

Schroders

Schroder UK Real Estate Fund  
**Prospectus**  
24 December 2018

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For professional investors only. Not suitable for retail clients.

IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR FINANCIAL ADVISER

Schroder Unit Trusts Limited, the authorised corporate director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that it is the case) the information in this Prospectus does not contain any untrue or misleading statement or omit any matters required by the Sourcebook to be included in it. Schroder Unit Trusts Limited accepts responsibility accordingly.

## Prospectus of the Schroder UK Real Estate Fund

24 December 2018

**(An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC000945)**

This document constitutes the Prospectus for Schroder UK Real Estate Fund which has been prepared in accordance with the Sourcebook.

This Prospectus is dated and is valid as at 24 December 2018.

The Company may only be invested in by investors who fall within the category of Eligible Investors (as defined in this Prospectus).

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## Important Information

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No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Instrument of Incorporation are binding on each of the Shareholders and a copy of the Instrument of Incorporation is available on request. This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 (as amended from time to time) by Schroder Unit Trusts Limited.

The distribution of this Prospectus in certain jurisdictions may require that this Prospectus is translated into the official language of those countries. Should any inconsistency arise between the translated version and the English version, the English version shall prevail.

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus and investors should check with the ACD that this is the most recently published prospectus.

The attention of prospective investors is drawn to section 9 "Risk Factors". In particular, it should be noted that the price of Shares and the Income from them can go down as well as up and the movements can be amplified by borrowing and that investors may not receive, on redemption of their Shares, the amount that they invested.

This Prospectus contains a summary only of certain principal features of the Company. A copy of the Instrument of Incorporation is available from the ACD on request.

### How we use your information

For the purposes of the General Data Protection Regulation 2016/679/EC ("GDPR"), the data controller in relation to any personal data you supply is the ACD.

Information you supply may be processed for the purpose of investment administration by any company within the Schroders Group, by third parties who provide services to the Schroders Group and by your financial adviser, and may be shared with HM Revenue & Customs and other relevant tax authorities. Such processing may include the transfer of data outside of the European Economic Area and may also include, without limitation, processing for the following purposes:

- a. verifying the identity of the Shareholder or potential holder of Shares for the purpose of complying with statutory and regulatory requirements in relation to anti-money laundering, including the ACD's own in-house procedures;
- b. contacting the Shareholder or potential holder of Shares with information about other products and services provided by the Schroders Group which the ACD considers may be of interest to the Shareholder or potential holder of Shares;
- c. carrying out the function of ACD and administering the investment in the Company of the Shareholder or potential holder of Shares;

- d. meeting the legal, regulatory, reporting and/or financial obligations of the Company or any functionary of the Company in the UK or elsewhere; and
- e. disclosing personal data to other functionaries of the Company for the purpose of operating the Company.

By signing the Fund's application form, you are consenting to the processing of your personal data by ACD and the persons listed above for such purposes. We will not keep your information for longer than is necessary and will take steps to ensure that it is kept up to date. We are required by law to make available to you a privacy notice which provides fuller details of how we collect, use, disclose, transfer, and store your information. For an electronic copy of this privacy notice please go to <http://www.schroders.com/en/privacy-policy/>, or to request a paper copy please telephone us on 0333 3000 364 write to us at Schroder Unit Trusts Limited, PO Box 3733, Wootton Bassett, Swindon SN4 4BG. You have a right under the GDPR to ask what information we hold about you. You can do this by writing to us at the address above.

### **Anti-Money Laundering**

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti-money laundering regulations. In order to implement these regulations, investors will be asked to provide proof of identity and, until satisfactory proof of identity is provided, the ACD will not issue Shares or pay the proceeds of a redemption of Shares.

### **Investment Restrictions applying to US investors**

The Company has not been and will not be registered under the United States Investment Company Act of 1940 as amended (the "Investment Company Act"). The Shares of the Company have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act") or under the securities laws of any state of the United States of America and such Shares may be offered, sold or otherwise transferred only in compliance with the Securities Act and such state or other securities laws.

The US Feeder Fund has been established to facilitate indirect investment into the Company by US Persons. The ACD requires that US Persons wishing to invest in the Company do so via the US Feeder Fund.

The Shares of the Company may not be offered or sold within the United States or to or for the account, directly or indirectly, of any US Person or any non-US Person if any US Person is a direct or indirect beneficiary. For these purposes, US Person is as defined in Rule 902 of Regulation S under the Securities Act or the Internal Revenue Code of 1986, as amended (the "Code").

Rule 902 of Regulation S under the Securities Act defines US Person to include inter alia any natural person resident of the United States and with regards to investors other than individuals, (i) a corporation or partnership organised or incorporated under the laws of the US or any state thereof; (ii) a trust: (a) of which any trustee is a US Person except if such trustee is a professional fiduciary and a co-trustee who is not a US Person has sole or shared investment discretion with regard to trust assets and no beneficiary of the trust (and no settlor if the trust is revocable) is a US Person or (b) where a court is able to exercise primary jurisdiction over the trust and one or more US fiduciaries have the authority to control all substantial decisions of the trust and (iii) an estate (a) which is subject to US tax on its worldwide income from all sources; or (b) for which any US Person is executor or administrator except if an executor or administrator of the estate who is not a US Person has sole or shared investment discretion with regard to the assets of the estate and the estate is governed by foreign law.

The term "US Person" also means any entity organised principally for passive investment (such as a commodity pool, investment company or other similar entity) that was formed: (a) for the purpose of facilitating investment by a US Person in a commodity pool with respect to which the operator is exempt from certain requirements of Part 4 of the regulations promulgated by the United States Commodity Futures Trading Commission by virtue of its participants being non-US Persons or (b) by US Persons principally for the purpose of investing in securities not registered under the Securities Act, unless it is formed and owned by "accredited investors" (as defined in Rule 501 (a) under the Securities Act) who are not natural persons, estates or trusts.

Pursuant to the Code, the term US Person means (i) a citizen or resident of the US, (ii) a partnership organised under the laws of the US or any political subdivision thereof, (iii) a corporation or other entity treated as a corporation for US federal income tax purposes organised under the laws of the US or any political subdivision thereof, (iv) an estate the income of which is subject to US federal income tax without regard to its source or (v) a trust, if, either (a) a court within the US is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20, 1996 and properly elected to be treated as a US person.

If you are in any doubt as to your status, you should consult your financial or other professional adviser.

## Definitions

<b>“ACD”</b>	Schroder Unit Trusts Limited, the authorised corporate director of the Company;
<b>“ACD Agreement”</b>	an agreement dated 31 July 2012 between the Company and the ACD;
<b>“AIF”</b>	alternative investment fund;
<b>“AIFM”</b>	alternative investment fund manager;
<b>“AIFMD”</b>	the Alternative Investment Fund Managers Directive, 2011/61/EU;
<b>“AIFM Rules”</b>	the AIFMD, Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFMD, and the United Kingdom implementing legislation, including the section of the FCA Handbook that deals with investment funds;
<b>“Application Form”</b>	the form to be completed by prospective Shareholders wishing to buy Shares;
<b>“Approved Bank”</b>	<p>in relation to a bank account opened by the Company:</p> <p>(a) if the account is opened at a branch in the United Kingdom:</p> <ul style="list-style-type: none"> <li>(i) the Bank of England; or</li> <li>(ii) the central bank of a member state of the OECD; or</li> <li>(iii) a bank; or</li> <li>(iv) a building society; or</li> <li>(v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or</li> </ul> <p>(b) if the account is opened elsewhere:</p> <ul style="list-style-type: none"> <li>(i) a bank in (a); or</li> <li>(ii) a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant home state regulator; or</li> <li>(iii) a bank which is regulated in the Isle of Man or the Channel Islands,</li> </ul> <p>as such definition may be updated in the glossary of definitions in the FCA Handbook from time to time;</p>
<b>“AREF”</b>	the Association of Real Estate Funds;
<b>“Auditor”</b>	PricewaterhouseCoopers LLP, or such other entity as is appointed to act as auditor to the Company from time to time;
<b>“Benchmark”</b>	the AREF/Investment Property Databank (“IPD”) UK Pooled Property Fund Indices – All Balanced Funds Index Weighted Average;
<b>“Bid Price”</b>	the price per Share to be paid by the ACD to a redeeming Shareholder determined by the ACD in accordance with section 6.4 “Price per Share in each Class”
<b>“Bid Spread Factor”</b>	such factor determined by the ACD and notified to redeeming Shareholders within the period specified, as in the ACD’s absolute discretion represents an appropriate deduction from NAV to reflect Dealing Costs;
<b>“Body Corporate”</b>	a body corporate incorporated in any jurisdiction (including the UK) or any entity treated as a body corporate for tax purposes in any jurisdiction with which the UK has any form of double tax treaty or other agreement to relieve double tax which has effect under the UK’s tax legislation by Order of Council;
<b>“Business Day”</b>	any day which is not a Saturday, Sunday or bank holiday in the UK;
<b>“Capital Monies”</b>	all cash, other than Income, held by the Depositary from time to time;
<b>“Class” or “Classes”</b>	(according to the context) all of the Shares of the Company or a particular class or classes of share of the Company;

<b>“Company”</b>	Schroder UK Real Estate Fund;
<b>“Custodian”</b>	such person as may be appointed by the Depositary as custodian of the Scheme Property of the Company;
<b>“Cut-Off Point for Subscriptions” and “Cut-Off Point for Redemptions”</b>	the point prior to which orders to buy, sell or convert Shares must be received by the Registrar in order for them to be actioned at the next Dealing Day for Redemption or Dealing Day for Subscription (as appropriate) and details of which are set out for each Class (if relevant) in section 1 <i>“Investment objective, policy and other details of the Company”</i> ;
<b>“Dealing Costs”</b>	means the notional costs and charges incurred in buying (in the case of the Offer Spread Factor) or selling (in the case of the Bid Spread Factor) the Scheme Property, such as fiscal charges including stamp duty land tax, commission, dilution levy, SDRT provision or other charges payable in the event of the Company carrying out the transaction in question;
<b>“Dealing Day”</b>	a day which is a Dealing Day for Subscription and/or a Dealing Day for Redemption in any particular Class of Shares;
<b>“Dealing Day for Redemption”</b>	the first Business Day of each Quarter or such other day or days as set out in section 1 <i>“Investment objective, policy and other details of the Company”</i> for each Class;
<b>“Dealing Day for Subscription”</b>	the first Business Day in each month or such other day or days as set out in section 1 <i>“Investment objective, policy and other details of the Company”</i> for each Class;
<b>“Depositary”</b>	NatWest Trustee and Depositary Services Limited or such other entity as is appointed to act as depositary;
<b>“Director” or “Directors”</b>	the directors of the Company from time to time (including the ACD);
<b>“EEA State”</b>	a member state of the European Union and any other state which is within the European Economic Area;
<b>“Efficient Portfolio Management” or “EPM”</b>	efficient portfolio management, hedging and investment techniques where derivatives are used for one or more of the following purposes: reduction of risk, reduction of cost or generation of additional capital or income with an acceptably low level of risk, as more fully described in the FCA Handbook;
<b>“Eligible Institution”</b>	one of certain eligible institutions as defined in the glossary of definitions to the FCA Handbook;
<b>“Eligible Investor”</b>	an investor who is eligible to invest in the Company (which is a QIS) as set out in the Conduct of Business Sourcebook, Chapter 4.12;
<b>“Feeder Fund”</b>	the Schroder UK Real Estate Fund Feeder Trust;
<b>“FCA”</b>	the Financial Conduct Authority or any other regulatory body which may assume its regulatory responsibilities from time to time;
<b>“FCA Handbook”</b>	the FCA Handbook of Rules and Guidance, as amended or replaced from time to time;
<b>“Gross Asset Value”</b>	the value of the gross assets of the Company determined in accordance with the valuation rules set out in Appendix II;
<b>“Income”</b>	the gross income derived from the Scheme Property;
<b>“Instrument of Incorporation”</b>	the instrument of incorporation of the Company as amended from time to time;
<b>“Investment Manager”</b>	Schroder Real Estate Investment Management Limited, the investment manager to the ACD in respect of the Company;
<b>“Net Asset Value” or</b>	the value of the Scheme Property of the Company less the liabilities of the Company



<b>“NAV”</b>	as calculated in accordance with Appendix II;
<b>“OEIC Regulations”</b>	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time;
<b>“Offer Price”</b>	the price per Share to be paid by an applicant for Shares and which is determined by the ACD in accordance with section 6.4 <i>“Price per Share in each Class”</i>
<b>“Offer Spread Factor”</b>	such factor determined by the ACD and notified to persons in advance of their subscribing for Shares, as in the ACD’s absolute discretion represents an appropriate addition to the NAV to reflect Dealing Costs;
<b>“PAIF”</b>	an open-ended investment company which is a Property Authorised Investment Fund, as defined in Part 4A of the Tax Regulations;
<b>“Property Investment Business”</b>	property investment business as defined in the Tax Regulations and summarised in Appendix I;
<b>“Qualified Investor Scheme” or “QIS”</b>	an authorised fund the instrument of incorporation of which contains the statement required that it is a qualified investor scheme;
<b>“Quarter”</b>	the quarterly periods ending on the last Business Day of March, June, September and December;
<b>“Redemption Form”</b>	the form to be completed by a Shareholder wishing to sell Shares;
<b>“Register”</b>	the register of Shareholders of the Company;
<b>“Registrar”</b>	Northern Trust Global Services Limited, or such other entity as is appointed to act as registrar to the Company from time to time;
<b>“Regulated Activities Order”</b>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) as amended from time to time;
<b>“Regulations”</b>	the OEIC Regulations and the FCA Handbook (including the Sourcebook);
<b>“Scheme Property”</b>	the scheme property of the Company required under the Sourcebook to be given for safekeeping to the Depositary;
<b>“Schroders Group”</b>	any company, trust, partnership or other body in respect of which Schroders plc owns directly or indirectly at least a 50 per cent interest;
<b>“SDRT”</b>	stamp duty reserve tax;
<b>“Secondary Market Facilitator”</b>	Schroder Real Estate Investment Management Limited, or such other entity as is appointed by the ACD to facilitate transfers of Shares on the secondary market;
<b>“Share” or “Shares”</b>	a share or shares in the Company (including larger denomination shares, and smaller denomination shares equivalent to one ten-thousandth of a larger denomination share);
<b>“Shareholder”</b>	a holder of registered Shares in the Company;
<b>“Sourcebook”</b>	the section of the FCA Handbook which deals with regulated collective investment schemes, as amended from time to time;
<b>“Standing Independent Valuer”</b>	BNP Paribas Real Estate Advisory and Property Management Limited, 5 Aldermanbury Square, London EC2V 7BP; Knight Frank LLP, 55 Baker Street, London, W1U 8AN or such other valuer as may be appointed to value the Scheme Property from time to time;
<b>“Tax Regulations”</b>	the Authorised Investment Funds (Tax) Regulations 2006 (SI 2006/964), as amended from time to time;
<b>“Top-up Form”</b>	the form to be completed by an existing Shareholder wishing to buy Shares;

<b>"UK"</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>"United States" or "US"</b>	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;
<b>"US Feeder Fund"</b>	the Schroder UK Real Estate Fund US, LP;
<b>"Valuation Point"</b>	8am on the first Business Day of each month for the purpose of determining the price at which Shares of that Class may be issued, and 8am on the first Business Day of each Quarter for the purpose of determining the price at which Shares of that Class may be redeemed; and
<b>"VAT"</b>	value added tax.

## Section 1 Investment objective, policy and other details of the Company

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### 1.1 Investment objective

The investment objective of the Company is to carry on Property Investment Business and to manage cash raised from investors for investment in the Property Investment Business, with the intention of achieving a blend of income and capital growth. The Company's target return is to achieve 0.5 per cent per annum (net of all fees and expenses) above the Benchmark over rolling three year periods. The Company will seek to diversify risk by holding a mixed portfolio of retail, office, industrial and other property throughout the UK.

### 1.2 Investment policy

The Company will invest in UK properties. The Company may also invest in transferable securities (including REITs, government bonds and unquoted companies), units in collective investment schemes, units in unregulated collective investment schemes (which may include unauthorised property unit trusts and limited partnerships), money market instruments, deposits, cash and near cash.

Derivatives may be used for the purposes of Efficient Portfolio Management (including to hedge the risk of interest rate movements in relation to any borrowing of the Company). The aim of reducing risks or costs will allow the Investment Manager to enter into exposures on permissible assets using derivatives or forwards as an alternative to selling or purchasing underlying assets. These exposures may continue for as long as the Investment Manager considers that the use of derivatives continues to meet the original aim. The aim of generating additional capital allows the Investment Manager to take advantage of any pricing imperfections in relation to the acquisition and disposal (or disposal and acquisition) of rights relating to assets the same as, or equivalent to which, the Company holds or may hold.

