Q4/December 2011 Quarterly Report

Schroder Global Quality Fund

Total return % AUD	1 month	3 months	6 months	1 year	2 years p.a.	S.I. p.a.*	S.I. cum*
Schroder Global Quality Fund (pre-fee)	0.06	1.80	-6.00	-3.76	1.10	3.74	9.92
MSCI World ex Australia Index	0.21	2.00	-6.15	-5.34	-3.70	-0.32	-0.82
Relative performance	**-0.15**	**-0.20**	**0.15**	**1.58**	**4.80**	**4.06**	**10.74**
Schroder Global Quality Fund (post-fee)	-0.02	1.55	-6.46	-4.69	0.18	2.78	7.32
MSCI World ex Australia Index	0.21	2.00	-6.15	-5.34	-3.70	-0.32	-0.82
Relative performance	**-0.23**	**-0.45**	**-0.31**	**0.65**	**3.88**	**3.10**	**8.14**

*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

	Portfolio
No. of stocks	471
Active share*	68.9%
Beta relative to MSCI	0.95
Tracking error %p.a. (Not targeted)	2.6

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

Quarterly performance attribution by region

Group	Allocation Effect %	Selection Effect %	Total Effect %
North America	-0.14	0.27	0.13
Pan Europe	0.34	-0.35	-0.01
Japan	0.10	-0.07	0.03
Pacific ex Japan	-0.20	0.14	-0.06
Emerging Markets Asia	-0.28	0.00	-0.28
Emerging Markets EMEA	-0.12	0.00	-0.12
Emerging Markets LatAm	0.11	0.00	0.11
Cash	0.00	0.00	0.00
Total	**-0.19**	**-0.01**	**-0.20**

Quarterly performance attribution by sector

Group	Allocation Effect %	Selection Effect %	Total Effect %
Consumer Staples	0.05	-0.16	-0.11
Health Care	-0.02	-0.39	-0.41
Telecommunication Services	-0.04	-0.17	-0.21
Utilities	0.19	0.13	0.32
Consumer Discretionary	-0.01	0.08	0.07
Information Technology	0.00	0.15	0.15
Industrials	-0.09	-0.24	-0.33
Materials	-0.01	0.05	0.04
Energy	-0.02	-0.38	-0.40
Financials	0.05	0.63	0.68
Cash	0.00	0.00	0.00
Total	**0.10**	**-0.30**	**-0.20**

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.

Global Quality lagged behind the benchmark during December and the quarter but outperformed for the year as a whole. With markets being a little more subdued, liquidity fell off quickly heading into the holiday period and a beneficial tailwind from asset allocation (being underweight Continental Europe and overweight Emerging Asia) was offset by stock selection within Industrials and Health Care. The sector allocation was not a primary driver of returns in aggregate as the overweight in the outperforming Health Care sector was offset by underperformance in Materials.

For the fourth quarter as a whole, sectoral asset allocation was moderately positive. Regionally whilst the behaviour of Emerging Markets was not a significant factor during December, their performance during the year was a major influence upon relative performance. For example, when measured against the MSCI All Countries World ex Australia Index, the strategy's relative return would have been boosted by almost 1.9% for the year in AUD terms on account of dramatic underperformance of Emerging Markets. Japanese stocks remained an area where we added value while our Financials model continued to perform well.

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 are finding a range of valuations in defensive areas. Health Care remains one of the largest sector overweights, especially Equipment and HMO companies. Within the dividend yield-based defensive sectors, we prefer Telecoms over Utilities.
- We remain overweight Resources, especially Oil & Gas Equipment, Coal and Mining stocks. Technology remains the other favoured 'cyclical' sector, especially Semiconductor stocks where we continue 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 in the sector dominated by companies with their own individual "self-help" story. We retain our underweight position in Industrials which remain too expensive, especially given their sensitivity to the broader business environment.
- Within Financials we retain a preference for Insurers and Asset Managers over Banks. At a regional level we are underweight Continental Europe and Pacific ex-Japan Financials.
- The Fund's regional allocations remain broadly unchanged: the Fund is underweight Continental Europe in order to fund positions in Emerging Markets, predominantly in Asia. Emerging Markets also contribute a significant weight towards the Fund's Resources allocation.

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

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Schroder Global Quality Fund

Quarterly Report
Q4/December 2011

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)	$90,220,911
Redemption unit price (AUD)	$0.9653
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 (%)
9.2	6.6	Materials	2.6
13.4	10.8	Health Care	2.6
13.6	12.1	Information Technology	1.5
11.8	11.1	Consumer Staples	0.7
11.4	10.8	Consumer Discretionary	0.6
4.8	4.4	Telecos	0.4
11.1	12.0	Energy	-0.9
1.7	4.1	Utilities	-2.4
8.6	11.2	Industrials	-2.6
14.2	16.9	Financials	-2.7
0.1	0.0	Cash	0.1

Regional weightings versus benchmark

Fund (%)	Index (%)		Active weight (%)
12.5	0.0	Emerging Markets	12.5
5.0	2.0	Pacific ex Japan	3.0
10.2	10.2	United Kingdom	0.0
4.2	5.4	Canada	-1.2
51.6	54.5	United States	-2.9
6.3	9.5	Japan	-3.2
10.0	18.4	Continental Europe	-8.4
0.1	0.0	Cash	0.1

Market cap exposure versus benchmark

Fund (%)	Index (%)		Active weight (%)
40.6	65.8	Mega	-25.2
32.4	28.3	Large	4.1
25.6	5.9	Mid	19.7
1.3	0.0	Small	1.3
0.0	0.0	Micro	-

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