

For professional investors only. Not suitable for retail clients.

# **SCHRODERS CAPITAL UK REAL ESTATE FUND FEEDER TRUST**

**Prospectus**

**3 March 2022**



# ***PROSPECTUS OF THE SCHRODERS CAPITAL UK REAL ESTATE FUND FEEDER TRUST***

**(An FCA authorised unit trust)**

**3 March 2022**



**Schroders**  
capital

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

Schroder Unit Trusts Limited, the manager of the Trust, is the person responsible for the information contained in this Prospectus. Schrodgers Capital is a trading name of Schrodgers Unit Trust Limited. 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.

This document constitutes the Prospectus for Schrodgers Capital UK Real Estate Fund Feeder Trust which has been prepared in accordance with the Sourcebook.

This Prospectus is dated, and is valid as at 3 March 2022.

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

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# Important Information

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No person has been authorised by the Manager to give any information or to make any representations in connection with the offering of Units 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 Trust. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Units shall not, under any circumstances, create any implication that the affairs of the Trust have not changed since the date hereof.

The distribution of this Prospectus and the offering of Units in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Trust 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 Units.

The provisions of the Trust Deed are binding on each of the Unitholders and a copy of the Trust Deed 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 Trust cannot be bound by an out of date prospectus when it has issued a new prospectus and investors should check with the Manager 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 Units 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 Units, the amount that they invested.

This Prospectus contains a summary only of certain principal features of the Trust. A copy of the Trust Deed is available from the Manager on request.

## How we use your information

For the purposes of the UK version 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 Schrodgers Group, by third parties who provide services to the Schrodgers 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 UK and may also include, without limitation, processing for the following purposes:

- a. Verifying the identity of the Unitholder or potential holder of Units for the purpose of complying with statutory and regulatory requirements in relation to anti-money laundering, including the Manager's own in-house procedures
- b. Contacting the Unitholder or potential holder of Units with information about other products and services provided by the Schrodgers Group which the Manager considers may be of interest to the Unitholder or potential holder of Units
- c. Carrying out the function of Manager and administering the investment in the Trust of the Unitholder or potential holder of Units
- d. Meeting the legal, regulatory, reporting and/or financial obligations of the Trust or any functionary of the Trust in the UK or elsewhere
- e. Disclosing personal data to other functionaries of the Trust for the purpose of operating the Trust

By signing the Application Form, you are consenting to the processing of your personal data by the Manager 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 Manager 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 Manager will not issue Units or pay the proceeds of a redemption of Units.

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

The Trust has not been and will not be registered under the United States Investment Trust Act of 1940 as amended (the 'Investment Trust Act'). The Units of the Trust 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 Units may be offered, sold or otherwise transferred only in compliance with the Securities Act and such state or other securities laws. The Units of the Trust 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 United 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 trust 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

‘AIF’	alternative investment fund;
‘AIFM’	alternative investment fund manager;
‘AIFMD’	the Alternative Investment Fund Managers Directive, 2011/61/EU;
‘AIFM Rules’	FUND, other rules in the FCA Handbook which, when made, implemented AIFMD, the AIFMD Level 2 Regulation (as defined in the FCA Handbook) and the AIFMD UK Regulation (as defined in the FCA Handbook);
‘Application Form’	the form to be completed by prospective Unitholders wishing to buy Units;
‘Auditor’	PricewaterhouseCoopers LLP, or such other entity as is appointed to act as auditor to the Trust from time to time;
‘Bid Price’	the price per Unit to be paid by the Manager to a redeeming Unitholder determined by the Manager in accordance with the section 6.3 ‘Price per Unit in each Fund’ which is intended to be the bid price per share to be paid by the authorised corporate director in the Schroder PAIF to redeeming shareholders;
‘Body Corporate’	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;
‘Brexit legislation’	the European Union (Withdrawal) Act 2018;
‘Business Day’	any day which is not a Saturday, Sunday or bank holiday in the UK;
‘Class’ or ‘Classes’	in relation to Units, means (according to the context) all of the Units of a particular Fund or a particular class or classes of Units of a particular Fund;
‘Custodian’	such person as may be appointed by the Trustee as custodian of the Scheme Property of the Trust;
‘Cut-Off Point for Subscriptions’ and ‘Cut-Off Point for Redemptions’	the point prior to which orders to buy, sell or convert Units 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 each Fund in section 1 ‘Investment objective, policy and other details of the Trust’;
‘Dealing Costs’	the notional costs and charges incurred in buying (in the case of an issue of Units) or selling (in the case of a redemption of Units) the Scheme Property, such as dilution levy, SDRT provision or other fiscal charges, commission or other charges payable in the event of the Trustee carrying out the transaction in question;
‘Dealing Day’	a day which is a Dealing Day for Subscription and/or a Dealing Day for Redemption in any particular Class of Units;
‘Dealing Day for Redemption’	the first Business Day of each Quarter or such other day or days as set out in section 1 ‘Investment objective, policy and other details of the Trust’ for each Class in any particular Fund;
‘Dealing Day for Subscription’	the first Business Day in each month or such other day or days as set out in section 1 ‘Investment objective, policy and other details of the Trust’ for each Class in any particular Fund;
‘Depositary’	NatWest Trustee and Depositary Services Limited, or such other entity as is appointed to act as depositary;
‘EEA State’	a member state of the European Union and any other state which is within the European Economic Area;