The investment of the assets of the Company must comply with the section of the Sourcebook applicable to Qualified Investor Schemes.

The Company has the ability to use moderate levels of gearing from time to time.

A detailed statement of the general investment and borrowing restrictions and the extent to which the Company may employ efficient portfolio management techniques is set out in Part 1 of Appendix I.

### 1.3 Investment and borrowing guidelines

Specific investment and borrowing guidelines are set out in Part 2 of Appendix I. The Company must seek to comply with the investment and borrowing guidelines set out in Part 2 of Appendix I.

The Investment Manager may deviate from the investment and borrowing guidelines set out in Part 2 of Appendix I if the Investment Manager considers that it is in the best interests of the Shareholders to do so. The Investment Manager shall not be responsible for any losses suffered by the Company provided that the ACD takes remedial action to eliminate the deviation as soon as reasonably practicable if it considers that it is in the best interests of the Shareholders to do so.

The ACD pursues a policy of prudent borrowing. Borrowings will be arranged on a basis of being non-recourse to Shareholders. Borrowing will be used to finance the acquisition and/or improvement of any asset and to enhance returns to Shareholders. In accordance with the guideline operated by the Company, as disclosed in Part 2 of Appendix I, the maximum level of gearing is 25 per cent of NAV. A prudent interest rate hedging strategy will be adopted by the ACD in relation to borrowings.

The limitations set out in the Part 2 of Appendix I will not be breached solely as a result of fluctuations in market values or rates provided that the ACD takes remedial action to eliminate the deviation as soon as reasonably practicable if it considers that it is in the best interests of the Company to do so.

All borrowings, guarantees and indemnities will be repayable or come to an end if the Company is wound up.

The investment and borrowing guidelines set out in Part 2 of Appendix I will be reviewed regularly by the ACD. The ACD may amend the investment and borrowing guidelines if it deems that it is in the best interests of the Company to do so.

The investment objective and/or investment policy of the Company may be amended from time to time in accordance with section 3.3 “Changes to the Company”.

## 1.4 Responsible property investment policy

The Investment Manager recognises that its activities can have both a direct and indirect impact on the environment and society. A copy of the Investment Manager’s policy on responsible property investment is available on request. This policy has been approved by the ACD.

## 1.5 Summary details for each Class of Shares

<b>Share Class Name</b>	I Class Gross	I Class Net
<b>Type of Shares</b>	Gross Income	Net Income
<b>Typical investor profile</b>	This Class is suitable for all investors who are entitled to receive income gross and are Eligible Investors. The Feeder Fund will invest in this Class.	This Class is suitable for all investors who are Eligible Investors but are not entitled to receive income gross. The US Feeder Fund will invest in this Class

The following terms are the same for the I Class Gross Shares and I Class Net Shares

<b>Launch Price</b>	N/A
<b>Currency of denomination</b>	Pounds sterling
<b>Initial charge</b>	Nil
<b>Redemption charge</b>	Nil
<b>Annual Management Charge</b>	0.70 per cent of NAV
<b>Minimum initial investment</b>	£100,000
<b>Minimum subsequent investment</b>	£20,000
<b>Minimum holding</b>	£100,000
<b>Charges taken from capital</b>	The ACD allocates 50% of the Annual Management Charge to Income and the remaining 50% to capital
<b>Income distribution</b>	Income will be distributed monthly (see under “When income is distributed” in section 4.12 “Reporting”)
<b>Dealing Day for Subscription</b>	First Business Day of each month
<b>Dealing Day for Redemption</b>	First Business Day of each Quarter Note: Shareholders should be aware that the ACD’s rights in section 2.8 “Deferral of redemptions by the ACD” and section 2.21 “When the suspension of dealings in Shares might occur” might also affect a Shareholder’s right to redeem
<b>Cut-Off Point for Subscriptions</b>	Midday on the Business Day before the relevant Dealing Day for Subscription



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**Cut-Off Point for Redemptions**

Midday on the date<sup>1</sup> falling 3 months prior to the Business Day before the relevant Dealing Day for Redemption

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<sup>1</sup>If the date is not a Business Day, the Cut-Off Point will be the Business Day immediately preceding that date.

## Section 2 Dealing in Shares

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### 2.1 How to buy Shares

Shares can be bought by sending a completed Application Form (potential investors) or Top-up Form (existing Shareholders) to the Registrar. Please also see section 2.12 "Transfers of Shares on the secondary market".

Application Forms and Top-up Forms may be obtained from [www.schroders.com/sref](http://www.schroders.com/sref) or from Schroders.

Shares may be bought directly from the Registrar or facilitated by your consultant, manager, professional adviser or other intermediary. Any intermediary who recommends an investment in the Company to you may be entitled to receive commission from the ACD.

In addition, the Registrar may from time to time make arrangements to allow Shares to be bought on-line or through other communication media.

The ACD may also, at its discretion, introduce further methods of dealing in Shares in the future. At present, transfer of title by electronic communication is not accepted.

The Dealing Day for Subscription for Shares is the first Business Day of each month (please refer to section 1 "Investment objective, policy and other details of the Company" for details of specific arrangements for Classes of Shares). Application Forms and Top-up Forms and cleared funds must be received by the Registrar before the Cut-Off Point for Subscriptions. Forms received after this time will be carried forward to the following Dealing Day for Subscription. Applicants may amend or withdraw an Application Form or a Top-up Form at any time up until the Cut-Off Point for Subscriptions. Thereafter, applicants have no right to amend or withdraw their application.

Settlement is due by midday on the Business Day before the relevant Dealing Day for Subscription. Applicants are required to transfer funds via CHAPS or another form of electronic payment unless the Registrar agrees to an alternative method of payment.

The Registrar has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the Registrar will return any money sent, or the balance of such monies, at the risk of the applicant.

The ACD will endeavour, where possible, to give applicants the opportunity to obtain Shares ahead of the Dealing Day via the secondary market (please refer to section 2.12 "Transfers of Shares on the secondary market"). In the event the order is unable to be fulfilled via this method, the Shares will be purchased by the applicant on the Dealing Day at the prevailing Offer Price.

Applicants may be placed on a waiting list prior to the issue of Shares. The ACD may elect to limit the number of Shares issued on any Dealing Day for Subscription, and if so, Shares will be allocated to valid applicants pro rata to the number of Shares applied for. Where applicants do not receive Shares to satisfy their full application the unallocated application will be carried forward to the next Dealing Day for Subscription at which Shares are issued. Where the issue of Shares is limited at any Dealing Day for Subscriptions applicants may instruct the ACD to seek to arrange for the shortfall in the application to be met on the secondary market for such time until the next Dealing Day for Subscription. If the shortfall in Shares applied for is not met on the secondary market, Shares will be issued in line with the allocation made at the Dealing Day for Subscription on which Shares are issued.

Where there is a balance of subscription monies remaining after a whole number of Shares has been issued, smaller denomination Shares will also be issued to the investor in respect of it. A smaller denomination Share is equivalent to one ten-thousandth of a larger denomination Share.

### 2.2 The documents buyers receive

A contract note giving details of the Shares to be purchased, the Offer Price and the total settlement amount will be issued by the end of the next Business Day following the relevant Dealing Day for Subscription.

No SDRT will be payable on the subscription for Shares in the Company.

An order for the purchase of Shares will only be deemed to have been accepted by the Registrar once it is in receipt of cleared funds for the application.

Share certificates will not be issued in respect of Shares. Instead ownership of Shares will be evidenced by an entry on the Register. Details of a Shareholder's entry on the Register are available from the Registrar on request. In addition, a monthly share statement will be issued confirming the number of Shares held by the Shareholder.

### **2.3 Minimum investment levels**

The minimum initial subscription, additional subscription and minimum holding levels relating to the Company are set out in section 1 "Investment objective, policy and other details of the Company". The ACD may, at its discretion, accept subscriptions and/or holdings lower than the minimum amount(s).

If following a redemption a holding in any Class should fall below the minimum holding for that Class, the ACD has discretion to require redemption of that Shareholder's entire holding in that Class.

### **2.4 Bodies Corporate and nominees acquiring Shares**

The ACD permits investment in the Company by Bodies Corporate but only in accordance with the following conditions. The ACD intends to operate in practice to a threshold of 9 per cent to ensure that the statutory 10 per cent threshold in the Tax Regulations is not breached. Bodies Corporate which do not meet the following conditions (excluding nominees acquiring Shares) may only invest in the Company indirectly through the Feeder Fund. A pension scheme that is not organised as a Body Corporate may invest in the Company direct even where that pension scheme has a corporate trustee. Charities that are companies limited by guarantee are Bodies Corporate, but the ACD retains discretion to allow such charities to invest in the Company direct.

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<sup>2</sup>Or as a trustee of a trust (which is not a registered pension scheme) or a personal representative.

The ACD's policy, in order to protect investors, is to apply a 9 per cent tolerance limit. If a Body Corporate is close to reaching the 9% limit, the ACD may contact the Body Corporate to inform them they are reaching the limit. In the event that a Body Corporate exceeds 9 per cent of the Net Asset Value, but wishes to remain invested in the Company, Schroders intends to contact that Body Corporate with a view to exchanging some or all of its Shares in the Company for units in the Feeder Fund. The ACD may, in its absolute direction, exchange the excess of their Shareholding for units in the Feeder Fund or compulsorily redeem the excess in each case as described below. Please also see section 2.18 "Restrictions and compulsory transfer and redemption" and section 2.28 "Bodies Corporate holding Shares" for more details.

In the event that a Body Corporate has acquired 9 per cent or more of the net asset value of the Company as beneficial owner (or as trustee of a trust (other than a registered pension scheme) or a personal representative), the ACD has the right to reduce the proportionate holding below 9 per cent.

US Persons may invest through the US Feeder Fund. The ACD may from time to time permit, at its absolute discretion, US Persons which are Bodies Corporate to invest in the US Feeder Fund in which case they will have to provide equivalent undertakings. The ACD will not permit US persons to switch their interest in the US Feeder Fund for units in the Feeder Fund.

## 2.5 How to sell Shares

Every Shareholder is entitled on any Dealing Day for Redemption to redeem its Shares (which will be cancelled by the Company) with no less than 3 months' notice. Once a Shareholder has made a redemption request, the Secondary Market Facilitator has the right to match the Shares, in full or in part, on the secondary market until the relevant Dealing Day for Redemption on which the Shares would otherwise be redeemed (see section 2.9 "Transfer of Shares that are subject to a redemption request on the secondary market").

Requests to redeem Shares must be made by sending a completed Redemption Form to the Registrar. In addition, the Registrar may from time to time make arrangements to allow Shares to be redeemed through other communication media.

Redemption Forms must be received by the Registrar before the relevant Cut-Off Point for Redemption, that is midday on the date<sup>3</sup> falling three months prior to the Business Day before the relevant Dealing Day for Redemption. Valid instructions will be processed by the Registrar at the Bid Price on the relevant Dealing Day for Redemption (that falls three months after the relevant Cut-Off Point for Redemption), except in the case where dealing has been suspended as set out in section 2.21 "When the suspension of dealings in Shares might occur".

A Redemption Form may be withdrawn by notice in writing to the Registrar by the relevant Shareholder:

- a. at any time up to the Cut-Off Point for Redemption for the relevant redemption instruction;
- b. at any time up to the relevant Dealing Day for Redemption with the approval of the ACD; and
- c. where the relevant redemption is being deferred, provided that notice of the request to withdraw the redemption instruction is received by the ACD within five Business Days of notice of the deferral.

A Shareholder who withdraws a Redemption Form as set out above will be liable to pay reasonable costs and expenses incurred by the Company up to the date of withdrawal of the Redemption Form. Reasonable costs and expenses include transaction costs and expenses for sales contemplated following receipt of a Redemption Form and may include fees incurred by agents and other third parties but not any capital loss of the Company.

Once a Redemption Form has been received by the Registrar, a Shareholder cannot sell the Shares or otherwise deal with them unless the request to redeem has been validly withdrawn.

For details of dealing charges see section 2.24 "Redemption charge".

## 2.6 The documents that sellers receive

A contract note giving details of the number and price of Shares sold will be sent to the selling Shareholder (the first named, in the case of joint Shareholders) no later than the end of the next Business Day following the relevant Dealing Day for Redemption. Settlement of redemptions will be made within four Business Days of the relevant Dealing Day for Redemption.



Payment of redemption proceeds will be made by CHAPS or another electronic payment method to the nominated bank account of the Shareholder or a designated account of their custodian. Instructions to make payments to a third party will not normally be accepted.

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<sup>3</sup>If the date is not a Business Day, the Cut-Off Point will be the Business Day immediately preceding that date.

## 2.7 Limits on partial redemptions

Part of a Shareholder's holding may be sold but the ACD reserves the right to refuse a request to redeem part of a holding if:

- a. the value of the Shares to be redeemed in any Class is less than any applicable minimum redemption amount if any for that Class; or
- b. the value of the remaining holding of Shares of any Class following the redemption would be less than the applicable minimum holding for that Class.

## 2.8 Deferral of redemptions by the ACD

Where the ACD considers it to be in the best interests of the Shareholders, the ACD may defer redemptions on a Dealing Day for Redemption in the relevant Class in respect of which a validly submitted Redemption Form was received and accepted to any one of the subsequent eight Dealing Days for Redemption i.e. the deferral period is a maximum of 24 months from the original Dealing Day for Redemption. A redemption will be deferred within this timeline to a Dealing Day for Redemption when the Company has sufficient liquidity to enable it to meet the redemption, providing it is in the best interests of the Shareholders to do so. The ACD must give Shareholders notice of the deferral no later than seven Business Days prior to the relevant Dealing Day for Redemption. The price at which such Shares will be redeemed will be the price for redemptions on the Dealing Day for Redemption on which the Shares are actually redeemed.

The ACD may cancel the deferral (wholly or in part) by giving notice to Shareholders no later than seven Business Days prior to the designated Dealing Day for Redemption. Where a deferral is cancelled either the redemption may be:

- a. settled on the Dealing Day for Redemption immediately following the date of the notice of cancellation; or
- b. deferred to another Dealing Day for Redemption which is no more than 24 months after the original Dealing Day for Redemption.

Where the ACD defers any redemptions, it will ensure the consistent treatment of all Shareholders who have sought to redeem Shares on any Dealing Day for Redemption at which redemptions are deferred and will ensure that all deals relating to an earlier Dealing Day for Redemption are completed before those relating to a later Dealing Day for Redemption are considered.

## 2.9 Transfer of Shares that are subject to a redemption request on the secondary market

Once a Shareholder has made a redemption request, the Secondary Market Facilitator has the right to match the Shares on the secondary market until the relevant Dealing Day for Redemption on which the Shares would otherwise be redeemed. In such case, the relevant Shareholder irrevocably appoints the Secondary Market Facilitator as its attorney to arrange such transfer, execute a transfer document or other documentation on the Shareholder's behalf and do whatever else is reasonably necessary to enable the Secondary Market Facilitator to effect the transfer of Shares.

The Secondary Market Facilitator can match the Shares at a price no lower than the prevailing Bid Price unless the redeeming Shareholder specifies in its Redemption Form that it will accept a discount. The discount specified by the Shareholder must be stated as a percentage discount to the prevailing Bid Price. For example, a discount of 5 per cent applied to a bid price of £10.00 per Share would result in a transfer price of £9.50 per Share. Where a discount is specified this forms the price at which the Share may be matched and once specified is irrevocable by the Shareholder.

The discount specified should reflect a price at which Shareholders are comfortable to sell Shares, given that any discount specified is irrevocable. Shareholders should note that the redemption price paid at any Dealing Day for Redemption may be lower than the discounted price specified by a redeeming Shareholder.

The advantage of Shares being matched on the secondary market is that it may enable Shareholders to be paid out earlier than awaiting a redemption payment which, in accordance with the Instrument of Incorporation and as set out in section 2.5 "How to sell shares" and section 2.8 "Deferral of redemptions by the ACD" may be deferred for up to two years.

The Secondary Market Facilitator will not charge the redeeming Shareholder commission, but the redeeming Shareholder will be responsible for costs in connection with the transfer of its Shares such as the preparation and execution of relevant documentation and any taxation. The Secondary Market Facilitator, at its discretion, has the right to charge the buyer commission at a rate of 0.20 per cent applied to the net consideration, subject to a minimum of £50 for each and every trade. Where applicable, stamp duty reserve tax is payable by the buyer on the net consideration at the prevailing rate.

Where such Shares are transferred on the secondary market the Redemption Form is deemed to be withdrawn in relation to those Shares.

## **2.10 Extended redemption payment facility**

If monies being raised to meet redemptions are not due to be received in time for the relevant Dealing Day for Redemption because contracts for the sale of an underlying property have been entered into but sale proceeds have not yet been received, the ACD may delay payment for redemption of the Shares to no later than the 20th Business Day following the relevant Dealing Day for Redemption. The price for redemptions in this case will be the Bid Price on the relevant Dealing Day for Redemption. The ACD must notify the relevant Shareholders of its intention to delay no later than the relevant Dealing Day for Redemption. If the ACD delays the payment, the Shareholder will not be entitled to the income from the relevant Dealing Day for Redemption, unless the redemption is deferred to a later Dealing Day for Redemption, as described below.

