



December 2011

Quarterly Report

Schroders Superannuation Fund

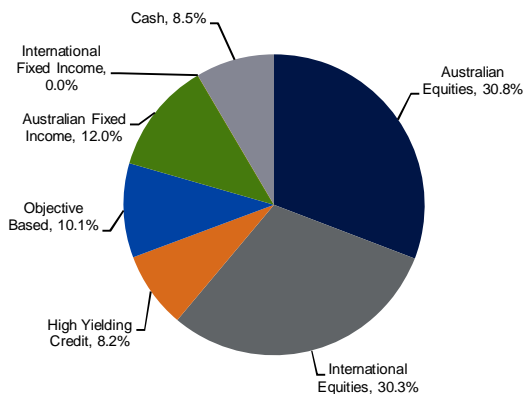
Total return %

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)	0.41	3.23	-2.93	-0.75	9.61	3.23
Schroders Superannuation Fund (post-fee)	0.36	3.06	-3.24	-1.37	8.92	2.57

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 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 December 2011
Please note numbers may not total 100 due to rounding



Commentary

The Schroder Superannuation Fund produced a post-fee return of 3.1% in the December quarter, taking the annual post-fee return to -1.4%. All asset classes provided positive contributions to performance, with Australian equities and global equities as the two largest contributors.

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

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.

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.

Fund details

APIR code	SCH0004AU
Fund size (AUD)	\$126,011,715
Redemption unit price	\$51.5408
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 December 2011

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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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