



December 2011

Quarterly Report

Schroder Real Return Fund Standard Class

Total return %

Schroder Real Return Fund Standard Class (pre-fee)

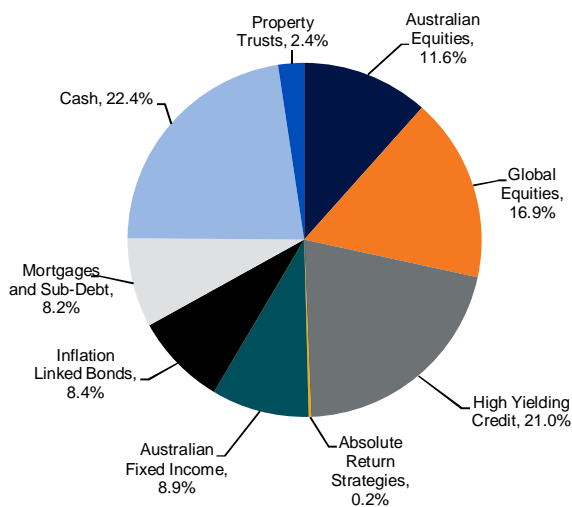
1 mnth	3 mths	6 mths	1 yr	3 yrs pa	Inception
1.08	2.52	1.01	4.52	10.90	6.31

Inception date is 1 October 2008

Past performance is not a reliable indicator of future performance

Please refer to www.schroders.com.au for post-tax returns

Asset allocation



Fund objective

To deliver an investment return of 5.0% p.a. before fees above Australian inflation over rolling 3 year periods. Inflation is defined as the RBA's Trimmed Mean, as published by the Australian Bureau of Statistics.

RBA CPI Trimmed Mean periods to 30 September 2011*

3 months	0.30%
6 months	1.10%
1 year	2.42%
2 years p.a.	2.42%

*The RBA CPI Trimmed mean returns are published quarterly by the ABS. Historical returns may be subject to revisions.

Commentary

The Schroder Real Return Fund produced a pre-fee return 2.5% in the December quarter. The largest contributors to the quarter's performance came from the Fund's holding in Australian equities and high yield debt. Our derivative strategies, to insure against a period of risk aversion, detracted from performance during the quarter.

Market review

In a series of summits, Eurozone nations agreed on measures to help alleviate the sovereign debt crisis. These included a 50% haircut on privately held Greek debt, an agreement for European banks to raise their capital levels substantially, and for the remaining funds in the European Financial Stability Fund (EFSF) to be leveraged by 4 or 5 times to about EUR 1 trillion. Also the Greek and Italian Prime Ministers resigned and were replaced by 'technocratic' leaders. However there continued to be a lack of details on how these measures would be implemented. This contributed to S&P putting six AAA Eurozone members on 'credit watch negative' and Fitch lowering France's rating to 'negative' outlook. Pressure also grew in the Italian bond market where the benchmark bond yield rose by 1.42% in Q4 and made several breaks of the 7% threshold, which has been associated with severe funding challenges in other Eurozone nations. Central banks were active in the quarter, with six major central banks lowering the cost of USD funding to help alleviate pressures on European banks; the ECB cut its policy rate by 0.5% to 1.0% and expanded funding support for European banks by instituting 3 year liquidity tenders; the People's Bank of China announced a 0.5% cut in the reserve requirement ratio for their banks; and the Reserve Bank of Australia (RBA) cuts its official cash rate twice, by 0.25% each time, to 4.25%. While European and Chinese economic indicators deteriorated, data in the US mostly pointed to firmer growth. Australia data continue to be mixed and pointed to a two tier economy.

The central banks' actions and stronger US activity saw positive performance from risky assets in the quarter. The Australian equity market returned 2.1%, while global equities returned 7.9% in local currency terms. Credit markets also posted positive returns, with lower quality credit (sub investment grade) providing returns similar to equity markets. The Australian 10 year bond yield fell in Q4, by 0.55% to 3.67%, making 2011 the first year since 1995 that has seen falls in the benchmark long rate in every quarter. As mentioned above the RBA cut its official cash rate in two steps from 4.75% to 4.25%. Minutes of the board meetings cited concerns about the European debt crisis and the potential impact on global and Australian economic activity.

Outlook & strategy

The Fund ended December with 28.5% in equities, 32.5% in credit related investments, 2.5% in REITs, 22.5% in cash and 5.5% in sovereign bonds, and 8.5% in bank index linked bonds. At the start of the quarter we increased the risk of the Fund by increasing the equity exposure. We took profit on this position in November, reflecting the extent of the rally in equity markets in October, and the continued uncertainties about the outlook. The proceeds were added to cash.