If the sale proceeds are not received by the 20th Business Day for any reason, the redemption is automatically deferred to the next Dealing Day for Redemption unless the ACD takes action to defer to a later Dealing Day for Redemption applying the deferral rules above. The ACD must notify redeeming Shareholders that the redemption is being deferred no later than 15 Business Days after the designated Dealing Day for Redemption. The redemption will then be dealt with under the deferral rules (as detailed above) and for the avoidance of doubt, the price at which such Shares will be redeemed will be that which applies at the Dealing Day for Redemption on which the Shares are actually redeemed.

## **2.11 How to convert Shares of one Class for Shares of another Class and the implications of converting**

A holder of Shares in one Class may at any time convert all or some of those Shares (the "Original Shares") for Shares of another Class (the "New Shares") provided that the Shareholder meets any requirements for holding the New Shares. The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Points applicable at the time the Original Shares are repurchased and the New Shares are issued. A conversion can be effected on any Dealing Day.

Conversion must be requested in writing to the Registrar, and the Shareholder will be required to complete a conversion form (which, in the case of joint Shareholders must be signed by all the joint holders). Conversion forms may be obtained from the Registrar.

The ACD may, at its discretion, charge a fee for the conversion of Shares between Classes or increase an existing charge in accordance with the Sourcebook. Any such charge on converting does not constitute a separate charge payable by a Shareholder, but is only the application of any redemption charge on the Original Shares and any initial charge on the New Shares. No conversion fees are currently charged.

If the conversion would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding for the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares (and make a charge on the conversion) or refuse to effect any conversion of the Original Shares. No conversion will be made during any period when the right of Shareholders to require the redemption of the relevant Shares is suspended. The general provisions on procedures relating to redemption will apply equally to a conversion.

The ACD may adjust the number of New Shares to be issued to reflect the imposition of any conversion fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Original Shares as may be permitted under the Sourcebook.

**Please note that a conversion of Shares in one Class for Shares in another Class within the same fund will not be a redemption and sale for the purposes of capital gains taxation. In the case of a conversion, the disposal of Original Shares will not, therefore, give rise to a liability to tax.**

## **2.12 Transfers of Shares on the secondary market**

The ACD has appointed the Secondary Market Facilitator to facilitate transfers of Shares on the secondary market in accordance with the following paragraphs.

Shareholders or potential investors wishing to buy Shares on the secondary market should complete an Application Form (potential investors) or Top-up Form (existing Shareholders), detailing their secondary market requirement in the investment details section. Shareholders wishing to sell Shares should complete a Redemption Form. All completed forms should be provided to the Secondary Market Facilitator via the Registrar. Potential investors should also provide to the Registrar any documents required for anti-money laundering purposes. The forms are available from [www.schroders.com/sref](http://www.schroders.com/sref) or from Schroders.

## **2.13 Trade requirements**

Applicants wishing to sell Shares should state the amount of Shares they wish to sell by reference to a number of Shares or a specified sterling amount. Applicants wishing to buy Shares should state the amount of Shares they wish to buy by reference to a specified sterling amount.

Applicants should note that where a monetary amount is stated, this will be treated as including an allowance for commission and SDRT as appropriate.

Buyers should state the maximum price they are willing to pay for Shares. The maximum price should be stated by reference to the latest published NAV per Share, or the Bid Price, Offer Price or mid price which are available on [www.schroders.com/sref](http://www.schroders.com/sref) or from the Registrar.

Sellers should state the price they are willing to accept for Shares. The price should be stated by reference to the latest published NAV per Share, or the Bid Price, Offer Price or mid price which are available on [www.schroders.com/sref](http://www.schroders.com/sref) or from the Registrar.

The Secondary Market Facilitator can provide information to buyers and sellers on recent secondary market activity.

## **2.14 Share matching**

The Secondary Market Facilitator operates a Share matching service between sellers and buyers of Shares. A waiting list of sellers and buyers is kept and matching operated on the following basis:

- a. First price: Shares available from sellers seeking the lowest price per Share will be offered to buyers by order of the date of receipt of the relevant form.
- b. Secondly notification date: Where there are multiple sellers looking to sell for any given price, preference will be given to sellers by order of the date of receipt of the relevant form. Where there are multiple buyers looking to buy for which relevant forms were received on the same date, matching will be allocated pro rata to the number of Shares applied for. In all cases matching will be allocated subject to any minimum trade requirements stipulated by a party.

The Secondary Market Facilitator when matching Shares may apply a minimum economic trade at its discretion which is Shares to the value of £50,000 or such other amount as the Secondary Market Facilitator determines from time to time.

The Secondary Market Facilitator will arrange the exchange of Shares between sellers and buyers in the first 12 Business Days of every month. The Secondary Market Facilitator will contact the seller and buyer to obtain confirmation that the terms of the arrangement are acceptable before proceeding with the transaction. The seller and buyer are required to confirm acceptance of the terms by return email within 24 hours.



## 2.15 Withdrawal of a secondary market request form

Where a trade is arranged and the terms rejected by either the seller or buyer, this is generally treated as a withdrawal of the relevant forms by the party who rejected the trade, subject to the Secondary Market Facilitator's discretion. Where a withdrawal is deemed to have occurred a new request form must be submitted if a trade is still desired.

If a buyer or seller wishes to change the terms on which it is prepared to buy or sell Shares from those set out on the form received by the Registrar, the Secondary Market Facilitator has discretion as to whether a new form must be submitted. In the event a new form is submitted, it supersedes any previous forms. For the avoidance of doubt please note that where a new form is received by the Secondary Market Facilitator this may affect a buyer's and or seller's position on the waiting list.

## 2.16 Transfer requirements, settlement and re-registration

Once a trade has been confirmed, by the buyer and seller, the Secondary Market Facilitator will send the buyer and seller a confirmation note. The seller will also be sent a stock transfer form. In the case of a transfer of Shares arranged by the Secondary Market Facilitator that are subject to a redemption request, the Secondary Market Facilitator will execute the stock transfer form, as described in section 2.9.

The seller must sign the stock transfer form in the form prescribed by the ACD. The stock transfer form must be returned to the Secondary Market Facilitator no later than midday on the last Business Day of the month in order for re-registration to take place, as described below, on the first Business Day of the following month. The Secondary Market Facilitator sends the stock transfer form to the Registrar.

In determining the settlement amount of a trade the following adjustments may be required:

**Commission** – An arranging commission is payable by the buyer and seller to the Secondary Market Facilitator at the rate of 0.20% applied to the net consideration, subject to a minimum of £50 for each and every trade and at the Secondary Market Facilitator's discretion.

**Stamp duty reserve tax (SDRT)** – SDRT may be payable. The maximum SDRT payable is calculated by applying the prevailing rate of SDRT (currently 0.5 per cent) to the net consideration. Net consideration is the number of Shares multiplied by the purchase price per Share. The purchase price per Share is the price at which the trade is agreed.

**Re-registration of Shares** – The Registrar will amend the Register on the first Business Day of each month to reflect secondary market arrangements for which a valid stock transfer form has been received by the Secondary Market Facilitator, and any documents required for anti-money laundering purposes have been received by the Registrar, in each case no later than midday on the last Business Day of the previous month.

Payment will be made directly by the buyer to the seller within the first four Business Days of the month in which the Shares are re-registered. Payment instructions will be included on the confirmation note. The payment will be net of commission due to the Secondary Market Facilitator. The buyer will remit the commission and any SDRT directly to the Secondary Market Facilitator. The seller will be entitled to receive the income that has accrued in respect of the month prior to the month in which the Shares are re-registered.

## 2.17 Secondary market arrangements conducted directly between Shareholders

Where Shares are exchanged between Shareholders without the involvement of the Secondary Market Facilitator, the re-registration of Shares will be reflected on the Register on the first Business Day of each month following receipt of a completed stock transfer form.

The stock transfer form must be sent to the Registrar and accompanied by confirmation of the agreed price. SDRT may be payable and the Secondary Market Facilitator will confirm, to the buyer, the amount due.

New investors should also provide the Registrar with a completed Application Form and any documents required for anti-money laundering purposes.

## 2.18 Restrictions and compulsory transfer and redemption

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of any eligibility requirements for a Qualified Investor Scheme, the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, or which would result in the Company incurring any liability to taxation which the Company is not able to recoup itself, or suffering any other adverse consequence. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or conversion of Shares.

If it comes to the notice of the ACD that any Shares ("affected Shares") are owned/registered in the name of any person who is not an Eligible Investor or owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case, the ACD may give notice to the holder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the repurchase of such Shares in accordance with the Sourcebook. If any person upon whom such a notice is served does not, within 30 days after the date of such notice, transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiration of that 30 day period to have given a request in writing for the redemption of all the affected Shares pursuant to the Sourcebook.

A person who becomes aware that he is holding or owns affected Shares in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, or by virtue of which he is not qualified to hold such affected Shares, shall forthwith, unless he has already received a notice as described above, either transfer all his affected Shares to a person qualified to own them or give a request in writing for the redemption of all his affected Shares pursuant to the Sourcebook.

Where a Shareholder is compulsorily redeemed, the ACD will normally redeem that Shareholder's Shares on the immediately following Dealing Day (i.e. the first Business Day of the following month).

If it comes to the notice of the ACD that a Shareholder holds affected Shares because the Shareholder is a Body Corporate, the ACD may, at its discretion, transfer the Shareholding of Bodies Corporate referred to above into the Feeder Fund in exchange for the issue to such Bodies Corporate of units in the Feeder Fund. Any costs, expenses or tax disadvantage that result shall be borne by that Shareholder. Please see section 2.28 "Bodies Corporate holding Shares".

## 2.19 In specie redemptions

If a Shareholder requests the redemption of Shares the ACD may, at its sole discretion and where it considers the deal to be substantial in relation to the total size of the Class concerned or in some way detrimental to the Class, arrange, having given prior notice in writing to the Shareholder, that in place of payment for the Shares in cash, that the Company transfers Scheme Property or, if required by the Shareholder, the net proceeds of sale of the relevant Scheme Property, to the Shareholder. The ACD may only do so, however, where the Depositary considers that the Company's sale of those assets in exchange for the issued Shares is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

Before the proceeds of the cancellation of Shares become payable, the ACD must give written notice to the Shareholder that the Scheme Property or the proceeds of sale of Scheme Property will be transferred to that Shareholder so that the Shareholder can require the net proceeds of redemption rather than the relevant property if he so desires.

The ACD will select the Scheme Property to be transferred in consultation with the Depositary. They must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Shareholder requesting cancellation/redemption than to the continuing Shareholders.

## 2.20 Issue of Shares in exchange for in specie assets

The ACD may, in its sole discretion, arrange for the Company to issue Shares at a price no greater than the Offer Price in exchange for assets other than cash, but will only do so where the Depositary has taken reasonable care to determine that the Company's acquisition of those assets in exchange for the issued Shares is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in any Class in exchange for assets the holding of which would be inconsistent with its investment objective.

## 2.21 When the suspension of dealings in Shares might occur

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires, temporarily suspend the issue, cancellation, sale and redemption of Shares in any or all of the Classes, where, due to exceptional circumstances, it is in the interests of all the Shareholders in the relevant Class or Classes.

The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Shareholders.

The ACD or the Depositary (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FCA and the regulator in each EEA state where the relevant Class is offered for sale.

The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a way which is clear, fair and not misleading and gives Shareholders details of how to find further information about the suspension. Where a suspension takes place, the ACD will publish details on its website or give by other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration. During the suspension none of the obligations in the section of the Sourcebook dealing with "Dealing" will apply but the ACD will comply with as much of the section of the Sourcebook dealing with "Valuation and Pricing" during the period of suspension as is practicable in light of the suspension.

The suspension will end as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.

The ACD may agree during the suspension to deal in Shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

## 2.22 The charges that may be imposed on dealing

Any initial charge, or redemption charge, or SDRT on a specific deal (if applicable), is deducted from the gross subscription or redemption monies.

## 2.23 Initial charge

The ACD may impose a charge on the purchase of Shares in each Class of up to 5 per cent of the total amount subscribed for. The current initial charge is nil. The ACD may waive or discount any initial charge at its discretion.

An initial charge (which would be deducted from subscription monies) would be payable by the Shareholder to the ACD.

An initial charge of a Class could only be increased in accordance with the Regulations.

The ACD could pay a commission to relevant intermediaries from an initial charge received (if any), or out of its own resources.

## 2.24 Redemption charge

The ACD may make a charge on the redemption of Shares in each Class of up to 5 per cent of the total amount redeemed.

The ACD may only introduce a redemption charge in accordance with the Regulations. If a redemption charge should be introduced, it would not apply to Shares issued before the date of its introduction (i.e. those not previously subject to a redemption charge).

There is currently no charge for redeeming Shares in any of the Classes.

## 2.25 Conversion fee

On the conversion of Shares between Classes, the Company may impose a charge. If a redemption charge is payable in respect of the Original Shares, this may become payable instead of, or as well as, the then prevailing initial charge for the New Shares. The charge on converting is payable by the Shareholder to the ACD.

## 2.26 Stamp duty reserve tax (SDRT)

SDRT is payable on certain dealings in Shares. SDRT is currently charged at a rate of 0.5 per cent in respect of agreements to transfer chargeable securities (which include Shares) for a consideration and is the liability of the purchaser. However, dealings in Shares as a consequence of which the Manager is required to update the Register are not subject to SDRT.

## 2.27 Money laundering

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti-money laundering regulations. In order to implement these regulations, investors will be asked to provide proof of identity and, until satisfactory proof of identity is provided, the ACD will not issue Shares or pay the proceeds of a redemption of Shares.

## 2.28 Bodies Corporate holding Shares

No Body Corporate may be beneficially entitled directly or indirectly to 9 per cent or more of the Net Asset Value of the Company (for these purposes, investment in the US Feeder Fund is treated as representing beneficial entitlement of the Net Asset Value of the Company). See section 2.4 "Bodies Corporate and nominees acquiring Shares" regarding corporate holders.

If a Body Corporate should be or become beneficially entitled directly or indirectly to 9 per cent or more of the Net Asset Value or the ACD reasonably believes this to be the case, then the ACD may, at its discretion, either deem the Body Corporate to have applied to the ACD to exchange the proportion of the Shareholding which exceeds 9 per cent of the Net Asset Value (or which the ACD reasonably believes to do so) for units in the Feeder Fund or else deem the Body Corporate to have given a written request for the redemption or cancellation (at the discretion of the ACD) of the proportion of the Shareholding that exceeds 9 per cent of the Net Asset Value (or which the ACD reasonably believes to do so). Where such a request is deemed to have been given, the resulting exchange, redemption or cancellation will be effected in the manner provided for in the COLL Sourcebook and will normally be at the next Valuation Point. Any compulsory redemption or cancellation will constitute a disposal for the purposes of tax on capital gains (an exchange will not do so).

In the event that the ACD becomes aware that the beneficial entitlement of a Body Corporate approaching the ACD's 9 per cent tolerance limit, the ACD intends to contact the Body Corporate to request that the Body Corporate transfers the part of its holding in excess of 9 per cent (or such other figure as the ACD in its discretion decides) of the Net Asset Value into the Feeder Fund (by an exchange and issue of Units) or redeem Shares representing the excess above 9 per cent. Such exchange would be effected at the price of the Shares at the Valuation Point on that Dealing Day.

Furthermore, if the ACD becomes aware that a Body Corporate holds 10 per cent or more of the Net Asset Value of the Company, then pursuant to the Sourcebook, it will notify the Body Corporate of that fact and not pay any income distribution to the Body Corporate.

Additionally, pursuant to the COLL Sourcebook in the event that the ACD reasonably considers that a Body Corporate holds 10 per cent or more of the Net Asset Value, the ACD is entitled to delay any redemption or cancellation of any Shares if the ACD reasonably considers such action to be necessary in order to enable an



orderly reduction of the holding below 10 per cent, and if it is in the interests of Shareholders as a whole.

## **2.29 Governing law**

All deals in Shares are governed by English law.

## Section 3 Company structure

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### 3.1 General

**SCHRODER UK REAL ESTATE FUND** (the “Company”) is an investment company with variable capital incorporated in England and Wales under registered number IC000945 and authorised by the FCA with effect from 31 July 2012. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company.

The ACD is also the unit trust manager and alternative investment fund manager of certain unit trusts. A full list of funds managed is available from the ACD.

#### Head office

1 London Wall Place, London, England, EC2Y 5AU.

#### Address for service

The Head Office is the address of the place in the UK for service on the Company of notices or other documents required or authorised to be served on it.

