



Schroder Global Dynamic Blend Fund

Total return % AUD

Schroder Global Dynamic Blend Fund (pre fee)
MSCI World ex Australia Index (NDR)
Relative performance
Schroder Global Dynamic Blend Fund (post fee)
MSCI World ex Australia Index (NDR)
Relative performance

	1 mth	3 mths	6 mths	1 year	S.I. p.a.*	S.I. cum*
Schroder Global Dynamic Blend Fund (pre fee)	0.19	1.24	-8.85	-7.04	-0.18	-0.37
MSCI World ex Australia Index (NDR)	0.21	2.00	-6.15	-5.34	-2.45	-4.98
Relative performance	-0.02	-0.76	-2.70	-1.70	2.27	4.61
Schroder Global Dynamic Blend Fund (post fee)	0.10	0.96	-9.34	-8.03	-1.18	-2.43
MSCI World ex Australia Index (NDR)	0.21	2.00	-6.15	-5.34	-2.45	-4.98
Relative performance	-0.11	-1.04	-3.19	-2.69	1.27	2.55

*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	641
Active share*	69.5%
Beta relative to MSCI	0.98
Tracking error (ex-ante) %p.a.	2.5

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

Portfolio

Quarterly performance attribution by region

Group	Allocation Effect%	Selection Effect%	Total Effect %
North America	-0.21	-0.28	-0.49
Pan Europe	0.15	-0.38	-0.23
Japan	0.16	0.18	0.34
Pacific ex Japan	-0.13	0.25	0.12
Emerging Markets Asia	-0.45	0.00	-0.45
Emerging Markets EMEA	-0.11	0.00	-0.11
Emerging Markets LatAm	0.06	0.00	0.06
Cash	0.00	0.00	0.00
Total	-0.53	-0.23	-0.76

Quarterly performance attribution by sector

Group	Allocation Effect%	Selection Effect%	Total Effect %
Consumer Staples	0.05	-0.06	-0.01
Health Care	0.07	-0.17	-0.10
Telecommunication Services	-0.09	-0.16	-0.25
Utilities	0.12	0.16	0.28
Consumer Discretionary	0.02	-0.03	-0.01
Information Technology	0.02	-0.14	-0.12
Industrials	-0.13	-0.17	-0.30
Materials	-0.02	-0.12	-0.14
Energy	0.00	-0.35	-0.35
Financials	-0.03	0.27	0.24
Cash	0.00	0.00	0.00
Total	0.01	-0.77	-0.76

Market review

After a particularly volatile second half to the year, global equities ended 2011 on a slightly calmer note, with the MSCI World Index rising by 0.6% in local currency terms, taking the gain for the quarter to almost 8%. For the year as a whole, the Index sagged by 5% (once again in local currency), primarily due to weakness in the third quarter as the recovery in the world economy faltered and the European debt crisis deteriorated. However, the annual return for 2011 disguises unusually high dispersion in performance across sectors and countries as investors shunned risk in favour of the perceived safety of large cap US stocks and other defensive areas. For example, Materials and Financials were the worst performing sectors in 2011, underperforming Health Care and Staples by as much as 28% whilst the only region to post a positive absolute return over the year was North America.

More generally, global macro concerns (primarily European debt and Chinese growth) dominated stock fundamentals during 2011, particularly during the second half, resulting in high correlations between stocks and a strong preference for security at both the asset class level and within equities. Government bonds were the star performer of the year, particularly in the US, despite losing its top-tier AAA credit rating from Standard & Poor's in early August. The cyclical nature of emerging countries meant that they were not immune to the slowdown and their markets posted significant losses in local currency terms which was further amplified by currency weakness, particularly in markets such as Brazil, Turkey and South Africa.

The strategy underperformed slightly in Q4 and over 2011 as a whole with the Quality side of the Fund outperforming but not enough to offset the weaker performance of Value. Attribution highlights the allocation to underperforming Emerging Markets, the positioning in Resources and not owning some of the world's largest technology companies in the US as the key detractor of performance.

We are ensuring that the Fund remains diversified at the stock level and are also keen to exploit shifts in market sentiment. Furthermore, we are taking a greater than usual interest in country and currency movements to ensure that unwarranted top-down risk is avoided.

- We remain allocated with a bias towards Quality however, as the market has continued to focus on macro concerns, asset allocation has mattered more than stock fundamentals.
- 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 especially Mining, Coal and Fertilizers stocks. Technology remains the other favoured cyclical sector, particularly 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 the strategy's Emerging Markets exposure which is being funded from the US.

The outlook for the global economy as we enter 2012 is even more uncertain than normal as a wide range of outcomes appear possible with potentially very different implications. Although recent economic data in the US is consistent with a modest rebound after a lull in the first half of 2011, the world economy currently appears to be growing at around 2% which is about half that experienced at the end of 2010. Moreover, it seems very probable that the Euro area has already slipped back into recession. Despite recent monetary loosening, considerable ambiguity remains about the strength of growth in China and other Asian countries.

More generally, the limited room that western policymakers have to manoeuvre on monetary policy coupled with uncertainty regarding the extent to which the private sector will pick up the baton as the public sector downsizes suggests that 2012 will be characterised by subpar growth. Emerging countries in the main have more room to engineer stronger growth but are also highly cyclical and there are increasing signs of growth fragmentation (e.g. Brazil and Turkey vs. China).

The focus on economic growth is important as a year or more of subdued activity makes global deleveraging even more difficult to achieve which further increases the risk of an adverse tail event. In other words, the global economy is still very vulnerable to shocks which would seem to skew the array of potential risks to the downside. It is also worth stressing that 2012 will also see elections in France, the US and Russia which may also create market volatility.

Unless otherwise stated figures are as at the end of Q4\December 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)	\$777,207,233
Redemption unit price (AUD)	\$0.9052
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 (%)
15.7	10.8	Health Care	4.9
9.0	6.6	Materials	2.4
6.0	4.4	Telecos	1.6
12.2	12.0	Energy	0.2
12.3	12.1	Information Technology	0.2
17.0	16.9	Financials	0.1
9.4	11.1	Consumer Staples	-1.7
2.4	4.1	Utilities	-1.7
8.9	10.8	Consumer Discretionary	-1.9
7.1	11.2	Industrials	-4.1
0.1	0.0	Cash	0.1

Regional weightings versus benchmark

Fund (%)	Index (%)		Active weight (%)
12.2	0.0	Emerging Markets	12.2
3.5	2.0	Pacific ex Japan	1.5
4.2	5.4	Canada	-1.2
8.9	10.2	United Kingdom	-1.3
7.0	9.5	Japan	-2.5
14.3	18.4	Continental Europe	-4.1
49.7	54.5	United States	-4.8
0.1	0.0	Cash	0.1

Market cap exposure versus benchmark

Fund (%)	Index (%)		Active weight (%)
40.8	65.8	Mega	-25.0
32.6	28.3	Large	4.3
22.3	5.9	Mid	16.4
3.5	0.0	Small	3.5
0.7	0.0	Micro	0.7