<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 Trust (which is a QIS) as set out in the Conduct of Business Sourcebook, Chapter 4.12;
<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>‘Fund’ or ‘Funds’</b>	a sub-fund of the Trust (being part of the Scheme Property of the Trust which is pooled separately) which has specific assets and liabilities and which is invested in accordance with the investment objective applicable to such sub-fund;
<b>‘FUND’</b>	the Investment Funds sourcebook which forms part of the FCA Handbook;
<b>‘Income’</b>	the gross income derived from the Scheme Property;
<b>‘Manager’</b>	Schroder Unit Trusts Limited, the manager of the Trust;
<b>‘Net Asset Value’ or ‘NAV’</b>	the value of the Scheme Property of the Trust or of any Fund (as the context may require) less the liabilities of the Trust or of any Fund (as the context may require) as calculated in accordance with Appendix II;
<b>‘Offer Price’</b>	the price per Unit to be paid by an applicant for Units and which is determined by the Manager in accordance with section 6.3 <i>‘Price per Unit in each Fund’</i> which is intended to be the offer price per share to be paid by subscribers on an issue of shares in the Schroder PAIF;
<b>‘PAIF’</b>	an open-ended investment company which is a Property Authorised Investment Fund, as defined in Part 4A of the Tax Regulations and the Sourcebook. At the date of this Prospectus, the Schroders Capital UK Real Estate Fund qualifies as a PAIF;
<b>‘Qualified Investor Scheme’ or ‘QIS’</b>	an authorised fund, the instrument of incorporation or trust deed of which contains the statement required under the Sourcebook 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 Unitholder wishing to sell Units;
<b>‘Register’</b>	the register of Unitholders of the Trust;
<b>‘Registrar’</b>	until 19 July 2021, Northern Trust Global Services SE UK Branch, and thereafter HSBC Bank Plc or such other entity as is appointed to act as registrar to the Trust 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 FCA Handbook (including the Sourcebook);
<b>‘Scheme Property’</b>	the scheme property of the Trust or a Fund, as appropriate, required under the Sourcebook to be given for safekeeping to the Trustee;
<b>‘Schroder PAIF’</b>	Schroders Capital UK Real Estate Fund;
<b>‘Schroder PAIF Capital Monies’</b>	all cash, other than income, held by the Schroder PAIF from time to time;
<b>‘Schroder PAIF Gross Asset Value’</b>	the value of the gross assets of the Schroder PAIF;



<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 Manager to facilitate transfers of Units on the secondary market;
<b>'Sourcebook'</b>	the section of the FCA Handbook which deals with regulated collective investment schemes;
<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 Unitholder wishing to buy Units;
<b>'Trust'</b>	the Schroders Capital UK Real Estate Fund Feeder Trust;
<b>'Trust Deed'</b>	the trust deed of the Trust, as amended from time to time;
<b>'Trustee'</b>	NatWest Trustee and Depositary Services Limited, or such other entity as is appointed to act as trustee;
<b>'UK'</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>'Unit' or 'Units'</b>	a unit or units in the Trust (including fractions or ten-thousandth of a unit);
<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>'Unitholder'</b>	a holder of registered Units in the Trust;
<b>'Valuation Point'</b>	8am on the first Business Day of each month for the purpose of determining the price at which Units of that Class or that Fund may be issued, and 8am on the first Business Day of each Quarter for the purpose of determining the price at which Units of that Class or that Fund may be redeemed; and
<b>'VAT'</b>	value added tax.