#### Base currency

The base currency of the Company is pounds sterling.

#### Share capital

Maximum £100,000,000,000

Minimum £1

Shares have no par value. The share capital of the Company at all times equals its Net Asset Value.

The Company is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of the Company may harm performance by disrupting the investment management strategy and by increasing expenses. The ACD may at its discretion refuse to accept applications for Shares, especially where transactions are deemed disruptive, and particularly from possible market-timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to the Company. For these purposes, the ACD may consider an investor’s trading history in the Company or other funds managed by the ACD or the Investment Manager and accounts under common ownership or control.

### 3.2 The Structure of the Company

#### The Company

The Company is not an umbrella company, but is structured as a standalone company.

The Company is a Qualified Investor Scheme (QIS). The Company is an AIF for the purposes of the AIFMD.

Only Eligible Investors can invest in the Company. If you are unsure as to whether you are an Eligible Investor (for example, a professional or sophisticated investor) please contact the ACD.

A Shareholder who becomes aware that it is no longer an Eligible Investor must provide the ACD with transfer instructions or a redemption request for its Shares.

Should it come to the attention of the ACD that Shares are owned by a Shareholder that fails to meet the eligibility criteria, or if the ACD reasonably believes it to be the case, the ACD may give notice in writing that the Shares must be transferred to an Eligible Investor or that the Shares must be cancelled or redeemed in accordance with this Prospectus.

The ACD reserves the right to refuse to issue Shares in its sole discretion and it is under no obligation to account for its reasons for doing so.

The assets of the Company will be invested in accordance with its investment objective and investment policy. Investment of the assets of the Company must comply with the Sourcebook and the investment objective and policy of the Company.

A detailed statement of the general investment and borrowing restrictions of the Company is set out in Appendix I.

### **3.3 Changes to the Company**

Where any changes are proposed to be made to the Company, the ACD will assess whether the change is fundamental or significant in accordance with the Sourcebook. If the change is regarded as fundamental, Shareholder approval will be required. If the change is regarded as significant, 4 months' prior written notice will be given to Shareholders. The ACD may in its discretion reduce this notice period if it considers that it is in the interests of Shareholders to do so, but may not reduce the period to less than 60 days.

Any material change to the investment objective and/or the investment policy decided by the Company shall be reflected into the Prospectus after receipt of approval from the FCA and shall be notified to the relevant Shareholders in accordance with the above paragraph.

### **3.4 Shares**

#### **Classes of Shares within the Company**

Several classes of Shares may be issued in respect of the Company.

Shares will be issued in larger and smaller denominations. There are ten thousand smaller denomination Shares to each larger Share. Smaller denomination Shares represent what, in other terms, might be called fractions of a larger Share and have proportionate rights.

Shares have no par value and each Share within a Class is entitled to participate proportionally in the profits arising in respect of, and in the proceeds of, the liquidation of the Company. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

Further Classes of Share may be established from time to time by the ACD with the approval of the FCA (where relevant), the agreement of the Depositary and in accordance with the Instrument of Incorporation. On the introduction of any new Class, either a revised prospectus or a supplemental prospectus will be prepared, setting out the details of each Class.

The base currency for each new Class of Shares will be determined at the date of creation and set out in the prospectus issued in respect of the new Class of Shares.

Shares in the Company (or any particular Class) are not currently listed on any investment exchange.

The Share Classes that may be issued and their criteria for subscription in respect of each class are set out in section 1 "Investment objective, policy and other details of the Company".

The Company currently intends to issue gross income and net income Shares to Shareholders. To hold gross income Shares, a Shareholder, when subscribing for Shares, will be required to confirm that it is entitled to receive gross payments of property income distributions. If it is not, it will need to subscribe for the net income Shares. The Registrar will pay property income distributions gross of tax to Shareholders holding gross income Shares and net of tax to Shareholders holding net income Shares.

Investors may opt for automatic reinvestment of their income, in which case the gross or net amount (as appropriate) of each income distribution will be reinvested in new Shares registered in their name. Reinvestment of income and the issue of Shares in respect of it will take place at the next Dealing Day for Subscription following the distribution of income. Such Shares will be issued at the Offer Price for that Dealing Day for Subscription.

Gross Shares are available only to investors who qualify for the gross payment of property income distributions. These include UK pension funds and charities. Please refer to Regulation 69Z24 of the Authorised Investment Funds (Tax) Regulations 2006 (SI 2006/964) for full details.

The Feeder Fund will hold I Class Shares that pay income gross. The US Feeder Fund will hold I Class Shares that pay income net.

### **3.5 Documents of the Company**

The following documents may be inspected free of charge during normal business hours on any Business Day at the offices of the ACD at 1 London Wall Place, London, England, EC2Y 5AU:

- a. the most recent annual and half yearly reports of the Company;
- b. the Prospectus;
- c. the Instrument of Incorporation (and any amending documents); and
- d. the ACD Agreement.

Shareholders may obtain copies of the documents listed above from the ACD. The ACD may make a charge at its discretion for copies of documents (apart from the most recent annual and half yearly reports of the Company, the Instrument of Incorporation and the Prospectus which are available free of charge). Documents are also available at [www.schroders.com/sref](http://www.schroders.com/sref).

Any other financial information to be published concerning the Company, including the Net Asset Value, the historical performance of the Company and the Offer Price and Bid Price of the Shares will be made available at [www.schroders.com/sref](http://www.schroders.com/sref). Periodic reporting for the Company is also described in section 4.12 "Reporting".

### **3.6 Indemnity**

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's auditors and the Depositary against liability in certain circumstances otherwise than in respect of their negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of its failure to exercise due care and diligence in the discharge of its functions in respect of the Company.

### **3.7 Genuine diversity of ownership**

Shares in the Company are and will continue to be widely available. The intended categories of investors are all investors eligible to invest in a Qualified Investor Scheme.

Shares are and will continue to be marketed and made available sufficiently widely to reach the intended category of investors, and in a manner appropriate to attract that category of investors.

## Section 4 Management, administration and reporting

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### 4.1 Management and administration

#### Regulatory status

The ACD, the Depositary, the Investment Manager and the Registrar are authorised and regulated by the Financial Conduct Authority of 12 Endeavour Square, London E20 1JN.

### 4.2 Authorised Corporate Director

#### General

The ACD is Schroder Unit Trusts Limited which is a private company limited by shares incorporated in England and Wales under company number 04191730 on 2 April 2001.

Schroder Unit Trusts Limited is authorised by the FCA to manage alternative investment funds and is appointed the AIFM of the Company.

#### Registered Office and Head Office

1 London Wall Place, London, England, EC2Y 5AU.

#### Share Capital

Share Capital:	Issued:	£9,000,001
	Paid up:	£9,000,001

#### Directors:

- Barker, James Stephen
- Chislett, Paul James
- Henriques, Guy
- Middleton, Philip Robert
- Rainbow, James
- Schroder Corporate Services Limited
- Stewart, James Watson
- Stoakley, Robin Edward
- Thomson, Calum
- Walker-Hazell, Julian
- Williams, Howard

#### Ultimate holding company

Schroders plc, incorporated on 14 January 2000.

#### Responsibility and delegation

The ACD is responsible for portfolio management and risk management of the Company and administering the Company's affairs in compliance with the Sourcebook and the AIFM Rules. The ACD may delegate its management and administration functions, but not responsibility, to third parties, including associates subject to the rules in the Sourcebook. Details of delegated functions are set out in this section.

The ACD has delegated to the Investment Manager the function of managing the investment and reinvestment of the assets of the Company. The terms of Schroder Real Estate Investment Management Limited's appointment as investment manager are set out below. It has also delegated to the Registrar certain functions

relating to administration and the holding of the Company's register. The ACD has retained responsibility for risk management.



Although the ACD delegates a number of its functions, it has the necessary expertise and resources to supervise the delegated tasks effectively and manage the risks associated with such delegation. In part, this is achieved through ensuring that the individual directors of the ACD have the relevant expertise and that the delegated tasks are overseen by committees that report directly to the ACD's board.

Appendix V sets out various disclosures relating to the ACD's compliance with the AIFMD.

### **Terms of appointment**

The ACD Agreement provides that the appointment of the ACD may be terminated on two years' notice, or with less than two years' notice subject to receiving compensation for loss of fees resulting from the reduced notice period, if the investment performance of the Company has not exceeded the Benchmark over any five year period ending within 12 months prior to the date of a meeting of Shareholders at which a resolution to remove the ACD has been passed by the Shareholders. Such resolution shall only be passed if Shareholders holding more than 50 per cent of the total number of Shares in issue for the time being vote in favour of the termination of the ACD at a duly convened meeting of Shareholders.

In addition, in certain circumstances, the ACD Agreement may be terminated with immediate effect (subject to FCA approval) by notice in writing by the Depositary or the Company to the ACD, if the ACD becomes insolvent, ceases to be regulated to act as an authorised corporate director in the UK, or commits a material breach of its obligations that is, in the opinion of the Company, not capable of being rectified, or has not been rectified to its satisfaction.

Termination of the ACD's appointment cannot take effect until the FCA has approved the change of authorised corporate director.

The ACD is entitled to its fees and expenses calculated pro rata up to the date of termination and any additional expenses necessarily incurred in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the ACD Agreement. The ACD Agreement provides indemnities to the ACD except for matters arising by reason of its negligence, default, breach of duty or breach of trust in the performance of its duties and obligations or to the extent that it is a liability which has been actually recovered from another person.

The ACD is not under an obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or re-issue of Shares or cancellation of Shares which it has redeemed. The fees to which the ACD is entitled are set out in section 5.2 "Charges payable to the ACD".

Shareholders have no direct rights against the ACD; any action taken against the ACD under the ACD Agreement where the Fund has suffered loss, must be taken by the Fund itself.

## **4.3 The Depositary**

The Depositary of the Company is NatWest Trustee and Depositary Services Limited, a company formed in England and Wales and registered as a private limited company with company number 11194605. The Depositary is responsible for the safekeeping of all the Scheme Property and has a duty to take reasonable care to ensure that the Company is managed by the ACD in accordance with the provisions of the: (i) Sourcebook relating to the pricing of, and dealing in, Shares and relating to the investment and borrowing powers and income; and (ii) AIFM Rules relating to cash monitoring, ownership verification, safekeeping of assets and oversight.

The Depositary was appointed by an agreement between the Company, the ACD and the Depositary, as amended from time to time, (the "Depositary Agreement").

### **Registered office:**

250 Bishopsgate, London EC2M 4AA

### **Principal office for business:**

Drummond House, 1 Redheughs Avenue, Edinburgh EH12 9RH

**Ultimate holding company:**

The Royal Bank of Scotland Public Limited Company  
36 St Andrew Square, Edinburgh EH2 2YB

**Principal business activity:**

Provision of trustee and depositary services.

**Terms of appointment**

The terms of the Depositary Agreement provide that the Depositary be engaged to maintain the safe custody of the Scheme Property and to fulfil the duties required by the Regulations and the AIFM Rules.

Subject to the Sourcebook, the Depositary has full power under the Depositary Agreement to delegate from time to time all or any part of its duties as depositary (save for those AIFMD-related duties). Where the Depositary delegates to a director of the Company or an associate of such a director or of the Depositary to assist it to perform its functions as depositary, the Depositary remains liable for their actions to the same extent that it is liable for its own. In all other cases, the Depositary is not responsible for the actions of its delegate if the Depositary can show that it was reasonable for the delegate to be employed for the function in question, that the delegate was and remained competent to undertake the function in question and the Depositary has taken reasonable care to ensure the function in question was undertaken by the delegate in a competent manner.

Under the terms of the depositary agreement, the Depositary may arrange for the appointment of a sub-custodian to carry out the functions of safekeeping of financial instruments entrusted to the Depositary by the Fund on its behalf. In relation to such delegation the Depositary shall ensure that it complies with the requirements of the Regulations. Provided that the Depositary has taken all of the actions required under Article 101(1)(c) of the Level 2 regulations, the Depositary may contractually discharge itself of liability under the terms of the depositary agreement. Any change to the liability of the Depositary will be notified to investors. Any party to the depositary agreement may terminate it by giving to the other parties at least 3 months written notice. In addition, in certain circumstances, the depositary agreement may be terminated with immediate effect by one party if the other party in certain circumstances, including if it ceases to be licensed for its activity hereunder or loses FCA approval or materially defaults on its obligations under the depositary agreement and such default is not remedied.

The fees to which the Depositary is entitled are set out in the "Depositary's fee" section.

Shareholders have no direct rights against the Depositary.

Potential conflicts of interest arising from the appointment of the Depositary are set out in section 11 "Conflicts of Interest".

## 4.4 The Investment Manager

The ACD and the Company have appointed Schroder Real Estate Investment Management Limited to provide investment management, property management and advisory services to the ACD.

**Terms of appointment**

Schroder Real Estate Investment Management Limited, the Investment Manager, was appointed by an agreement dated 31 July 2012 between the ACD, the Company and the Investment Manager (the "Investment Management Agreement"). The Investment Manager's registered office is at 1 London Wall Place, London, England, EC2Y 5AU. It is a member of the same group as the ACD. The ACD is entitled to give instructions to the Investment Manager.

Under the terms of the Investment Management Agreement, the ACD retains the power to take decisions in key areas that fall under its responsibility and the ACD is permitted to monitor, enquire, inspect and have access to the Investment Manager in order to review (on an ongoing basis) the service provided.

The principal activity of the Investment Manager is the provision of investment management services. Subject to the investment objectives and restrictions contained in the OEIC Regulations and the Sourcebook and the

investment and borrowing guidelines contained in this Prospectus, the Investment Manager has discretion to take investment decisions and to deal in investments in relation to the investment management of the Company, without prior reference to the ACD. As required by the Sourcebook, the Investment Manager must obtain the consent of the Depositary for the acquisition or disposal of immovable property.

The Investment Management Agreement will terminate immediately if the appointment of the ACD is terminated for any reason. The Investment Management Agreement may also be terminated for cause and on notice.

The Investment Manager will receive a fee paid out of the Scheme Property, which is part of the annual management charge.

Shareholders have no direct rights against the Investment Manager.

Potential conflicts of interest arising from the appointment of the Investment Manager are set out in section 11 "Conflicts of Interest".

#### **4.5 Registrar**

The ACD has delegated the administration and holding of the register and provision of transfer agency services to Northern Trust Global Services Limited. The Registrar's registered office is at 50 Bank Street, Canary Wharf, E14 5NT.

##### **Register of Shareholders**

The Register of Shareholders is maintained by the Registrar at its office at 50 Bank Street, Canary Wharf, E14 5NT and may be inspected at that address during normal business hours on any Business Day by any Shareholder or any Shareholder's duly authorised agent. The Registrar will receive a fee which shall be paid out of Scheme Property.

Shareholders have no direct rights against the Registrar.

#### **4.6 The Standing Independent Valuers**

In relation to the immovable property held by the Company, the ACD has appointed BNP Paribas Real Estate Advisory and Property Management Limited ("BNP Paribas") and Knight Frank LLP as the Standing Independent Valuers.

BNP Paribas was appointed by an agreement dated 31 July 2012 between them and the ACD and with the approval of the Depositary.

Knight Frank LLP was appointed by an agreement dated 19 December 2012 between them and the ACD and with the approval of the Depositary.

Under the terms of their respective agreements, the Standing Independent Valuers must carry out their obligations in accordance with the applicable provisions of the Sourcebook.

No valuer will be treated as independent for the purposes of valuing property if, at any time during the preceding 12 months, that valuer has received a fee, or any other commercial benefit, whether from the Company or otherwise, in connection with any transaction entered into by the Company in relation to that property.

No person shall qualify for appointment as standing independent valuer unless it is either a body corporate or a partnership.

The Standing Independent Valuers will receive fee from Scheme Property. Details appear in section 5.5 below.

Shareholders have no direct rights against the Standing Independent Valuers.

#### **4.7 The Auditor**

The auditors of the Company are PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

## 4.8 Legal adviser

The Company is advised by Eversheds Sutherland (International) LLP of One Wood Street, London EC2V 7WS.

## 4.9 Provision of investment advice

All information concerning the Company and about investing in Shares of the Company is available from the ACD at 1 London Wall Place, London, England, EC2Y 5AU. The ACD is not authorised to give investment advice and persons requiring such advice should consult a professional financial adviser. All applications for Shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up to date version.

## 4.10 Telephone recordings

Please note that the Registrar and Schroders may record telephone calls for training and monitoring purposes and to confirm investors' instructions.

## 4.11 Complaints

Complaints concerning the operation or marketing of the Company may be referred to the Complaints Officer of the ACD being the Head of Fund Services, Schroder Unit Trusts Limited, 1 London Wall Place, London, England, EC2Y 5AU. If you are an "eligible complainant" and you subsequently wish to take your complaint further, you may contact the Financial Ombudsman Service at Exchange Tower, Harbour Exchange, London, E14 9SR. "Eligible complainant" includes most consumers but excludes most professional investors.

