



November 2011

Monthly Report

Schroder Global Dynamic Blend Fund

	Total return % AUD
Schroder Global Dynamic Blend Fund (pre fee)	-0.40
MSCI World ex Australia Index (NDR)	0.93
Relative performance	-1.33
Schroder Global Dynamic Blend Fund (post fee)	-0.49
MSCI World ex Australia Index (NDR)	0.93
Relative performance	-1.42

	1 mth	3 mths	6 mths	1 year	S.I. p.a.*	S.I. cum*
Schroder Global Dynamic Blend Fund (pre fee)	-0.40	-0.66	-10.84	-7.24	-0.28	-0.56
MSCI World ex Australia Index (NDR)	0.93	2.75	-8.28	-5.23	-2.65	-5.17
Relative performance	-1.33	-3.41	-2.56	-2.01	2.37	4.61
Schroder Global Dynamic Blend Fund (post fee)	-0.49	-0.92	-11.32	-8.23	-1.28	-2.52
MSCI World ex Australia Index (NDR)	0.93	2.75	-8.28	-5.23	-2.65	-5.17
Relative performance	-1.42	-3.67	-3.04	-3.00	1.37	2.65

*Since Inception p.a. and cumulative from 8 Dec 2009
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	628
Active share*	71.8%
Beta relative to MSCI	0.96
Tracking error (ex-ante) %p.a.	2.5

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

Portfolio

Monthly performance attribution by region

Group	Allocation Effect%	Selection Effect%	Total Effect %
North America	-0.11	-0.60	-0.71
Pan Europe	0.14	-0.29	-0.15
Japan	0.03	-0.06	-0.03
Pacific ex Japan	-0.13	0.08	-0.05
Emerging Markets Asia	-0.42	0.00	-0.42
Emerging Markets EMEA	0.02	0.00	0.02
Emerging Markets LatAm	-0.01	0.00	-0.01
Cash	0.02	0.00	0.02
Total	-0.46	-0.87	-1.33

Monthly performance attribution by sector

Group	Allocation Effect%	Selection Effect%	Total Effect %
Consumer Staples	-0.08	-0.07	-0.15
Health Care	0.06	-0.10	-0.04
Telecommunication Services	0.00	-0.08	-0.08
Utilities	-0.03	-0.02	-0.05
Consumer Discretionary	0.02	-0.13	-0.11
Information Technology	0.00	-0.20	-0.20
Industrials	-0.02	-0.11	-0.13
Materials	-0.02	-0.35	-0.37
Energy	-0.01	-0.33	-0.34
Financials	-0.03	0.15	0.12
Cash	0.02	0.00	0.02
Total	-0.09	-1.24	-1.33

Market review

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.

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.

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 underperformed in November, primarily due to the allocation to underperforming Emerging Markets and the positioning in Resources. Typically, our bias towards quality stocks and sectors will offset the riskier (i.e. pro cyclical) Value exposure but this has become less effective in more top-down markets. We remain allocated with a bias towards Quality although investors are currently more focused on broader asset allocation issues.

Reviewing 2011 as a whole, the Blend strategy has experienced simultaneous headwinds from its exposure to Value as well as being Non-Cap Weighted and having a bottom-up approach to country allocation. Taking each of these return drivers in turn; Value as a strategy has clearly 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. 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.

We are finding a range of valuations in defensive areas. The largest sector overweight remains Health Care especially HMO, Equipment and Providers. Within the dividend yield-based defensive sectors, we prefer Telecoms over Utilities. We remain overweight Resources where we favour Coal, Mining and Fertilizers stocks. Technology remains the favoured 'cyclical' sector especially Semiconductors stocks where we are prepared to ride out the short term volatility. Within Consumer Discretionary we are finding a number of attractive stock-specific opportunities amongst Retailers with our exposure within the sector dominated by companies with their own individual 'self-help' story. We retain our underweight position in Industrials which remain too expensive (outside of Defence stocks) especially given their sensitivity to the broader business environment. Within Financials we retain a preference for Insurers and Asset Managers over Banks. We hold a barbell of diversified positions in deep value Financials and also higher quality stocks. Given the high level of volatility within global Financials, we continue to believe that the sector will provide plenty of return opportunities.

The Fund's regional allocations versus the benchmark remain quite muted outside of Emerging Market exposure which is being funded from the underweight position in the US. We are comfortable with the allocation to Emerging Markets as they are currently trading at a 10% discount to developed countries whilst still offering some diversification from events in Europe, particularly now that China has started to relax its monetary policy as inflation has subsided.

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 outperform the MSCI World ex Australia Index (net dividends reinvested) after fees through an actively managed blend of our Global Value and Global Quality equity strategies. The strategy is implemented via a single portfolio of equity and equity related securities drawn from a large global pool of stocks excluding Australia.

Key Features

- The advantages of both Value and Quality in one fund
 - strategic diversification from blending two distinct strategies which tend to outperform at different stages of the economic cycle.
- Embracing breadth - exploiting opportunities from more than 15,000 stocks globally.
- Consistent philosophies and index unconstrained approach.
- More efficient implementation and risk management in a single fund as opposed to a fund of fund structure.

Fund details

APIR code	SCH0040AU
Fund size (AUD)	\$782,137,215
Redemption unit price (AUD)	\$0.9116
Fund inception date	Dec-09
Buy/sell spread	0.15%/0.15%
Management costs	1.08%
Distribution frequency	Normally twice yearly - Jun and Dec

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Sector weightings versus benchmark

Fund (%)	Index (%)	Active weight (%)	
14.9	10.4		Health Care 4.5
9.4	6.9		Materials 2.5
6.0	4.4		Telecommunication Services 1.6
18.1	16.8		Financials 1.3
12.7	12.3		Information Technology 0.4
11.4	12.0	-0.6	Energy
2.4	4.1	-1.7	Utilities
9.1	10.9	-1.8	Consumer Staples
8.7	11.0	-2.3	Consumer Discretionary
7.2	11.1	-3.9	Industrials
0.2	0.0		Cash 0.2

Regional weightings versus benchmark

Fund (%)	Index (%)	Active weight (%)	
12.1	0.0		Emerging Markets 12.1
3.4	2.0		Pacific ex Japan 1.4
4.3	5.4	-1.1	Canada
8.8	10.2	-1.4	United Kingdom
7.9	9.4	-1.5	Japan
49.3	54.2	-4.9	United States
13.9	18.8	-4.9	Continental Europe
0.2	0.0		Cash 0.2

Market cap exposure versus benchmark

Fund (%)	Index (%)	Active weight (%)	
41.9	66.5	-24.6	Mega
32.2	27.9		Large 4.3
22.1	5.6		Mid 16.5
3.0	0.0		Small 3.0
0.6	0.0		Micro 0.6