

Schroder Global Quality Fund

	1 month	3 months	6 months	1 year	2 years p.a.	S.I. p.a.*	S.I. cum*
Total return % AUD							
Schroder Global Quality Fund (pre-fee)	0.35	0.35	-7.90	-4.60	3.08	3.84	9.86
MSCI World ex Australia Index	0.93	2.75	-8.28	-5.23	-2.08	-0.41	-1.02
Relative performance	-0.58	-2.40	0.38	0.63	5.16	4.25	10.88
Schroder Global Quality Fund (post-fee)	0.27	0.10	-8.35	-5.53	2.15	2.89	7.34
MSCI World ex Australia Index	0.93	2.75	-8.28	-5.23	-2.08	-0.41	-1.02
Relative performance	-0.66	-2.65	-0.07	-0.30	4.23	3.30	8.36

*Since Inception p.a. and cumulative from 2 June 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	442
Active share*	76.2%
Beta relative to MSCI	0.90
Tracking error %p.a. (Not targeted)	2.9

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

Monthly performance attribution by region

Group	Allocation Effect %	Selection Effect %	Total Effect %
North America	-0.07	-0.24	-0.31
Pan Europe	0.27	-0.18	0.09
Japan	0.02	0.04	0.06
Pacific ex Japan	-0.21	0.12	-0.09
Emerging Markets Asia	-0.34	0.00	-0.34
Emerging Markets EMEA	-0.02	0.00	-0.02
Emerging Markets LatAm	0.03	0.00	0.03
Cash	0.00	0.00	0.00
Total	-0.32	-0.26	-0.58

Monthly performance attribution by sector

Group	Allocation Effect %	Selection Effect %	Total Effect %
Consumer Staples	0.03	-0.07	-0.04
Health Care	0.05	-0.10	-0.05
Telecommunication Services	0.01	-0.08	-0.07
Utilities	-0.02	-0.02	-0.04
Consumer Discretionary	0.01	0.06	0.07
Information Technology	0.01	-0.15	-0.14
Industrials	0.00	-0.11	-0.11
Materials	0.01	-0.26	-0.25
Energy	-0.02	-0.41	-0.43
Financials	0.04	0.44	0.48
Cash	0.00	0.00	0.00
Total	0.12	-0.70	-0.58

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.

Whilst high quality stocks were in demand for the bulk of the month, the Fund slipped behind the benchmark during November, mostly due to underperformance during the strong and relatively narrow rebound in equity markets in the last few days of the month. The underperformance was also explained by the drag from Emerging Markets, particularly Asian countries which were 6% behind the global index in November in AUD terms. As noted earlier, this drag has been a feature for many months, arising from both market and currency underperformance. From a sectoral perspective, stock selection was positive in Financials during November as the market remained wary of lower quality stocks but this was offset by overweight positions in Resource stocks which generally performed poorly.

Looking ahead, despite their recent performance we are comfortable with the allocation to Emerging Markets which 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 largest country overweights within the region are to Korea, South Africa, Taiwan and China which account for over half of the Fund's allocation to Emerging Markets.

We remain underweight Continental Europe and have very little exposure to European Financials (-3% underweight). Instead, we favour higher quality stocks in the Health Care sector (Equipment and Providers in particular) as well as Consumer Staples (Retail), Technology (Semis) and Materials (Miners) which should perform well in a rising market. More generally, we are avoiding paying up for very expensive quality stocks and the overall valuation of the Fund is not that different to the wider market, particularly on the earnings based valuation terms where we estimate that the Fund is at a discount.

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 generate long-term returns after fees in excess of traditional capitalisation weighted global equity funds but with lower risk by investing in a diversified portfolio of equity and equity related securities of companies worldwide excluding Australia using an index unconstrained Quality-based investment strategy.

Key features

- Modern Growth style alternative - we focus on seeking high Quality companies which offer stable growth, are profitable and financially strong.
- Embracing breadth - exploiting opportunities from more than 5,000 stocks globally.
- Stock weights are determined by fundamentals, and not by a stock's size in an index.
- Bottom-up, index unconstrained investing - maximises the potential return by minimising dead money allocated to expensive stocks simply to satisfy index constraints.
- Focus on risk management and portfolio construction - a highly diversified portfolio minimising stock risk whilst retaining a high degree of conviction.
- Complimentary to Value - providing strategic diversification benefits as Quality typically performs differently to Value-based strategies, particularly during economic fluctuations.

Fund details

APIR code	SCH0041AU
Fund size (AUD)	\$90,719,814
Redemption unit price (AUD)	\$0.9707
Fund inception date	Jun-09
Buy/sell spread	0.15%/0.15%
Management costs	0.98%
Distribution frequency	Normally twice yearly - Jun and Dec

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Sector weightings versus benchmark

Fund (%)	Index (%)		Active weight (%)
13.6	10.4	Health Care	3.2
9.6	6.9	Materials	2.7
14.0	12.3	Information Technology	1.7
11.3	11.0	Consumer Discretionary	0.3
4.7	4.4	Telecommunication Services	0.3
11.1	10.9	Consumer Staples	0.2
10.0	12.0	Energy	-2.0
14.8	16.8	Financials	-2.0
1.8	4.1	Utilities	-2.3
8.7	11.1	Industrials	-2.4
0.3	0.0	Cash	0.3

Regional weightings versus benchmark

Fund (%)	Index (%)		Active weight (%)
11.5	0.0	Emerging Markets	11.5
4.6	2.0	Pacific ex Japan	2.6
9.7	10.2	United Kingdom	-0.5
4.4	5.4	Canada	-1.0
8.2	9.4	Japan	-1.2
51.4	54.2	United States	-2.8
10.0	18.8	Continental Europe	-8.8
0.3	0.0	Cash	0.3

Market cap exposure versus benchmark

Fund (%)	Index (%)		Active weight (%)
41.6	66.5	Mega	-24.9
32.5	27.9	Large	4.6
24.8	5.6	Mid	19.2
0.7	0.0	Small	0.7
0.0	0.0	Micro	-

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