



January 2012

Monthly Report

Schroder Real Return Fund Standard Class

Total return %

Schroder Real Return Fund Standard Class (pre-fee)

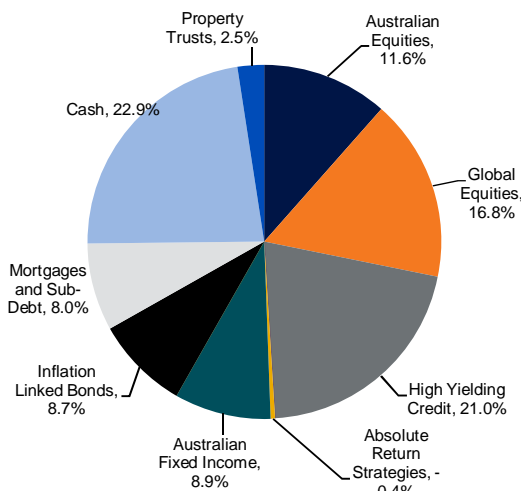
1 mnth	3 mths	6 mths	1 yr	3 yrs pa	Inception
1.96	2.43	3.24	5.01	11.66	6.76

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* as at 31 December 2011

3 months	0.60%
6 months	1.00%
1 year	2.62%
2 years p.a.	2.66%

*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 of 2.0% in the month of January. The largest contributors to the month'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 in the month.

Market review

Risk assets rose in January on falling risk aversion as global economic data was better than expected and actions by central banks continue to support risk assets. US economic data, generally provided positive surprises and was consistent with a recovery from the soft path late last year. European data also provided positive surprises, with key business surveys showing a sequential improvement, although still consistent with weak growth. Fears about a hard landing in China moderated during the month, as the economic data released showed signs of stabilisation and was more consistent with a soft landing. Australian data continued to show a two track economy.

The ECB's actions to provide liquidity to the European banking system through its LTRO program was seen as reducing the risk of a financial crisis and saw bonds yields, of most of the periphery nations, fall in the month. This outweighed the news that S&P downgraded the debt ratings of nine Euro-zone nations. Negotiations also continued on the restructuring of Greek debt held by private investors. The US Federal Reserve released in a statement that it expects that cash rates will remain low "at least through late 2014".

Equity markets rose in the month of January. The Australian equity market returned 4.1%, while global equities returned 3.4% in local currency terms. Credit markets also posted strong positive results, with lower quality credit (sub investment grade) leading the way. Australian bond yields rose in January, with the Australian 10 year bond yield rising by 0.05% to 3.72%. The Reserve Bank of Australia (RBA) didn't meet in January and therefore the cash rate remained unchanged.

Outlook & strategy

The Fund ended January with 28.5% in equities, 32.5% in credit related investments, 2.5% in REITs, 23% in cash and 5% in sovereign bonds, and 8.5% in bank index linked bonds. The Fund's positioning was unchanged over the month.

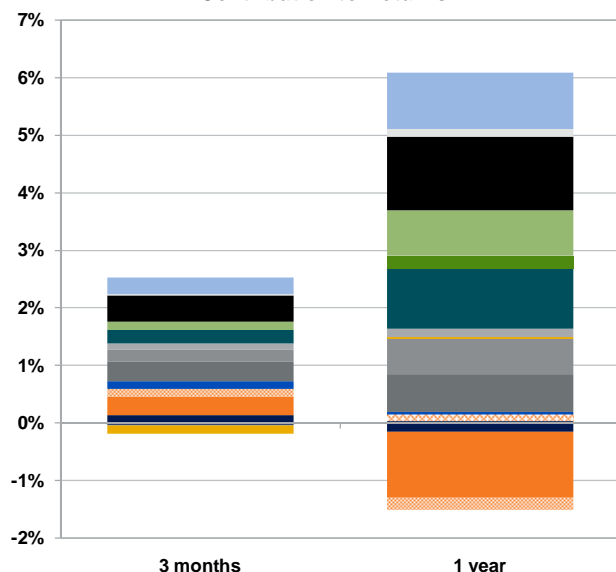
Improved economic data and a concerted policy response has seen sentiment toward risky assets improve considerably. While we expect the improvement in the economic data to continue into the near future, serious structural issues remain in the global economy. As we view the medium term outlook as one of continued volatility, around a grinding upward trend in risky assets, we expect to use a further rally in risk assets as an opportunity to de-risk the portfolio. Sentiment is expected to flip-flop from positive to negative and back again, consistent with the pattern over the last couple of years.

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.

Unless otherwise stated figures are as at the end of January 2012
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)	\$885,599,750
Redemption unit price	\$1.0680
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 January 2012

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.