



November 2011

Monthly Report

## Schroders Superannuation Fund

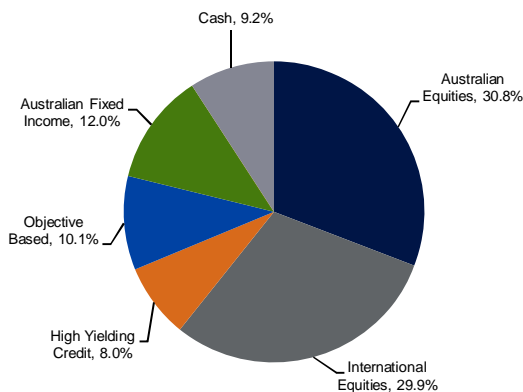
### Total return %

Schroders Superannuation Fund (pre-fee)  
Schroders Superannuation Fund (post-fee)

	1 mnth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa
Schroders Superannuation Fund (pre-fee)	-1.18	0.09	-4.09	0.29	9.92	3.55
Schroders Superannuation Fund (post-fee)	-1.23	-0.07	-4.39	-0.33	9.23	2.88

Past performance is not a reliable indicator of future performance  
Please refer to [www.schroders.com.au](http://www.schroders.com.au) for post-tax returns

### Asset allocation



### Fund objective

To deliver returns before fees of 5% p.a. above Australian inflation over the medium to long term. Inflation is defined as the RBA's Trimmed Mean, as published by the Australian Bureau of Statistics.

### Investment style

Effective diversification through use of risk budgeting, active security selection, tactical asset allocation and emphasis on minimising the volatility of returns.

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



### Commentary

The Schroder Superannuation Fund produced a post-fee return of -1.2% in the month of November taking the three year post-fee return to 9.2%. During the month our equity holdings were the largest drag to performance, with higher yielding credit also a detractor. These were partially offset by a positive performance from fixed income and cash.

### Market review

In November the on-going Euro-zone sovereign debt crisis reached a new level of intensity, with Italian bond yields soaring above 7%, rising pressure on French banks, and a failed German government bond auction. A proposal by the then Greek Prime Minister for a referendum on austerity (that was subsequently scrapped) added to investor uncertainty. Political change was a feature of the month, by mid-November the Greek Prime Minister had resigned, along with the Italian Prime Minister, while the Spanish Prime Minister suffered a heavy electoral defeat. On the last day of the month risk assets were supported by news that the US Federal Reserve (Fed), along with the European Central Bank (ECB) and four other central banks lowered the cost of US dollar funding in a move designed to "ease strains in financial markets". Other central bank action during the month included: the ECB cutting interest rates by 0.25% to 1.25%, the People's Bank of China announcing a 0.5% cut in the reserve requirement ratio for their banks, and the Reserve Bank of Australia cutting the official cash rate by 0.25% to 4.5%.

Risk assets had a poor month in November, although they recovered late in the month to be off the lows. The Australian equity market returned -3.5%, while global equities returned -1.2% in local currency terms. Credit markets also posted negative returns, with both lower quality credit (sub investment grade) and investment grade credit posting relatively large losses during the month. Australian bond yields fell sharply in the month of November, with the Australian 10 year bond yield falling by 0.58% to 3.94%.

### Outlook & strategy

Early in the month the Fund decreased its exposure to the Australian equity market and increased its exposure to cash, taking the exposure to equities and REITs to neutral. The overweight to diversifying assets, in the form of higher yielding credit, was maintained. Given the extent of the rally in equity markets in October, and the continued uncertainties it was considered prudent to lock in part of the equity rally.

Through November 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.

#### Fund details

APIR code	SCH0004AU
Fund size (AUD)	\$125,654,846
Redemption unit price	\$51.3578
Fund inception date	December 1970
Buy / sell spread	0.22%/0.22%
Management costs	0.63%
Minimum investment	\$100,000

#### Investment style

Our philosophy is based on the idea that understanding, managing and allocating risk is as important to meeting our investment objectives as is our understanding and allocation of sources of return. While accepting risk is necessary in order to lift returns over time, investors often take more risk than they need to achieve their goals. A properly constructed balanced fund should be a fund that will perform well across diverse economic and market environments (not just in rising equity markets). The Fund's investment process incorporates strategic asset allocation; tactical asset allocation; security selection and portfolio construction.

Please refer to the Product Disclosure Statement for more information.

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

#### Contact

[www.schroders.com.au](http://www.schroders.com.au)

E-mail: [simal@schroders.com](mailto: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 Schroders Superannuation Fund ("the Fund") (ABN 60 060 242 791) may be made on an application form in the Product Disclosure Statements dated 16 February 2011, available from the Manager, Schroder Investment Management Australia Limited (ABN 22 000 443 274 AFSL 226473) ("Schroders"). The Trustee of the Fund is Perpetual Superannuation Limited (ABN 84 008 416 831).

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