in local terms.

The strategy's relative performance was unusually volatile during November and the sharp rally over the last few days only worked to accentuate this. The regional asset allocation remains the main drag with the continued outperformance of the US being compounded by the weak performance Emerging Markets.

Reviewing 2011 as a whole, the Value strategy has experienced simultaneous headwinds from all three of its long term return drivers, namely Value, Non-cap weighting and being Unconstrained. Taking each of these return drivers in turn; Value as a strategy has not been in vogue and is about 1.1% behind in local currency terms over the course of the year as measured by MSCI World Value index. This is not unusual however during periods of rising risk aversion, particularly given the premiums that many defensive companies are currently trading on, and is not that dissimilar to the behaviour of Value during 2008. Non-cap weighted has also had a less favourable year with both small and mid cap indices as well as fundamental indices suggesting a headwind of between -1 and -3%. This has been reinforced by the narrowness of the market this year as market breadth (i.e. the percentage of stocks outperforming) has also been low at around 40% in the US suggesting an unhelpful concentrated market. In other words, not owning the smaller number of winners has been costly – for example, not owning Apple has been the biggest detractor to the Fund's relative return at the stock level. Finally an Unconstrained asset allocation approach as opposed to being country neutral has also been a very significant negative contributor with a return difference of close to 18% between the outperforming US and lagging Emerging Markets in AUD terms. As such, asset allocation positions as a whole have detracted over 2% from relative performance year-to-date.

Within defensive sectors the largest overweight remains Telecoms offset by Consumer Staples which continue to be one of the biggest underweights. Staples such as Household Goods, and Food and Drink companies look expensive. Within Health Care we see opportunities in HMO companies and Health Providers. Within cyclical stocks we are still finding Industrials expensive with the notable exception of the less cyclical Defence stocks. Within Consumer Discretionary we continue to find some attractive Retail stocks. Technology remains our largest cyclical position where we favour Semis and IT Services. We remain overweight Resources stocks, especially Miners. Within Financials we retain a preference for Insurers over Banks although we are progressively increasing exposure to Banks. We remain more lowly weighted towards Property stocks.

Within Emerging Markets, we continue to favour a barbell focused upon Resources and Defensives (Telecoms and Utilities). We remain wary of cheap Financials in Emerging Markets and continue to identify some good value Technology stocks, predominantly in Taiwan. Regionally, we remain underweight the US market with a corresponding higher allocation in most other regions.

The market continues to focus on asset allocation issues at both the sector and country level above underlying fundamental biases with events in Europe still clearly at the forefront of investors' minds. Our approach in this environment is to remain highly diversified across both stocks and themes while progressively building exposure to attractive investment opportunities which will be rewarded as markets normalise.

Unless otherwise stated figures are as at the end of November 2011
 Please note numbers may not total 100 due to rounding

Fund objective

To deliver higher long run returns after fees than traditional capitalisation weighted global equity funds by investing in a diversified portfolio of equity and equity related securities of companies worldwide excluding Australia using an index unconstrained Value-based investment strategy.

Key features

- Value style - attractively priced companies with strong fundamentals outperform in the long run.
- Embracing breadth - exploiting opportunities from more than 15,000 stocks globally.
- Stock weights are determined by fundamentals, and not by a stock's size in an index.
- Bottom-up, index unconstrained investing - minimal sector, region or size constraints maximises the potential return and minimises dead money allocated to expensive stocks simply to satisfy inefficient index constraints.
- Focus on risk management and portfolio construction - a highly diversified portfolio minimises stock specific risk whilst retaining a high degree of conviction.

Fund details

APIR code	SCH0030AU
Fund size (AUD)	\$1,060,148,102
Redemption unit price (AUD)	\$0.6941
Fund inception date	Jul-05
Buy/sell spread	0.15%/0.15%
Management costs	0.98%
Distribution frequency	Normally twice yearly - June and Dec

Sector weightings versus benchmark

Fund (%)	Index (%)		Active weight (%)
7.5	4.4	Telecommunication Services	3.1
19.3	16.8	Financials	2.5
8.6	6.9	Materials	1.7
12.0	10.4	Health Care	1.6
12.7	12.0	Energy	0.7
4.4	4.1	Utilities	0.3
10.5	12.3	Information Technology	-1.8
8.4	10.9	Consumer Staples	-2.5
8.4	11.0	Consumer Discretionary	-2.6
8.0	11.1	Industrials	-3.1
0.2	0.0	Cash	0.2

Regional weightings versus benchmark

Fund (%)	Index (%)		Active weight (%)
12.7	0.0	Emerging Markets	12.7
11.3	9.4	Japan	1.9
3.8	2.0	Pacific ex Japan	1.8
9.5	10.2	United Kingdom	-0.7
18.0	18.8	Continental Europe	-0.8
3.8	5.4	Canada	-1.6
40.8	54.2	United States	-13.4
0.2	0.0	Cash	0.2

Market cap exposure versus the benchmark

Fund (%)	Index (%)		Active weight (%)
37.3	66.5	Mega	-29.2
31.7	27.9	Large	3.8
24.3	5.6	Mid	18.7
5.6	0.0	Small	5.6
0.9	0.0	Micro	0.9

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