Shareholders shall not have any direct contractual rights against the ACD, the Investment Manager, the Depositary, the auditor of the Company or any other service providers of the Company who have been appointed from time to time by the Company.

## 4.12 Reporting

### Accounting periods

The annual accounting period of the Company ends each year on 31 March (the accounting reference date) with an interim accounting period ending on 30 September. The first interim accounting period was 30 September 2012 and the first annual accounting period of the Company was 31 March 2013.

### When income is distributed

Distributions of Income for each Share are paid by BACS directly into the Shareholder's bank account on or before the relevant income payment date in each month as set out in section 1 "Investment objective, policy and other details of the Company". Income will normally be distributed on the last Business Day of the month following the end of the relevant calendar month.

If a distribution made in relation to any income Shares remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Company.

The total amount available for distribution for each month is calculated by taking the aggregate of the income received or receivable for the month, and deducting the charges and expenses paid or payable out of income in respect of that month. The ACD then makes such other adjustments as it considers appropriate (and after consulting the Company's auditors as appropriate) in relation to taxation, Income unlikely to be received within one month following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

A tax voucher will be sent by the Registrar to the Shareholders with each distribution. Any queries on tax vouchers should be referred to the Registrar, or, where the query relates to the information contained within the tax voucher, the ACD.

## Share statements

Individual statements showing each Shareholder's holding of Shares will be issued monthly. A statement will also be issued at any time on request by the registered holder. Where the Shares are jointly held such statements will be sent to the first-named holder on the Register. Statements in respect of monthly distributions on Shares will also show the number of Shares held by the recipient.

## Notice provisions

All communications with Shareholders will be made electronically, unless stated otherwise in this document.

All notices or other documents sent by the Company to a Shareholder will be sent by email to the last email address notified in writing to the Company by each Shareholder. General information will also be made available on [www.schroders.com/sref](http://www.schroders.com/sref).

When the annual reports and audited financial statements will be received

The annual report and audited financial statements of the Company will be published within four months of each annual accounting period. The half yearly report, which includes unaudited financial statements, will normally be published within three months of each interim accounting period. The ACD has decided that the accounts contained in these reports should be short reports. Reports containing full accounts are available to any person on request free of charge. Short form reports are sent in an electronic form to all investors.

## AIFM Rules relating to information provided to Shareholders

As required by the AIFM Rules, and if applicable, the following information will be periodically provided to Shareholders by means of disclosure in the annual and half-yearly reports of the Company or, if the materiality so justifies, notified to Shareholders separately:

- the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature;
- any new arrangements for managing liquidity;
- any suspension of the valuation of the Company;
- any changes to the maximum level of borrowing which the ACD may employ on behalf of the Company as well as any right of the reuse of collateral or any guarantee granted under any borrowing arrangement;
- the total amount of borrowing employed by the Company; and
- the risk profile of the Company.

The Company will also make available upon request at its registered office all information to be provided to Shareholders under the AIFM Rules, including:

- all relevant information regarding conflicts of interest (such as the description of any conflict of interest that may arise from any delegation of the functions listed in Appendix I of the AIFMD or of any conflicts that must be communicated to investors under Articles 13.1 and 13.2 of the AIFMD);
- the list of the sub-custodian(s) used by the Depositary;
- the maximum amount of the fees that may be paid annually by the Company;
- the way chosen to cover potential liability risks resulting from the Company's activities under the AIFM Rules; and
- any right to reuse collateral and guarantees granted under the borrowing arrangements.

## Section 5 Fees and expenses

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### 5.1 General

**Please note that all charges relating to the Company, the Feeder Fund and the US Feeder Fund are taken in the Company so that there can be parity of share prices and unit prices in the Company, the Feeder Fund and the US Feeder Fund. Shareholders in the Company will bear their proportionate share of the fees and expenses of the Feeder Fund and the US Feeder Fund.**

The Company may pay out of the property of the Company any liabilities arising on a unitisation, amalgamation or reconstruction of the Company.

All fees, costs, charges or expenses payable by a Shareholder or out of the property of the Company are set out in this section. The Company may, so far as the Sourcebook allows, also pay out of the property of the Company all relevant fees, costs, charges and expenses incurred by the Company, which will include the following:

- a. the fees, charges and expenses payable to the ACD and the Investment Manager (which will include the fees and expenses of any delegates of the Investment Manager, including of any property managing agents (and of their delegates) appointed in respect of any investment of the Company from time to time);
- b. the fees, charges and expenses payable to the Depositary, the Custodian (if appointed) and any sub-custodians;
- c. the fees, charges and expenses of the Registrar;
- d. the fees, charges and expenses payable to the Standing Independent Valuers;
- e. the fees and expenses in respect of establishing and maintaining the Register of Shareholders (and any plan sub-register) and related functions;
- f. the expenses incurred in acquiring, registering and disposing of investments generally;
- g. all legal and conveyancing costs;
- h. all letting and planning costs and costs of any sustainability agent;
- i. any fees payable to HM Land Registry in connection with registration of title to immovable property, first registration of title (whether or not compulsory) or otherwise;
- j. the cost of searches at the Land Charges Registry;
- k. the cost of any local authority and local land charges searches and any other searches, including the cost of unofficial searches carried out by agents at the ACD's request;
- l. the costs and disbursements of legal advisers, and other professional advisers, instructed by the ACD, the Depositary or the Investment Manager in connection with immovable property transactions to which the ACD is party in the name of the Company;
- m. insurance premiums payable in respect of all immovable property investments held by the Depositary on behalf of the Company (to the extent that these are not the responsibility of, or cannot be recovered from, any or all of the tenants for the time being of such investments);
- n. the fees and expenses of legal advisers and other agents and expenses generally incurred in connection with:
  - i. proceedings of any sort brought to prove or protect the Company's title to and/or right over any immovable property;
  - ii. carrying out repairs to any immovable property that is not occupied for the time being, or where the tenants for the time being refuse or are not for any reason obliged to carry out the repairs;
  - iii. managing any immovable property, including but not limited to, all maintenance costs, refurbishment costs and development costs;



- iv. any proposed acquisition or sale of immoveable property which does not for whatever reason complete;
- v. the Company's activities that were properly incurred by or approved by the Investment Manager;
- vi. service on any tenant of a notice under section 146 Law of Property Act 1925, including preparation where appropriate of a schedule of dilapidations and court proceedings against the tenant for forfeiture of his lease and/or possession of the premises;
- vii. proceedings for arrears of rent, service charge, insurance or any other sums due from tenants;
- viii. service of notices under the Landlord and Tenant Act 1954 terminating business tenancies, subsequent court proceedings, and any compensation payable to tenants for disturbance as a result of successful termination of business tenancies;
- ix. service of rent review notices, negotiation of rent reviews (including, without limitation, the remuneration of agents appointed to carry out any such negotiation) and any related court proceedings;
- x. the fees and expenses of any arbitrator or expert appointed to settle any dispute to which the ACD is party in the name of the Company wherever the relevant tenant is not obliged to pay these under his lease;
- xi. the cost of negotiating and preparing licences to assign the lease of, or carry out alterations to, part or all of any immovable property held by the Company where this is not payable by the relevant tenant;
- xii. any costs or expenses properly payable by a tenant of part or all of any immovable property held by the Company where he has defaulted, or where the ACD or Investment Manager consider that it is in the interests of Shareholders to meet such costs or expenses (whether or not the Company sues for reimbursement);
- o. expenses incurred in producing, distributing and dispatching income and other payments to Shareholders;
- p. fees in respect of the publication and circulation of details of the Net Asset Value and prices;
- q. the fees and expenses of the auditors and tax, legal and other professional advisers of the Company;
- r. the costs of convening and holding Shareholder meetings (including meetings of Shareholders in any particular Class);
- s. costs incurred in taking out and maintaining any insurance policy in relation to the Company and/or its directors;
- t. the membership fee for the Association of Real Estate Funds, and other relevant trade or industry bodies or associations, the cost of performance analysis services of Investment Property Databank, expenses incurred in company secretarial duties, including the cost of minute books and other documentation required to be maintained by the Company;
- u. the costs of updating and reprinting this Prospectus and any pre-contractual disclosure document required by regulation, the Instrument of Incorporation, contract notes, confirmation notes and the costs of distributing this Prospectus and the Instrument of Incorporation and the costs of printing and distributing reports and accounts and any other administrative expenses related to this clause (u);
- v. tax and duties payable by the Company;
- w. interest on and charges incurred in borrowings including charges incurred in terminating the borrowings or in negotiating or varying the terms of the borrowings;
- x. any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- y. fees of the FCA under the Financial Services and Markets Act 2000 (and any successor body under the appropriate legislation) and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may lawfully be marketed;

- z. any payments otherwise due by virtue of changes to the Regulations;
- aa. costs (apart from promotional payments) in respect of communications with investors;
- bb. fees of any paying, representative or other agents of the Company or the ACD;
- cc. any costs in modifying the ACD Agreement and any other relevant document required under the Regulations;
- dd. the fees of any stock lending agent and the fees of the ACD for arranging any stock lending, subject to giving Shareholders 60 days' prior written notice of the details of the fees;
- ee. all fees and expenses incurred in relation to the listing of Shares on any stock exchange, any offer of Shares (including the preparation, translation, printing and distribution of any prospectus (apart from the costs and expenses of distributing any simplified prospectus) and listing documents) and any costs and expenses incurred in registering, having recognised or going through any other process in relation to the Company in any territory outside the UK for the purpose of marketing the Shares in that territory, including any translation costs;
- ff. royalties, licensing fees and other similar payments in relation to the use of intellectual property;
- gg. broker's commission, fiscal charges and other disbursements which are:
  - i. necessary to be incurred in effecting transactions for the Company; and
  - ii. normally shown in contract notes, confirmation notes and difference accounts, as appropriate;
- hh. taxation and duties payable in respect of the property of the Company, the Instrument of Incorporation or the issue of Shares;
  - i. any payment due by virtue of the Sourcebook; and
  - ii. all other costs and expenses of the Company (including in respect of the management of immovable property), the Feeder Fund and the US Feeder Fund.

Subject to current revenue law, VAT at the prevailing rate may be payable in connection with the Depositary's remuneration, the Custodian's remuneration and any of the expenses set out above.

VAT may be payable on these charges and expenses.

It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in the future the fees connected with the listing would be payable by the Company.

Expenses are allocated between capital and income in accordance with the Sourcebook.

The amount of fees and expenses that are borne by the Company will vary over time and, therefore, there is no maximum amount of fees and expenses payable.

Whilst it is not currently envisaged, to the extent that the US Feeder Fund enters into any borrowings or otherwise employs leverage, the charges, costs and expenses related to such borrowing or leverage will not be payable out of the property of the Company.

## 5.2 Charges payable to the ACD

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of each Class based on the Net Asset Value of the Class, as set out in section 1 "Investment objective, policy and other details of the Company". The accrual interval for the annual management charge of the ACD begins on each Valuation Point in each month and ends on the day immediately before the Valuation Point in the following month. The ACD's charge is payable within 10 days immediately following the relevant Valuation Point. The final accrual periods for the Classes begin on the Valuation Point immediately before the last month for which that Class exists and ends on the occurrence of one of the events set out in the Sourcebook (being: if an extraordinary resolution to that effect is passed or when any fixed period for the duration of the Company or its Instrument of Incorporation expires or an event occurs for which the Company's Instrument of Incorporation provides that the Company is to be wound up or the FCA agrees, following a request from the ACD, to the winding up of the Company). The current management charges for the Classes are as contained in section 1 "Investment objective, policy and other details of the Company".

Where the investment objective of the Company is either to treat the generation of income as a higher priority

than capital growth, or to achieve an equal or broadly equal mix of income and capital growth, all or part of the ACD's fee may be charged against capital instead of against income. This has been agreed with the Depositary.

The treatment of the ACD's annual management charge in respect of each Class is described under "Summary details for each Class of Shares" in section 1.

VAT is payable on these charges and expenses where appropriate.

The ACD currently allocates 50% of the fees to Income and the remaining 50% to capital. If a Class's expenses in any period exceed its income the ACD may take that excess from the capital property distributable to that Class, and once there is sufficient Income available in the relevant Class the ACD will repay to capital any fees originally allocated to capital.

The ACD may increase the current rate or amount of its remuneration payable out of the Scheme Property in accordance with the Sourcebook but only after it has revised and made available the revised Prospectus reflecting the change and including its start date. No new type of payment can be introduced without Shareholder approval by a simple majority of votes.

### **5.3 Investment Manager's fee**

The Investment Manager's fees and expenses (plus VAT thereon as applicable) will be paid by the Company out of the Scheme Property. The current management charges for the Classes are as contained in section 1 "Investment objective, policy and other details of the Company".

### **5.4 Depository's fee**

The Depository receives for its own account a periodic fee which will accrue and is payable on the same basis as the ACD's annual management charge above. The rate of the periodic fee is agreed between the ACD and the Depository and is calculated on a sliding scale for the Company on the following basis:

0.0224% per annum of the first £500 million of the Scheme Property

0.0125% per annum of the balance.

These rates can be varied from time to time in accordance with the Regulations.

The first accrual in relation to the Company will take place in respect of the period beginning on the day on which the first valuation of that Company is made and ending on the last business day of the month in which that day falls.

In addition to the periodic fee referred to above, the Depository shall also be entitled to be paid, if a custodian is appointed by the Depository, custody fees and transaction charges in relation to the handling and safekeeping of the property of the company.

These charges vary from country to country depending on the markets and the type of transaction involved. Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last business day of the month when such charges arose or as otherwise agreed between the Depository and the ACD. Custody charges accrue and are payable as agreed from time to time by the ACD and the Depository.

The Depository may delegate custody of the property of the Company (other than immovable property) to the Custodian and accordingly such transaction and custody charges may be paid directly to the Custodian.

Where relevant, the Depository may make a charge for (or otherwise benefit from) providing services in relation to: distributions, the provision of banking services, holding money on deposit or lending money, in relation to the Company and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the Regulations.

The Depository will also be entitled to payment and reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Instrument of Incorporation, the Regulations or by the general law.

On a winding up of the Company the Depository will be entitled to its pro rata fees, charges and expenses to the date of winding up, the termination, or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

Any value added tax on any fees, charges or expenses payable to the Depositary will be added to such fees, charges or expenses.

In each such case such payments, expenses and disbursements may be payable to any person (including the ACD or any associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it by the Depositary pursuant to the Regulations and the depositary agreement.

### **5.5 Standing Independent Valuer's fee**

BNP Paribas will receive an initial fee of 0.03% of the first valuation of a property on purchase, capped at £20,000, and thereafter a fee of 0.03% of the valuation per annum.

Knight Frank will receive a fee of £3,000 per property on acquisition and thereafter £2,500 per annum per property.

The above fees (plus VAT) are payable out of Scheme Property.

### **5.6 Registrar's fee**

The Registrar's fees and expenses (plus VAT thereon where applicable) will be payable out of Scheme Property.

The Registrar is currently paid a transaction-based fee subject to a minimum of £75,000 per annum (plus VAT), and with periodic increases in line with inflation. The Registrar may at any time, subject to the agreement of the ACD, increase the current fee payable out of the relevant Class in accordance with the Sourcebook.

### **5.7 Allocation of fees and expenses between Classes**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Class in respect of which they were incurred but where an expense is not considered to be attributable to any one Class, the expense will normally be allocated to all Classes pro rata to the Net Asset Value of each Class, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fairer to Shareholders generally.

## Section 6 Valuation of the Company

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### 6.1 General

Shares in the Company are dual priced. Details of how the property of the Company is valued for these purposes are set out in Appendix II.

The ACD may at any time between Valuation Points carry out an additional valuation if it considers it desirable to do so and may use the price obtained on the additional valuation point as the Share price for the day. The ACD will inform the Depositary of any decision to carry out any such additional valuation. Valuations may also be carried out for effecting a scheme of amalgamation or reconstruction, which do not create a Valuation Point for the purposes of dealing. Where permitted and subject to the Regulations, the ACD may, in certain circumstances (for example where a significant event has occurred since the closure of a market), substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment. (See section 6.5 "Fair value pricing").

The ACD will, upon completion of each valuation, notify the Depositary of the price of Shares of each relevant Class.

The valuation of the Company at the Valuation Point is expected to be the same as the valuation at the close of business on the last Business Day of the previous month.

### 6.2 How the Net Asset Value is calculated

The value of the Scheme Property will be the value of its assets less the value of its liabilities determined in accordance with the provisions set out in Appendix II.

### 6.3 Valuation of immovable property

The Standing Independent Valuers are responsible for valuing the immovables held by the Company at least once a month and will carry out a valuation with physical inspection (including where the immovable is or includes a building, internal inspection) at least once a year. Any valuation by the Standing Independent Valuer shall be made in accordance with UKPS 2.3 of the RICS Valuation Standards (The Red Book) (Seventh Edition published April 2011), as updated from time to time.