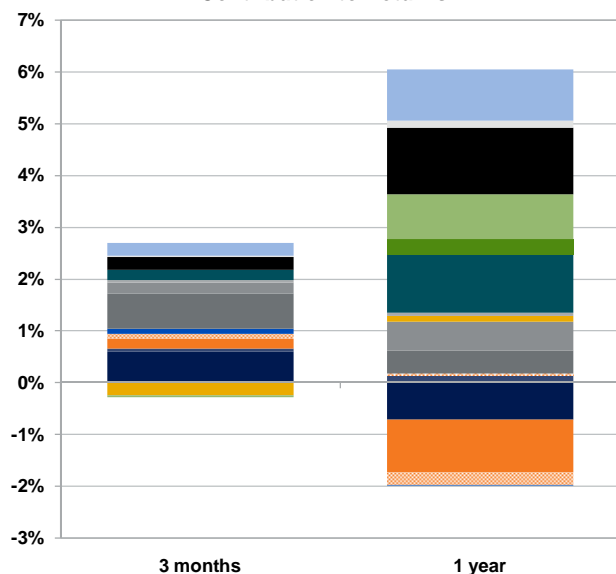
Throughout the quarter our valuation signals suggested equity markets were cheap and bond markets were expensive, suggesting a significant holding of risky assets and a low holding of defensives. However, we still remain cautious about the economic cycle and this tempers our willingness to act aggressively. Serious structural issues remain in the global economy, which have been reflected in the muted nature of the economic recovery. The extraordinary amount of fiscal stimulus seen in the developed world has only offset the deleveraging in the private sector. The question remains how robust the recovery will be when this fiscal stimulus is removed. So far the day of reckoning has been successfully pushed further down the road. However, we remain alert to any signs that this day is approaching.

We think in the near term the outlook remains one of volatility, around a grinding upward trend in risky assets, with market participants flip-flopping between optimism and pessimism. Markets are continuing to remain biased toward the pessimistic side.

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

Performance

Contribution to Returns



- Large Cap Australian Equities
- Domestic Equity Exposure Adjustment Derivatives
- Global Dynamic Blend
- Global Value Equities
- Global Quality Equities
- Low Beta Asia
- Global Equity Exposure Adjustment Derivatives
- Market Neutral Equities
- Property Trusts
- Global High Yield
- Capital Securities
- Domestic Equity Derivatives Strategies
- Global Equity Derivatives Strategies
- Direct Capital Securities
- Australian Investment Grade
- Global Investment Grade Credit
- Fixed Income Derivatives Strategies
- Inflation Linked Bonds
- Direct Mortgages
- Cash

Investment style

Our approach to inflation plus (or real return) investing is to choose the portfolio that has the highest probability of achieving the required return objective over the investment horizon with the least expected variability around this objective. The Fund employs an objective based asset allocation framework in which both asset market risk premium, and consequently, the asset allocation of the portfolio are constantly reviewed. The portfolio will reflect those assets that in combination are most closely aligned to the delivery of the objective.

Schroder Real Return Fund Standard Class

APIR code	SCH0039AU
Fund size (AUD)	\$810,354,498
Redemption unit price	\$1.0480
Fund inception date	October 2008
Buy/sell spread	0.20%/0.20%
Management costs	0.60%
Minimum investment	\$500,000
Distribution frequency	Normally twice yearly - June and Dec

Unless otherwise stated figures are as at the end of December 2011

Contact

www.schroders.com.au

E-mail: simal@schroders.com

Schroder Investment Management Australia Limited

ABN 22 000 443 274 Australian Financial Services Licence 226473

Level 20 Angel Place, 123 Pitt Street, Sydney NSW 2000

Phone: 1300 136 471 Fax: (02) 9231 1119

Investment in the Schroder Real Return Fund Standard Class ("the Fund") may be made on an application form in the Product Disclosure Statements dated 1 February 2011, available from the Manager, Schroder Investment Management Australia Limited (ABN 22 000 443 274 AFSL 226473) ("Schroders"). This Report is intended solely for the information of the person to whom it is provided by Schroders. It should not be relied on by any person for the purposes of making investment decisions. Total returns are calculated using exit price to exit price, after fees and expenses, and assuming reinvestment of income. Gross returns are calculated using exit price to exit price and are gross of fees and expenses. The repayment of capital and performance of the Funds is not guaranteed by Schroders or any company in the Schroders Group. Past performance is not a reliable indicator of future performance. Unless otherwise stated the source for all graphs and tables contained in this report is Schroders. Opinions constitute our judgment at the time of issue and are subject to change. This report does not contain and is not to be taken as containing any financial product advice or financial product recommendation. For security reasons telephone calls may be recorded.