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

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The Trust is structured as an umbrella unit trust and different funds may be established from time to time by the Manager with the approval of the FCA.

## 1.1 Investment objective

The investment objective of each Fund is to achieve a blend of income and capital growth by investing solely in the Schroder PAIF.

## 1.2 Investment policy

The Funds will invest solely in the Schroder PAIF. Each Fund will hold the appropriate class of PAIF shares.

Investment of the assets of each Fund must comply with the Sourcebook.

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

## 1.3 Integration of Sustainability Risks

The Funds invest solely in the Schroder PAIF. Schroder Unit Trusts Limited is the authorised corporate director (the 'ACD'), and the appointed AIFM, of the Schroder PAIF and this section discusses the integration of Sustainability Risks (defined below) into investment decision-making at the level of the Schroder PAIF.

There is no separate consideration of Sustainability Risks by Schroder Unit Trusts Limited, as the appointed AIFM of the Funds, in relation to the investment of the Funds into the Schroder PAIF.

### The manner in which Sustainability Risks are integrated into investment decisions

The ACD's overall risk management processes include the consideration of Sustainability Risks (as defined below) alongside other factors in its capacity as the AIFM of the Schroder PAIF. The ACD is supported by Schroder Real Estate Investment Management Limited (the 'Investment Manager') to whom it has delegated investment management, property management and advisory services incorporating consideration of Sustainability Risks.

A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment and the returns of the Company (a 'Sustainability Risk').

Sustainability Risks could arise at any stage of the real estate investment lifecycle including acquisition, ownership, renovation and construction. Sustainability Risks that could negatively affect the value of a particular real estate asset or portfolio of real estate investments that qualify as scheme property of the Schroder PAIF (an 'Investment') might include:

- Environmental: extreme weather events and physical climate risks such as flooding, production of waste and greenhouse gas emissions, pollution incidents, damage to biodiversity
- Social: materials and construction safety issues, health and safety incidents such as injuries or fatalities
- Governance: failure to identify and understand new regulations, taxes or industry standards, including related transition risks, to protect or encourage sustainable real estate lifecycle activities and practices such as minimum energy efficiency and energy reduction requirements which may be introduced

The Investment Manager is required to consider such potential Sustainability Risks as part of its mandatory pre-acquisition due diligence review process. Sustainability Risks continue to be considered by the Investment Manager through the lifecycle of an Investment, who is further supported by external property manager(s) and sustainability adviser(s).

In addition, the Investment Manager operates an Environmental Management System (EMS), externally certified to ISO14001<sup>1</sup>, which provides the framework for managing its environmental responsibilities.

Independent oversight of Sustainability Risks is also provided by the Schroders Group Investment Risk function across the Schroders Group investment range more generally, with reporting and escalation to Real Estate Risk and Performance Committee and Investment Manager boards as appropriate.

More details on the management of Sustainability Risks and the ACD and the Investment Manager's approach to sustainability are available on the internet site:

<https://www.schroders.com/en/uk/realestate/products--services/sustainability/>

Any references to the integration of sustainability considerations therein are made in relation to the processes of the investment manager or the Schroders Group and are not specific to the Schroder PAIF.

### **The results of the assessment of the likely impacts of Sustainability Risks on the returns of the financial products they make available**

The impact of Sustainability Risks associated with any Investment may have a value or cost that can be estimated through analysis, the use of proprietary or external tools and/or advice from external professional service providers.

These impacts could have a direct effect on returns such as costs of upgrade works or be implicitly priced into the valuation of an Investment. Alternatively, investment upgrade works could generate positive benefit to on-going operational costs and may also support value protection through a more resilient asset.