Where the appointed Standing Independent Valuer is acting as a connected party to a purchase transaction being carried out by the Company, the Company will, if required, appoint an alternative standing independent valuer to act on its behalf in relation to that particular transaction only. In addition, the Company may appoint a separate external valuer to value specific specialist assets if the Company considers it is appropriate to do so.

### 6.4 Price per Share in each Class

Shares in the Company are dual priced. Shares in the Company are bought by investors from the ACD at the Offer Price and are redeemed (sold back to the ACD) at the Bid Price.

The Offer Price of Shares is arrived at by valuing the net assets of the Company dividing this by the number of Shares in existence and applying the Offer Spread Factor (and adding any initial charge).

The price at which Shares may be sold back to the ACD, known as the Bid Price is arrived at by valuing the net assets of the Company, dividing the result by the number of Shares in existence, and applying the Bid Spread Factor.

The price at which the ACD redeems Shares will not be less than the Bid Price (less any redemption charge (if any) and any SDRT provision).

**Investors should note that the costs of dealing in real property are significantly higher than those normally associated with equities and bonds, so that the spread on the Company's portfolio is likely to be in excess of 5 per cent in addition to any initial charge.**

**This spread takes into account the cost of buying and selling direct and indirect property with reference to the lot sizes, and the open and closed nature of any holdings within collective investment schemes. Furthermore, allowance is given to any gearing held within the Company as well as cash.**



The calculation of the Offer and Bid Prices are set out in further detail in Appendix II.

Please note that all charges relating to the Company, the Feeder Fund and the US Feeder Fund are taken in the Company so that there can be parity of Share and unit prices in the Company, the Feeder Fund and US Feeder Fund. Shareholders in the Company will bear a proportionate share of the fees and expenses of the Feeder Fund and US Feeder Fund.

To the extent that the US Feeder Fund enters into any borrowing or otherwise employs leverage, there would no longer be parity of Share and unit prices in the Company and the US Feeder Fund.

## 6.5 Fair value pricing

Where the ACD has reasonable grounds to believe that:

- a. no reliable price exists for the immovable property in question at a Valuation Point;
- b. no reliable price exists for a security (including a unit/share in a collective investment scheme) at a Valuation Point; or
- c. the most recent price available does not reflect the ACD's best estimate of the value of the immovable property or security (including a unit/share in a collective investment scheme) at the Valuation Point, it can value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

The circumstances which may give rise to a fair value price being used include:

- a. war, natural disaster, terrorism;
- b. government actions or political instability;
- c. currency realignment or devaluation;
- d. changes in interest rates;
- e. corporate activity;
- f. credit default or distress; or
- g. litigation.

Even if the Valuation Point is set during the time other markets are open for trading, other scenarios might include:

- a. failure of a pricing provider;
- b. closure or failure of a market;
- c. volatile or "fast" markets;
- d. markets closed over national holidays;
- e. stale or unreliable prices; or
- f. listings, suspensions or de-listings.

## 6.6 Pricing basis

The ACD deals in Shares on a forward pricing basis. A forward price is the price calculated, in respect of a purchase, on the Dealing Day for Subscription on which the purchase is deemed to be accepted by the ACD or, in respect of a redemption, the next Dealing Day for Redemption after the redemption is deemed to be accepted by the ACD.

## 6.7 Publication of prices

The prices of all Share Classes are available from Schroders or at [www.schroders.com/sref](http://www.schroders.com/sref). As the ACD deals on a forward pricing basis, the price that appears in these sources will generally not be the same as the one at which investors can currently deal. The ACD may also, at its sole discretion, decide to publish certain Share prices on third party websites or in publications but the ACD does not accept responsibility for the accuracy of the prices published in, or for the non-publication of prices by, these sources for reasons beyond the control of

the ACD.

## Section 7 Shareholder meetings and voting rights

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### 7.1 Annual general meeting

The Company does not hold annual general meetings.

### 7.2 Class meetings

The provisions below, unless the context otherwise requires, apply to Class meetings as they apply to general meetings of the Company, but by reference to Shares of the Class concerned and the holders and value and prices of Shares of that Class.

### 7.3 Requisitions of meetings

The ACD may requisition a general meeting at any time.

Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than four weeks after receipt of the requisition.

### 7.4 Notice and quorum

Shareholders will receive at least 14 days' notice of a general meeting and are entitled to be counted in the quorum and vote at the meeting either in person or by proxy. The quorum for a meeting is 10 Shareholders or Shareholders of not less than 50% of the total Shares in issue at that time (whichever is the lower), in each case, present in person or by proxy. The quorum for an adjourned meeting is one person entitled to be counted in a quorum. Notices of meetings and adjourned meetings will be sent to Shareholders at their registered addresses (but to the first-named in the case of joint holders).

### 7.5 Voting rights

At a general meeting, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its properly authorised representative, has one vote.

On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price of all the Shares in issue at the date seven days before the notice of meeting is sent out.

A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

In the case of joint Shareholders, the vote of the senior who votes, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose, seniority will be determined by the order in which the names stand in the Register.

Except where the Sourcebook or the Instrument of Incorporation require an extraordinary resolution (which needs at least 75 per cent of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution required by the Sourcebook will be passed by a simple majority of the votes validly cast for and against the resolution.

The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in the Sourcebook) of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

Where all the Shares are registered to, or held by, the ACD or its associates and they are therefore prohibited from voting and a resolution (including an extraordinary resolution) is required to conduct business at a meeting, it will not be necessary to convene such a meeting and a resolution may, with the prior written

agreement of the Depositary, instead be passed with the written consent of Shareholders representing 50 per cent or more, or for an extraordinary resolution, 75 per cent or more, of the Shares in issue.

“Shareholders” in this context means Shareholders entered on the register at a time to be determined by the ACD and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

## **7.6 Specific Shareholder rights**

Any proposal of the Company to amend the provisions for the redemption of Shares will be subject to an extraordinary resolution of the Shareholders of the relevant Class.

Any proposal of the Company to implement a scheme of reconstruction or amalgamation or to terminate the Company will be subject to an extraordinary resolution of the Shareholders.

No Shareholder receives preferential treatment over another Shareholder. Shareholders have the rights specified in this Prospectus and the Instrument of Incorporation.

## **7.7 Variation of Class rights**

The rights attached to a Class (as set out in section 1.5 “Summary details for each Class of Shares”) may not be varied by the Company without the sanction of a resolution passed at a meeting of Shareholders of that Class by a 75 per cent majority of those votes validly cast for and against such resolution.

## Section 8 Winding up of the Company

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The Company will only be wound up as an unregistered company under Part V of the Insolvency Act 1986 or under the Sourcebook.

Where the Company is to be wound up under the Sourcebook, the winding up may only begin following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the Sourcebook if there is a vacancy in the position of ACD at the relevant time.

The Company may be wound up under the Sourcebook:

- a. if an extraordinary resolution to that effect is passed by Shareholders; or
- b. when the period (if any) fixed for the duration of the Company by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company is to be wound up (for example, if the share capital of the Company is below £10 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Company); or
- c. on the date stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company.

On the occurrence of any of the above:

- a. the sections of the Sourcebook dealing with Valuation, Pricing and Dealing and Investment and borrowing powers will cease to apply to the Company;
- b. the Company will cease to issue and cancel Shares in the Company and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company;
- c. no transfer of a Share will be registered and no other change to the Register of Shareholders will be made without the sanction of the ACD;
- d. where the Company is being wound up, the Company will cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- e. the corporate status and powers of the Company and subject to a. to d. above, the powers of the Depositary will continue until the Company is dissolved.

The ACD will, as soon as practicable after the Company falls to be wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the property of the Company. If the ACD has not previously notified Shareholders of the proposal to wind up the Company, the ACD will, as soon as practicable after the commencement of winding up of the Company, give written notice of the commencement to Shareholders. When the ACD has caused all of the property to be realised and all of the liabilities of the Company to be realised, the ACD will arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company.

As soon as reasonably practicable after completion of the winding up of the Company, the Depositary will notify the FCA that the winding up has been completed.

On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) still standing to the account of the Company, will be paid into court by the ACD within one month of the dissolution.

Following the completion of a winding up of the Company, the ACD must prepare a final account showing how the winding up took place and how the property was distributed. The auditors of the Company will make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FCA and to each Shareholder (or the first named of joint Shareholders) on it within two months of the completion of the winding up or termination.

## Section 9 Risk factors

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Potential investors should consider the below risk factors before investing in the Company. This list must not be taken to be comprehensive as there may be new risks that arise in the future which could not have been anticipated in advance.

### 9.1 Property risks

The performance of the Company will be affected by specific property risks including, amongst other matters, changes in property market conditions leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market; the quality of property available; the ability of the Company to maintain the recoverability of service charges and other expenditure and to control the cost of these items; the risk that one or more tenants may be unable to meet their obligations to the Company or the Company may not be able to lease existing or new properties on favourable terms and the potential illiquidity of property investments, particularly in times of economic downturn.

The Company may assume all property ownership rights and liabilities relating to an acquired property, including, without limitation, environmental and third party liability risks.

Despite due diligence, environmental liabilities in relation to properties within the Company's portfolio may not be ascertained, and the Company may therefore be exposed to clean up and other remedial costs.

### 9.2 Pricing, liquidity and valuations of properties

As the Company has significant exposure to real estate there is a risk that the price at which an asset is valued may not be realisable in the event of sale. This could be due to a mis-estimation of the asset's value or due to a lack of liquidity in the relevant market. Investments in immovable property are relatively illiquid and more difficult to realise than most equities or bonds. If an asset cannot be liquidated in a timely manner then it may be harder to attain a reasonable price. As a result, at times, the ACD may have to delay acting on instructions to sell investments which may have a materially adverse impact on the value of the Shares.

Immovable property and immovable property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty and are a matter of an independent valuer's opinion. There is no assurance that the estimates resulting from the valuation process will reflect the actual sale price even where a sale occurs shortly after the valuation date.

### 9.3 Development risks

The Company may invest in property developments. To the extent that the Company does so, it will be subject to the risks normally associated with property development. These risks include, without limitation, risks relating to the availability and timely receipt of planning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of the Company, such as weather or labour conditions or material shortages), general market and letting risk, and the availability of both construction and permanent financing on favourable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse affect on the financial condition and results of operations of the Company and on the amount of funds available for distribution to the Shareholders.

### 9.4 Tenant default

The distributions payable by the Company are dependent on the income from the underlying property owned. The receipt of any rental income due and payable in respect of the underlying property, and the possibility that tenants may default on their rental obligations, creates a consequential risk of the Company in that it could cause a decline in the Company's income available for distribution to Shareholders.

### 9.5 Disposal of properties

It may be difficult to dispose of properties in the Company at their stated portfolio values on account of: (a) market conditions; (b) the size or value of the overall portfolio; or (c) the specialised nature of the properties in



question. It may prove necessary to dispose of properties at values which the Investment Manager considers are reasonable in the circumstances, but which represent discounts to book valuations, in order to satisfy redemptions and manage an orderly winding up of the Company.

## **9.6 Indirect investments**

The Company may make investments through other funds, joint ventures or other entities. Such investments may involve risks not present in direct investments including, for example, the possibility that a co-venturer or partner of the Company might become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of the Company, or that any such co-venturer or partner may be in a position to take action contrary to the Company's objectives. Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for the Company to make up the shortfall from other sources. In that event, the Company may be required to make additional contributions to replace the shortfall consequently reducing the diversification of its investments. Any default by a co-venturer or partner could have an extremely deleterious effect on the Company, its assets and the interests of the Shareholders. In addition, the Company may be liable for actions of its co-venturers or partners. While the Investment Manager will attempt to limit the liability of the Company by reviewing the qualifications and previous experience of co-venturers or partners, it does not expect to obtain financial information from, or to undertake private investigations with respect to, prospective co-venturers or partners.

## **9.7 Underlying Property Performance**

The Company will acquire assets in accordance with the investment policy. There can be no certainty concerning the future performance of the underlying property. The value of the underlying property and the value of Shares can go down as well as up. The valuation of property is based upon the subjective opinion of the Standing Independent Valuer. Past performance is no indicator of future performance.

## **9.8 Investment Performance**

No representation is or can be made as to the future performance of the Company and there is no assurance that the Company will realise its investment objective.

## **9.9 Quoted and Unquoted Securities**

The Company also has power to invest in quoted or unquoted securities. Quoted securities are subject to normal risks associated with the trading of securities on national or international stock markets. Factors other than the net asset value of the companies issuing securities may have a bearing on their value: for example, fluctuation in exchange rates where the base currency of the Company is not the same as the currency in which any such security is denominated. Unquoted securities are illiquid investments by nature, since it is rare to find a secondary market for unquoted securities and disposal of such securities may not be possible at a price which nominally corresponds with their value as stated in the Company's portfolio.

## **9.10 Unregulated collective investment schemes**

The Company may invest in unregulated collective investment schemes which are generally considered to be a higher risk than investment in regulated schemes. Unregulated collective investment schemes are unlikely to be subject to regulations which govern how they are managed. For example, they can utilise higher risk investment techniques, they may borrow to invest, they can suspend calculation of net asset value preventing redemption or otherwise limit redemption, they may not adhere to internationally recognised accounting standards and functions such as pricing and custody may not be subject to any rules.

The Company may also invest in unregulated collective investment schemes which are valued less frequently than the Company. As a result, there is a risk that any market movements will not be reflected in the price of the Company and that investors may miss out on unrealised profits from underlying investments.

Where the Company has relied on a waiver from the FCA to make or hold an investment in an unregulated collective investment scheme, it is possible the waiver will not be renewed in which case the Company would be required to dispose of such investment or restructure the investment, if possible, such that it complies with the relevant regulations.

## 9.11 Investing in other collective investment schemes

The Company may invest in other regulated collective investment schemes. As an investor in another collective investment scheme, the Company will bear, along with the other investors, its portion of the expenses of the other collective investment scheme, including management, performance and/or other fees. These fees will be in addition to the management fees and other expenses which the Company bears directly with its own operations.

## 9.12 PAIF status

For the Company to maintain its status as a PAIF, it must meet certain statutory conditions laid out in the Tax Regulations. If the Company should breach any of these conditions, then depending on the nature of the breach and the number of breaches that have occurred, this may result in a corporation tax liability arising or HM Revenue & Customs terminating the Company's PAIF status. It is intended that the Company will seek to maintain its PAIF status.

## 9.13 Borrowing

The Company has the ability to use gearing as part of its investment strategy. The use of gearing will increase the risk profile of the Company and the volatility of the value of Shares, and will amplify losses in the event of a decline in gross asset values. Gearing may create significant underperformance, particularly in times of a falling property market. Borrowing costs may, from time to time, exceed returns on property.

## 9.14 SDLT savings schemes

The Company may acquire underlying property where stamp duty or stamp duty land tax saving schemes have previously been adopted or the Company itself has adopted. There can be no certainty that stamp duty or stamp duty land tax will not subsequently become payable, which could result in the imposition of penalties aggregating more than twice the duty originally due.

## 9.15 Insurance

All immovable property forming part of the property of the Company will be insured against the risk of physical loss or damage and other perils considered appropriate by the ACD. However, there is no guarantee that any or all claims on the insurance will be payable in any given circumstance. Where insurance policies do not meet any liability, in whole or in part, any outstanding liability will be met out of the Scheme Property.

## 9.16 Economic and political

The performance of the Company may be adversely affected by the impact of general economic conditions, by conditions in the property market, changes in occupancy practices or by the particular financial condition of parties doing business with the Company.

The returns that are likely to be achieved on an investment in the Company, which has its assets predominantly based in the UK, are likely to be materially affected by the political and economic climate in the UK. In particular, changes in rates of inflation may affect the Company's income and capital value or the value of an investment. Changes in landlord/tenant, planning, trust or other law in the UK could also materially affect the investment returns.

## 9.17 Redemption demands, deferrals and suspensions

Property funds can be subject to redemption demands at times when performance is comparatively weak. At such times, performance may be adversely affected by the sale of properties to meet redemption demands.

Investors should note that, in exceptional circumstances, the ACD may (after consultation with the Depositary) suspend the issue, cancellation, sale and redemption of Shares in any or all Classes.

## 9.18 Tax

The Company's PAIF status allows tax efficiencies both for the fund and for certain types of

investor. It is possible that the tax treatment of the Company may change or the beneficial PAIF status may be lost in the future. Any change may impact the performance of the Company and/or the amount you receive back on your investment. Other changes in the law relating to the taxation of property and property transactions (including VAT and stamp duty land tax rates) may also impact the returns from the Company.

### **9.19 Lack of liquidity of Shares and liquidity risk**

Shares may represent a relatively illiquid investment as there may be a limited or even no market for dealing in Shares and Shares can only be redeemed in accordance with section 2 “Dealing in Shares”. The Company may therefore only be appropriate for those investors able to commit their funds on a long term basis.

The ACD employs a liquidity management system and has put in place procedures which enable it to monitor the liquidity risks of the Company and to ensure that the liquidity profile of the Company is such that the ACD can, on behalf of the Company, normally meet at all times its obligation to repurchase its Shares at the request of Shareholders.

The ACD employs a risk management system and also has risk management procedures and processes which enable the ACD to monitor the risks of the Company

### **9.20 Inflation risk**

Inflation will, over time, reduce the value of your investments in real terms.

### **9.21 Counterparty risk**

If the Company enters into a derivative contract it will be exposed to the credit of the other party (usually referred to as a ‘counterparty’) and their ability wholly or partly to satisfy the terms of the contract.

In the event of a bankruptcy or insolvency of a counterparty, the Company could experience delays in liquidating its position and may incur significant losses. The ACD may use one or more counterparties to undertake derivative transactions on behalf of the Company and may be required to pledge the Company’s assets as collateral against these transactions. There may be a risk that a counterparty will be unable to meet its obligations with regards to the return of the collateral and may not meet other payments due to the Company.

In addition, if a bank with whom the Company has deposits becomes insolvent, the Company may lose its deposits with that bank (to the extent that such deposits are not protected on the insolvency of the bank).

### **9.22 Derivatives and volatility**

Derivative instruments may be used in the Company for the purposes of Efficient Portfolio Management (EPM). The use of derivatives for EPM should not lead to an increase in the risk profile of the Company.

### **9.23 Overseas property holdings**

Although the Company intends to hold UK properties in accordance with its investment objective and policy, it is possible that the Company will become exposed to non-UK property assets through its investment in collective investment schemes, shares and REITs.

## Section 10 Taxation

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### 10.1 General

The information below is a general guide based on current UK law and HM Revenue & Customs practice, both of which may be subject to change. It summarises the tax position of the Company and of investors who are UK resident and hold Shares as investments. Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the UK, are recommended to take professional advice.

The Company will generally be liable to pay stamp duty land tax on purchases of property, and may incur other property-specific taxes.

### 10.2 Taxes payable by the Company

As the Company is an authorised open-ended investment company, it is generally exempt from UK tax on capital gains realised on the disposal of its investments (including interest-paying securities and derivative contract).

The Company qualifies as a PAIF for tax purposes. Accordingly, the income generated by its Property Investment Business will be exempt from tax. Any dividend income it receives from UK companies or, in general, from non-UK companies will also be exempt from tax. The Company would, however, be subject to tax in the unlikely event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses and the gross amount of any PAIF interest distributions made or a tax charge that otherwise arises.

The Company's distributions will be split into three streams for UK tax purposes:

- property income distributions, representing income from its Property Investment Business;
- PAIF interest distributions representing the net amount of all other taxable income received; and
- PAIF dividend distributions representing balance of income received by the Company.

### 10.3 Taxation of UK Shareholders

#### 10.3.1 Individual Shareholders

##### *Property Income Distributions ("PIDs")*

Individuals resident in the UK for tax purposes and within the charge to income tax will receive PIDs net of basic rate tax at 20%. Basic rate taxpayers will have no further liability to tax on the PID. Higher rate and additional rate tax payers will pay tax at their marginal rates on the gross PID (40% and 45% respectively) with credit given for the tax deducted at source.

##### *PAIF Interest Distributions*

Since 6 April 2017, all interest distributions are made gross so no tax will be deducted from any PAIF interest distributions. As a result, where individuals' gross interest distributions exceed the personal savings allowances (£1,000 for basic rate taxpayers, £500 for higher rate tax payers and nil for additional rate taxpayers), then they will be liable to pay income tax at their marginal rates (i.e. 20% for basic rate taxpayers, 40% for higher rate and 45% for additional rate taxpayers) on the excess amount.

##### *PAIF Dividend Distributions*

The dividend allowance is £2,000. Where an individual's total taxable dividend income in a year is in excess of the £2,000 dividend tax allowance, including the dividend income from the Company, Shareholders who are UK resident individuals within the basic rate band will be liable to income tax at a rate of 7.5%. Higher rate and additional rate taxpayers will be liable to income tax at 32.5% and 38.1% respectively.

#### 10.3.2 Corporate Shareholders

### *Property Income Distributions (“PIDs”)*

PIDs are generally paid to corporation tax payers without the deduction of tax at source and taxed as profits of a property business.

### *PAIF Interest Distributions*

PAIF interest distributions are paid gross to all investors, and are taxed as yearly interest in the hands of a corporate taxpayer.

### *PAIF Dividend Distributions*

PAIF dividend distributions are treated in the same way as dividends paid by United Kingdom companies, and are therefore exempt from corporation tax. Corporate streaming rules which apply commonly to authorised investment funds’ distributions do not apply to PAIF dividend distributions.

## **10.3.3 Tax-exempt Shareholders**

Tax-exempt investors such as local authorities, charities and pension schemes may be paid gross property income distributions. However, the ACD (or its nominee) will need to be satisfied that the recipient is the beneficial owner and that it is entitled to be paid gross property income distributions. The ACD will require a suitable indemnity from the recipient before a gross payment can be made. Otherwise, Shareholders who are exempt from tax on income will be able to reclaim from HM Revenue & Customs the basic rate income tax withheld on the payment of property income distributions.

## **10.3.4 For all income payments**

A tax voucher showing the amount of the income distributed to the Shareholders and any tax deducted will be sent to Shareholders at the time of a distribution.

## **10.4 Capital Gains Tax**

Shareholders who are resident in the UK for tax purposes may, depending on their personal circumstances, be liable to capital gains tax or, if a corporate Shareholder, corporation tax on chargeable gains (“CGT”). The redemption, sale, switching or transfer of Shares, being chargeable assets, may constitute a disposal or part disposal for the purposes of UK CGT. For individuals, there is an annual exempt amount (£11,300 for the 2017-18 tax year, increasing to £11,700 for the 2018-19 tax year). The net gain in excess of the annual allowance will be charged at a rate of either 10% or 20% for basic rate and higher/additional rate taxpayers respectively.

Special rules apply to life insurance companies and dealers in securities holding investments in authorised investment funds. Individuals who are not resident in the UK may also be liable to UK tax on capital gains under anti-avoidance legislation.

## 10.5 Automatic Exchange of Information: US Foreign Account Tax Compliance Act 2010 (FATCA) and OECD Common Reporting Standard 2016 (CRS)

FATCA was enacted in the United States of America on 18 March 2010 as part of the Hiring Incentives to Restore Employment Act. It includes provisions under which the Company (acting through its ACD) as a Foreign Financial institution (FFI) may be required to report directly to the Internal Revenue Service (IRS) certain information about Shares in a Fund held by US tax payers or other foreign entities subject to FATCA and to collect additional identification information for this purpose. Financial institutions that do not enter into an agreement with the IRS and comply with FATCA regime could be subject to 30% withholding tax on any payment of US source income as well as on the gross proceeds deriving from the sale of securities generating US income made to the Manager. On 30 June 2014 the United Kingdom entered into a Model 1 Intergovernmental agreement (IGA) with the United States of America.

CRS has been implemented by Council Directive 2014/107/EU on the mandatory automatic exchange of tax information which was adopted on 9 December 2014. CRS was implemented among most member states of the European Union on 1 January 2016. Under CRS, the ACD may be required to report to HMRC certain information about Shares held in a Fund or Funds by investors who are tax resident in a CRS participating country and to collect additional identification information for this purpose.

In order to comply with its FATCA and CRS obligations, the ACD may be required to obtain certain information from Shareholders so as to ascertain their tax status. Under the FATCA IGA referred to above, if the Shareholder is a specified US person, a US owned non-US entity, non-participating FFI or does not provide the requisite documentation, the ACD will need to report information on these Shareholders to HMRC, in accordance with applicable laws and regulations, which will in turn report this to the IRS. Under CRS, if the Shareholder is tax resident in a CRS participating country and does not provide the requisite documentation, the ACD will need to report information to HMRC, in accordance with applicable laws and regulations. Provided that the ACD acts in accordance with these provisions it will not be subject to withholding tax under FATCA.

Shareholders and intermediaries should note that it is the existing policy of the ACD that Shares are not being offered or sold for the account of US Persons or Investors who do not provide the appropriate CRS information. Subsequent transfers of Shares to US Persons are prohibited. If Shares are beneficially owned by any US Person or a person who has not provided the appropriate CRS information, the ACD may in its discretion compulsorily redeem such Shares. Shareholders should moreover note that under the FATCA legislation, the definition of specified US persons will include a wider range of Investors than the current US Person definition.



## Section 11 Conflicts of interest

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The Schroders Group engages in a wide range of activities in its normal course of business. Its interests in such activities may conflict with the interests of the Company and the Shareholders. The following paragraphs set out certain potential conflicts of interest of which Shareholders in the Company should be aware.

### **Other investments and business activities**

Schroders' employees who are involved in providing the services in the capacity as ACD and Investment Manager are also involved in other business activities for Schroders, including the management and administration of other funds and investments for clients which might follow similar investment objectives to those of the Company. These individuals will allocate part of their time to other duties in respect of Schroders' normal course of business.

### **Other property investment funds and direct investments**

Schroders is engaged in other property investment and fund management activities. It is possible that Schroders will invest directly for other clients in the same type of assets or organise, sponsor or invest in other property funds, including property funds that will invest in the same regions or sectors as the Company.

### **Service fees**

Schroders may earn fees and other compensation from the Company for services that are beyond those provided in its capacity as ACD and Investment Manager. Schroders will generally be paid arm's length market based fees for such services provided and such fees will be approved by the ACD. Any fees earned in this respect will not be shared with the Company.

### **Material interests**

The ACD, the Investment Manager and any of their associates and subsidiaries may enter into any transaction or arrangement (including any transaction or arrangement in which any of them has an interest either beneficially, as trustee of some other trust, as ACD of another company or as investment manager of another fund) for the account of the Company. Neither the ACD, the Investment Manager, nor their associates or subsidiaries is accountable to the Company or any Shareholder for any profits or benefits arising from such transactions or arrangements.

### **Depositary**

The Depositary may provide banking and lending facilities to the Company and/or the Feeder Fund and, from time to time, act as the depositary of other companies or trustee of other trusts. It is therefore possible that the Depositary may in the course of its business have potential conflicts of interest with the Company, or the Feeder Fund. The Depositary, however, has regard in such event to its obligations under the Depositary Agreement and, in particular, to act in the best interests of the Company as far as possible.

### **Fair treatment of Shareholders**

To ensure fair treatment, all Shareholders invest on the terms of the Prospectus and Instrument of Incorporation. The form of Application Form/Top-Up Form completed by each Shareholder and form of Contract Note received by each Shareholder will be on substantially similar terms for each Shareholder.

### **Investments by the Company**

The Company may invest alongside other entities in the Schroders Group that specialise in property investment and/or fund management activities. The ACD and Investment Manager shall ensure that the transaction is completed on market terms and will have regard to their obligations to act in the best interests of the Company in accordance with the FCA Rules and their conflicts of interest policy, a copy of which is available on request.

# Directory

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## **The Company and head office**

Schroder UK Real Estate Fund  
1 London Wall Place  
London EC2Y 5AU

## **Authorised Corporate Director/Alternative Investment Fund Manager**

Schroder Unit Trusts Limited  
1 London Wall Place  
London EC2Y 5AU

## **Investment Manager**

Schroder Real Estate Investment Management Limited  
1 London Wall Place  
London EC2Y 5AU

## **Registrar**

Northern Trust Global Services Limited  
50 Bank Street  
Canary Wharf E14 5NT

## **Depository**

NatWest Trustee and Depository Services Limited  
Drummond House  
1 Redheughs Avenue  
Edinburgh  
EH12 9RH

## **Standing Independent Valuers**

BNP Paribas Real Estate Advisory and Property Management Limited  
90 Chancery Lane  
London WC2A 1EU

Knight Frank LLP  
55 Baker Street  
London W1U 8AN

## **Legal adviser**

Eversheds Sutherland (International) LLP  
1 Wood Street  
London EC2V 7WS

## **Auditor**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

## Appendix I Investment and borrowing powers of the Company

### PART 1

#### 1. General

- 1.1 The Company is intended to be a PAIF at all times. HM Revenue & Customs has provided confirmation to the ACD that the Company meets the requirements to qualify as a PAIF under Regulation 690 of the Tax Regulations.

The Scheme Property of the Company will be invested with the aim of achieving the investment objective of the Company, but subject to the limits set out in this Prospectus, to the limits set out in the Sourcebook that are applicable to a QIS that is a PAIF scheme and to the relevant provisions of the Tax Regulations.

Consequently, the net income of the Company deriving from Property Investment Business (as defined in paragraph 2.1 of this Appendix) will be at least 60 per cent of the Company's net income in each of its accounting periods, and the value of the assets involved in Property Investment Business will be at least 60 per cent of the value of the total value of the assets held by the Company at the end of each of its accounting periods. For the purpose of this paragraph, net income means the amount falling to be dealt with under the heading "net revenue/expenses before taxation" in the Company's statement of total return for the period

- 1.2 The ACD will take reasonable steps to ensure that taking account of the investment objective and investment policy of the Company and in particular any investment objective as regards the return to Shareholders, the Scheme Property provides a spread of risk. Particular requirements to this spread of risk are set out below.
- 1.3 The Scheme Property must, except where otherwise provided by the Sourcebook, consist only of one or more of the following to which it is dedicated:
- 1.3.1 any specified investment:
- 1.3.1.1 within article 74 (Deposits), article 74A (Electronic money), article 75 (Contract of insurance), article 76 (Shares etc), article 77 (Instruments creating or acknowledging indebtedness), article 77A (Alternative finance investment bonds), article 78 (Government and public securities), article 79 (Instruments giving entitlement to investments), article 80 (Certificates representing certain securities), article 81 (Units in a collective investment scheme), article 82 (Rights under a stakeholder pension scheme), article 83 (Options), article 84 (Futures), article 85 (Contracts for differences etc), and article 86 (Lloyd's syndicate capacity and syndicate membership) of the Regulated Activities Order; and
- 1.3.1.2 within article 89 (Rights to or interests in investments) of the Regulated Activities Order where the right or interest relates to a specified investment within 1.3.1.1;
- 1.3.2 a commodity contract traded on a recognised investment exchange or a recognised overseas investment exchange.
- 1.4 The Company will invest directly in immovables within the Sourcebook.
- 1.5 The Company will not invest directly in precious metals.

#### 2. Investment in immovable property

- 2.1 "Property investment business" is defined in the Tax Regulations at the time of this prospectus as property rental business (meaning property rental business within the meaning given by section 104 of the Finance Act 2006, and the property rental business of any intermediate holding vehicle), owning shares in UK real estate investment trusts (REITs), and shares or units in non-UKREITs.
- 2.2 The Company may invest up to 100% in value of the Scheme Property in eligible immovables. The Company intends to invest in immovables both directly and indirectly, through transferable securities, collective investment schemes (including ETFs) and securities issued by intermediate property holding

companies. These immovables will be UK property. All investments will be made in the manner described in the investment policy of the Company.

### 2.3 Eligible immovables

2.3.1 The Company may acquire land or buildings which are situated in the United Kingdom.

2.3.2 The ACD must take reasonable care to determine that the title to the underlying immovable is a good marketable title.

2.3.3 The ACD must have received a report from an appropriate valuer which contains a valuation of the underlying immovable (with and without any relevant subsisting mortgage) and which states that in the appropriate valuer's opinion the immovable would, if acquired by the Company or the intermediate investment vehicle, be capable of being disposed of in a reasonable timeframe at that valuer's valuation;

or

the ACD must have received a report from an appropriate valuer stating that the immovable is adjacent to, or in the vicinity of another immovable included in the Company or is another legal interest in an immovable which is already included in the property of the Company, and that in the opinion of the appropriate valuer, the total value of both immovables would at least equal the sum of the price payable for the immovable and the existing value of the other immovable.

2.3.4 An immovable must be bought or be agreed by enforceable contract to be bought within six months after receipt of the report of the appropriate valuer. An immovable must not be bought, if it is apparent to the ACD that the report of the appropriate valuer could no longer reasonably be relied on. An immovable must not be bought at more than 105% of the valuation for the relevant immovable in the report of the appropriate valuer.

2.3.5 An appropriate valuer must be a person who has knowledge of and experience in the valuation of immovables of the relevant kind in the relevant area. In addition, an appropriate valuer must be qualified to be a standing independent valuer of a QIS or be considered by the Standing Independent Valuer to hold an equivalent qualification. An appropriate valuer must also be independent of the ACD and the Depositary and must not have engaged himself or any of his associates in relation to the finding of the immovable for the Company. Additional information on the Standing Independent Valuer is provided in section 4 "Management, administration and reporting".