## **1.4 Summary details for each Fund**

<b>Share Class Name</b>	Fund I
<b>Launch Price</b>	N/A
<b>Class of Units</b>	Net Income
<b>Currency of denomination</b>	Pounds sterling
<b>Initial charge</b>	Nil
<b>Redemption charge</b>	Nil
<b>Annual Management Charge</b>	<p>Nil</p> <p>(I Class Gross Shares in the Schroder PAIF in which this Fund invests have an annual management charge of 0.70 per cent of NAV)</p> <p>This is subject to a Unitholder-specific discount. Details on how the discount is calculated are set out in section 5.3.</p> <p>The discount is provided by way of fee rebates. These are calculated monthly and are paid to eligible Unitholders in arrears.</p>
<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>	<p>Yes, but in the Schroder PAIF not the Trust.</p> <p>(In the Schroder PAIF the authorised corporate director allocates 50% of the annual management charge to income and the remaining 50% to capital)</p>
<b>Income distribution</b>	Income will be distributed monthly (see section 4.12 'When income is distributed' )
<b>Dealing Day for Subscription</b>	First Business Day of each month or such other day as the Manager shall determine in order to facilitate secondary market dealings

<sup>1</sup>ISO 14001 is an internationally agreed standard that sets out the requirements for an environmental management system.

<b>Dealing Day for Redemption</b>	<p>First Business Day of each Quarter or such other day as the Manager shall determine in order to facilitate secondary market dealings</p> <p>Note: Unitholders should be aware that the Manager's rights under section 2.7 'Deferral of redemptions by the Manager' and section 2.19 'When the suspension of dealings in Units might occur' might also affect a Unitholder's right to redeem</p>
<b>Cut-Off Point for Subscriptions</b>	Midday on the Business Day before the relevant Dealing Day for Subscription
<b>Cut-Off Point for Redemptions</b>	Midday on the date <sup>2</sup> falling 3 months prior to the Business Day before the relevant Dealing Day for Redemption
<b>Typical investor profile</b>	This Fund is suitable for all investors who are eligible to invest in a Qualified Investor Scheme (QIS) and it is intended for investors who are not able to invest directly into the Schroder PAIF because they are Bodies Corporate

<sup>2</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 Units

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### 2.1 How to buy Units

Units can be bought by sending a completed Application Form (potential investors) or Top-up Form (existing Unitholders) to the Registrar. Please also see section 2.11 'Transfers of Units 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.

Units 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 Trust to you may be entitled to receive commission from the Manager.

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

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

The Dealing Day for Subscription for Units is the first Business Day of each month (please refer to section 1 'Investment objective, policy and other details of the Trust' for details of specific arrangements for Classes of Units and for Funds). 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 Units 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 Manager will endeavour, where possible, to give applicants the opportunity to obtain Units ahead of the Dealing Day for Subscription via the secondary market (please refer to section 2.11 'Transfers of Units on the secondary market'). In the event the order is unable to be fulfilled via this method, the Units will be purchased by the applicant on the Dealing Day for Subscription at the prevailing Offer Price.

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

Where there is a balance of subscription monies remaining after a whole number of Units has been issued, fractions of Units will also be issued to the investor in respect of it.

### 2.2 The documents buyers receive

A contract note giving details of the Units 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 Units in the Trust.

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



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

The Trust has power to issue bearer Units but there are no present plans to do so.

## 2.3 Minimum investment levels

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

If following a redemption a holding in any Fund (or Class of Unit in a Fund) should fall below the minimum holding for that Fund (or Class), the Manager has discretion to require redemption of that Unitholder's entire holding in that Fund (or Class). The Manager may use this discretion at any time. Failure to do so immediately after such redemption does not remove this right.

## 2.4 How to sell Units

Every Unitholder is entitled on any Dealing Day for Redemption to redeem its Units with no less than three months' notice. Once a Unitholder has made a redemption request, the Secondary Market Facilitator has the right to match the Units on the secondary market until the relevant Dealing Day for Redemption on which the Units would otherwise be redeemed (see section 2.8 'Transfer of Units that are subject to a redemption request on the secondary market'). In the event that a request is unable to be fulfilled via this method, the Units will be redeemed by the Unitholder on the Dealing Day for Redemption at the prevailing Bid Price.

Requests to redeem Units 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 Units 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 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 2.19 'When the suspension of dealings in Units might occur'.

A Redemption Form may be withdrawn by notice in writing to the Manager by the relevant Unitholder:

- 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 Manager
- c. Where the relevant redemption is being deferred, provided that notice of the request to withdraw the redemption instruction is received by the Manager within five Business Days of notice of the deferral

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

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

For details of dealing charges see section 2.22 'Redemption charge' below.

## 2.5 The documents that sellers receive

A contract note giving details of the number and price of Units sold will be sent to the selling Unitholder (the first-named, in the case of joint Unitholders) 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 Unitholder or a designated account of their custodian. Instructions to make payments to a third party will not normally be accepted.