## 3. Investment in collective investment schemes

3.1 The Company may invest in units in a collective investment scheme (a "second scheme") only if the second scheme is:

3.1.1 a regulated collective investment scheme; or

3.1.2 a scheme not within 3.1.1 where the ACD has taken reasonable care to determine that:

3.1.2.1 it is the subject of an independent annual audit conducted in accordance with international standards on auditing;

3.1.2.2 the calculation of the net asset value of each of the second schemes and the maintenance of their accounting records is segregated from the investment management function;

3.1.2.3 it is prohibited from investing more than 15 per cent of its value in units or shares of schemes or, if there is no such prohibition, the ACD is satisfied, on reasonable grounds and after making all reasonable enquires, that no such investment will be made;

3.1.2.4 it operates in accordance with the principle of risk spreading as described in 1.2

pursuant to a modification by consent of the section of the Sourcebook that deals with investment into collective investment schemes granted until 31 July 2017, the restriction in 3.1.2.3 above does not apply where the second scheme invests wholly or mainly in immovable property in the UK through direct holdings, intermediate holding vehicles, collective investment schemes or other structures employed

for the efficient ownership of immovable property and does not hold units either directly or indirectly in the Company.

- 3.2 The Company must not invest more than 20 per cent in value of the Scheme Property in units or shares in second schemes which are unregulated schemes or Qualified Investor Schemes unless the ACD has carried out appropriate due diligence on each of the second schemes and has taken reasonable care to determine that, after making all reasonable enquires and on reasonable grounds, the second scheme complies with relevant legal and regulatory requirements.
- 3.3 Where the Company invests more than 20 per cent in value of the Scheme Property in one or more second schemes which are unregulated schemes or Qualified Investor Schemes the ACD must carry out appropriate due diligence on those second schemes on an ongoing basis.
- 3.4 Where the second scheme is an umbrella, the provisions apply to each sub-fund of the second scheme as if it were a separate scheme.
- 3.5 Investment may only be made in other collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD or one of its associates if the rules on double charging contained in the Sourcebook are complied with.

#### **4. Delivery of property under a transaction in derivatives or a commodities contract**

- 4.1 The ACD must take reasonable care when entering into any transaction in derivatives or any commodity contract which may result in any asset becoming part of the Scheme Property, to determine that:
  - 4.1.1 if the asset is one in which the Scheme Property could be invested, that the transaction:
    - 4.1.1.1 can be readily closed out; or
    - 4.1.1.2 would, at the expected time of delivery, relate to an asset which could be included in the Scheme Property under the rules in the Sourcebook; or
  - 4.1.2 in any other case that the transaction can be readily closed out.
- 4.2 The ACD may acquire an asset within 4.1 if its determination has proved incorrect and if it determines that acquisition is in the interests of the Shareholders, provided it has the consent of the Depositary.
- 4.3 An asset within 4.1 acquired in accordance with 4.2 may form part of the Scheme Property despite any other rule in the Sourcebook until the position can be rectified.

#### **5. Cover for transactions in derivatives and forward transactions**

- 5.1 A transaction in derivatives or a forward transaction may be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to the Company is or may be committed by another person is covered globally under 5.2.
- 5.2 Exposure is covered globally if adequate cover from within the Scheme property of a Company is available to meet the Company's total exposure taking into account any reasonably foreseeable market movement.
- 5.3 The total exposure relating to derivatives held in the Company may not exceed the Net Asset Value of the Scheme Property.
- 5.4 No element of cover may be used more than once.

#### **6. Valuation of an OTC derivative**

- 6.1 A transaction in an OTC derivative must be capable of valuation which it will only be if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
  - 6.1.1 on the basis of the pricing model; or
  - 6.1.2 on some other reliable basis reflecting an up-to-date market value;

which has been agreed between the ACD and the Depositary.

## 7. Continuing nature of limits and requirements

- 7.1 The ACD must, as frequently as necessary to ensure compliance with 5.2 and 5.4, re-calculate the amount of cover required in respect of derivatives and forwards positions in existence under the Sourcebook.
- 7.2 Derivatives and forwards positions may be retained in the Scheme Property only so long as they remain covered globally under paragraph 5 above.
- 7.3 The ACD must use a risk management process enabling it to monitor and measure as frequently as appropriate the risk of the Company's derivatives positions and their contribution to the overall risk profile of the Company.

## 8. Permitted stock lending

- 8.1 The Company or the Depositary at the request of Company may enter into a repo contract or a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C).
- 8.2 The Depositary must ensure that the value of any collateral, for the stock lending arrangements is, at all times, at least equal to the value of the securities transferred by the Depositary.
- 8.3 In the case of the expiry of validity of any collateral, the duty in 8.2 is satisfied if the Depositary or the ACD, as appropriate, takes reasonable care to determine that sufficient collateral will again be transferred by close of business on the day of expiry.

## 9. General power to borrow

- 9.1 The Company may borrow money on terms that the borrowing is to be repayable out of the Scheme Property.
- 9.2 The ACD must ensure that the Company's borrowing does not, on any day, exceed 100 per cent of its Net Asset Value and must take reasonable care to ensure that arrangements are in place that will enable borrowings to be closed out to ensure such compliance. Investors should note that the Company operates a guideline, as disclosed in Part 2 of this Appendix I, on the maximum borrowing at 25% of NAV.
- 9.3 Borrowing also includes any arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the Scheme Property in the expectation that the sum will be repaid.
- 9.4 Where the limit in 9.2 is breached, the ACD must take action in accordance with the principles set out in the section of the Sourcebook dealing with "Duties of the authorised fund manager: investment and borrowing powers" to deal with that breach.

## PART 2

Parameter	Guideline
Investment in a single asset	15% of NAV
Maximum on- and off-balance sheet commitment to development (including pre let)	20% of NAV
Maximum on-and-off balance sheet debt	25% of NAV

## Appendix II Valuation of the property of the Company

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### 1. General

- 1.1 The valuation of the property of the Company takes place as at a valuation point fixed by the ACD and set out in the Prospectus in section 6 "Valuation of the Company".
- 1.2 The valuation of the Company at the Valuation Point is expected to be the same as the valuation at the close of business on the last Business Day of the previous month.
- 1.3 The valuation is in the Company's base currency.
- 1.4 Prices used are the most recent prices that can reasonably be obtained after the Valuation Point with a view to giving an accurate valuation as at that point.
- 1.5 To convert to the base currency the value of property which would otherwise be valued in another currency the ACD will either:
  - 1.5.1 select a rate of exchange which represents the average of the highest and lowest rates quoted at the relevant time for conversion of that currency into base currency on the market on which the ACD would normally deal if it wished to make such a conversion; or
  - 1.5.2 invite the Depositary to agree that it is in the interests of Shareholders to select a different rate, and, if the Depositary so agrees, use that other rate.

### 2. What is included in the valuation

- 2.1 All of the Company's assets and liabilities are included, subject to adjustments arising as detailed in this Appendix, as at the Valuation Point.
- 2.2 If the Depositary has been instructed to issue or cancel Shares in the Company, the ACD will assume (unless the contrary is shown) that:
  - 2.2.1 the Depositary has done so;
  - 2.2.2 the Depositary has paid or been paid for them; and
  - 2.2.3 all consequential action required by this Appendix or by the Instrument of Incorporation has been taken.
- 2.3 If the Depositary has issued or cancelled Shares in the Company but consequential action (see paragraph 2.2 above) is outstanding, the ACD will assume that it has been taken.
- 2.4 If agreements for the unconditional sale or purchase of property in the Company are in existence but uncompleted, the ACD will assume:
  - 2.4.1 completion; and
  - 2.4.2 that all consequential action required by their terms has been taken.

Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission shall not materially affect the final net asset amount.
- 2.5 The ACD will not include in 2.3 above any agreement which is:
  - 2.5.1 a future or contract for differences which is not yet due to be performed; or
  - 2.5.2 an unexpired option written or purchased for the Company which has not yet been exercised.
- 2.6 The ACD will include in 2.3 any agreement the existence of which is, or could reasonably be expected to be, known to the ACD, assuming that all other persons in the ACD's employment take all reasonable steps to inform the ACD immediately of the making of any agreement.



### 3. Tax and other adjustments

- 3.1 The ACD will deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Company: on realised capital gains in respect of previously completed and current accounting periods and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax, stamp duty land tax, stamp duty and stamp duty reserve tax.
- 3.2 The ACD will then deduct:
  - 3.2.1 an estimated amount for any liabilities payable out of the Scheme Property and any value added or other tax on it (treating any periodic items as accruing from day to day);
  - 3.2.2 the principal amount of any outstanding borrowings whenever payable;
  - 3.2.3 any accrued but unpaid interest on borrowings;
  - 3.2.4 the value of any option written (if the premium for writing the option has become part of the property of the Company);
  - 3.2.5 in the case of a margined contract, any amount reasonably anticipated to be paid by way of variation margin (that is the difference in price between the last settlement price, whether or not variation margin was then payable, and the price of the contract at the Valuation Point); and
  - 3.2.6 any other liabilities of the Company.
- 3.3 The ACD will add an estimated amount for accrued claims for repayment of taxation levied:
  - 3.3.1 on capital (including capital gains); or
  - 3.3.2 on income.
- 3.4 The ACD will then add:
  - 3.4.1 any other credit due to be paid into the Scheme Property of the Company;
  - 3.4.2 variation margin (that is the difference in price between the last settlement price, whether or not variation margin was then receivable, and the price of the contract at the Valuation Point);
  - 3.4.3 any SDRT provision anticipated to be received.

### 4. Valuation of the Scheme Property

The valuation of Scheme Property is as follows:

- 4.1 Property which is not cash shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - a. immovable property:
    - i. by a standing independent valuer (as defined in the glossary to the FCA Handbook) appointed by the ACD with the approval of the Depository on the basis of an 'open market value' as defined in Practice Statement 2.3 of the RICS Valuation Standards (The Red Book) (7th edition published April 2011) as updated and amended from time to time;
    - ii. on the basis of a full valuation with physical inspection (including, where the immovable is or includes a building, internal inspection), at least once a year; and
    - iii. on the basis of the last full valuation, at least once a month;
  - b. units or shares in a collective investment scheme:
    - i. if a single price for buying and selling units or shares is quoted, at that price; or
    - ii. if separate buying (offer) and selling (bid) prices are quoted, in accordance with sub-paragraph (e) below; or

- iii. if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which, in the opinion of the ACD, is fair and reasonable;
    - c. exchange-traded derivative contracts:
      - i. if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
      - ii. if separate buying and selling prices are quoted, in accordance with sub-paragraph (e) below;
    - d. over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;
    - e. any other investment:
      - i. the best available mid-market price (on the most appropriate market in a standard size); or
      - ii. if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if the most recent price available does not reflect the ACD's best estimate of the value, at a value which, in the opinion of the ACD, is fair and reasonable; and
    - f. property other than that described in (a), (b), (c), (d) and (e) above: at a value which, in the opinion of the ACD, is fair and reasonable.
- 4.2 Cash and amounts held in current, deposit and margin accounts and in other time related deposits shall be valued at their nominal values.

## 5. Calculation of the Offer Price

Having determined the Net Asset Value, the Offer Price of the Shares shall be determined by the ACD rounded up to two decimal places in accordance with the formula:

$$(A/B) \times C$$

Where:

A = the Net Asset Value as at the relevant Valuation Point calculated in accordance with these valuation rules

B = the number of Shares in issue immediately prior to the proposed issue of further Shares

C = the Offer Spread Factor

## 6. Calculation of the Bid Price

The ACD shall determine the Bid Price of the Shares rounded down to two decimal places in accordance with the formula:

$$(A/B) \times D$$

Where:

A = the Net Asset Value as at the relevant Valuation Point calculated in accordance with these valuation rules

B = the number of Shares in issue immediately prior to the proposed redemption of further Shares

D = the Bid Spread Factor

## **Appendix III Eligible securities and derivatives markets**

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The Company may deal through regulated markets (as defined in the FCA Handbook) or markets established in an EEA State which are regulated or operate regularly and are open to the public.

## Appendix IV Investor profile

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The Company is marketable to all investors eligible to invest in a Qualified Investor Scheme, including investors investing through the Feeder Fund. The Company is not intended for direct investment by US Persons (who may invest through the US Feeder Fund).

I Class Shares paying gross income are suitable for all investors who are entitled to receive income gross and are eligible to invest in a Qualified Investor Scheme. I Class Shares paying net income are suitable for investors who are eligible to invest in a Qualified Investor Scheme but are not entitled to receive income gross.

### Legal implications of the contractual relationship

Investors in the Company will become shareholders in an investment company with variable capital incorporated in England and Wales, with the rights, duties and obligations set out in the Prospectus, the Instrument of Incorporation and at law.

The process of buying and selling Shares is set out in section 2 “Dealing in Shares”: a Shareholder can buy shares by sending a completed Application Form (potential investors) or Top-Up Form (existing Shareholders) to the Registrar; and will receive a contract note giving details of the Shares to be purchased, the Offer Price and the total settlement amount. These documents comprise the investment contract between the Shareholder and the Company.

A Shareholder shall not be liable to make any further payment after it has paid the purchase price of its Shares and no further liability can be imposed on it in respect of the Shares which it holds.

### Governing Law

The Company’s documents and the purchase of Shares are governed by English law and any dispute (whether contractual or non-contractual in nature) arising is subject to the exclusive jurisdiction of the English courts. If a Shareholder were to bring a claim against the Company, it would be necessary for the Shareholder to bring proceedings in the English courts.

### Professional liability risk

In accordance with the requirements of the AIFM Rules, the ACD shall cover its potential liability risks arising from professional negligence by subscribing a professional indemnity insurance appropriate to the professional risk covered.

### Leverage

#### 1. Definition

Leverage is a way for the Company to increase its exposure through borrowing of cash or securities and/or the use of financial derivative instruments. The Company is permitted to borrow within the guidelines set out in Part 2 of Appendix I and may also use derivatives for Efficient Portfolio Management purposes.

Leverage is expressed as a ratio (‘leverage ratio’) between the exposure of the Company and its net asset value.

The leverage ratio is calculated in accordance with two methodologies for calculating the exposure of the Company, the gross method and the commitment method as summarized in the below table.

Leverage ratio	Exposure calculation methodology
‘Gross leverage ratio’	The exposure calculated under the gross methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Company in accordance with the conversion methodologies for gross exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable.
‘Commitment leverage ratio’	The exposure calculated with the commitment methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Company in accordance with the conversion methodologies for commitment exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable. Under this method, netting and hedging arrangements can be taken into consideration under certain conditions.

The two ratios resulting from applying the gross or commitment methodology for calculating the exposure of the Company supplement each other and provide a distinct representation of leverage.

Gross leverage is a conservative way of representing leverage as it does not:

- make a distinction between financial derivative instruments that are used for investment or hedging purposes. As a result strategies that aim to reduce risk will contribute to an increased level of leverage for the Company.
- allow the netting of derivative positions. As a result, derivatives roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do not increase or only cause a moderate increase of the overall risk of the Company.

As a result, a fund that exhibits a high level of gross leverage is not necessarily riskier than a fund that exhibits a low level of gross leverage.

Commitment leverage is a more accurate representation of the true leverage of the Company as it allows for hedging and netting arrangements under certain conditions.

By convention, the leverage ratio is expressed as a fraction. A leverage ratio of 1 or below means the Company is unleveraged whereas a leverage ratio above 1 indicates the Company is leveraged.

It is important to note that whilst the Company records leverage under both the methods described above, there is a strong focus on the borrowing of the Company directly or within investment vehicles in which it invests.

## 2. Circumstances in which the Company may use leverage and types and sources of leverage permitted

As stated above, the Company is permitted to borrow and it may also use financial derivative instruments to generate additional exposure (although it has no current intention of using derivatives for this purpose), in each case leverage.

## 3. Maximum level of leverage

Leverage ratio	Maximum leverage ratio
'Gross leverage ratio'	1.0
'Commitment leverage ratio'	1.35

## 4. Liquidity risk management

Schroders has established a comprehensive liquidity risk monitoring framework to ensure that all dimensions of fund liquidity risk are identified, assessed and monitored on an on-going basis. This includes a periodic review of the liquidity profile of a fund and stress test scenarios that are designed to assess the resilience of the liquidity profile of funds to a combination of:

- unfavourable market liquidity conditions
- small, medium and large-scale redemptions required to be fulfilled within time period scenarios reflecting fund redemption mechanisms.

The objective is to assess how situations would be managed for the funds, under various market scenarios, with consideration to relevant constitutional redemption situations and to help manage fund liquidity in line with the respective investment policy and overall risk profile.

In accordance with the terms set out in section 2.8, where the ACD considers it to be in the best interests of the Shareholders, it may defer redemptions for up to a maximum of 24 months.'

### **Important information**

For professional investors only. Not suitable for retail clients.

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