## 2.6 Limits on partial redemptions

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

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

## 2.7 Deferral of redemptions by the Manager

Where the Manager considers it to be in the best interests of the Unitholders, the Manager may defer redemptions on a Dealing Day for Redemption in the relevant Fund (or 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 relevant Fund (or Class) has sufficient liquidity to enable it to meet the redemption, providing it is in the best interests of the Unitholders to do so. The Manager must give Unitholders notice of the deferral no later than seven Business Days prior to the relevant Dealing Day for Redemption. The price at which such Units will be redeemed will be the price for redemptions on the Dealing Day for Redemption on which the Units are actually redeemed.

The Manager may cancel the deferral (wholly or in part) by giving notice to Unitholders 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 Manager defers any redemptions, it will ensure the consistent treatment of all Unitholders who have sought to redeem Units 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.

## 2.8 Transfer of Units that are subject to a redemption request on the secondary market

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

The Secondary Market Facilitator can match the Units at a price no lower than the prevailing Bid Price unless the redeeming Unitholder specifies in its Redemption Form that it will accept a discount. The discount specified by the Unitholder 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 Unit would result in a transfer price of £9.50 per Unit. Where a discount is specified this forms the price at which the Unit may be matched and once specified is irrevocable by the Unitholder.

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

The advantage of Units being matched on the secondary market is that it may enable Unitholders to be paid out earlier than awaiting a redemption payment which, in accordance with the Trust Deed and as set out in section

2.4 'How to sell Units' and section 2.7 'Deferral of redemptions by the Manager' may be deferred for up to two years.

The Secondary Market Facilitator will not charge the redeeming Unitholder commission, but the redeeming Unitholder will be responsible for costs in connection with the transfer of its Units 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 Units are transferred on the secondary market the Redemption Form is deemed to be withdrawn in relation to those Units.

## **2.9 Extended redemption payment facility**

If monies being raised by the Schroder PAIF to meet redemption requests are not due to be received in time for the relevant Dealing Day for Redemption and the Schroder PAIF is using its extended redemption payment facility (because the Schroder PAIF has entered into contracts for the sale of underlying property but sale proceeds have not yet been received by the Schroder PAIF), then the Manager may delay payment for redemption of Units to no later than the 20<sup>th</sup> Business Day following the relevant Dealing Day for Redemption (and this will be on the day payment for redemption of the shares in the Schroder PAIF is made). The price for redemptions in this case will be the Bid Price on the relevant Dealing Day for Redemption. If the Manager delays the payment, the Unitholder 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. The Manager must notify the relevant Unitholders of its intention to delay redemption no later than the relevant Dealing Day for Redemption.

If the proceeds from the redemption of the shares in the Schroder PAIF are not received by the 20<sup>th</sup> Business Day for any reason, the redemption of Units is automatically deferred to the next Dealing Day for Redemption unless the Manager takes action to defer to a later Dealing Day for Redemption applying the deferral rules above. The Manager must notify redeeming Unitholders 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 Units will be redeemed will be that which applies at the Dealing Day for Redemption on which the Units are actually redeemed.

## **2.10 How to convert Units of one Class or Fund for Units of another Class or Fund and the implications of converting**

If one or more new Classes of Units or Funds should be launched, then a holder of Units in one Class or Fund may at any time convert all or some of those Units (the 'Original Units') for Units of another Class or Fund (the 'New Units') provided that the Unitholder meets any requirements for holding the New Units. The number of New Units issued will be determined by reference to the respective prices of New Units and Original Units at the Valuation Points applicable at the time the Original Units are repurchased and the New Units are issued. A conversion can be effected on any Dealing Day.

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

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

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

The Manager may, adjust the number of New Units 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 Units or repurchase or cancellation of the Original Units as may be permitted under the Sourcebook.

**Please note that the conversion of Units in one Fund for Units in another Fund is a redemption and sale for the purposes of capital gains taxation. In the case of a conversion between Funds, the disposal of Original Units will therefore give rise to a liability to tax.**

**The position is different in the case of a conversion of Units in one Class for Units in another Class within the same Fund. A conversion of Units in one Class for Units in another Class will not be a redemption and sale for the purposes of capital gains taxation. In the case of a conversion, the disposal of Original Units will not give rise to a liability to tax.**

## 2.11 Transfers of Units on the secondary market

The Manager has appointed the Secondary Market Facilitator to facilitate transfers of Units on the secondary market in accordance with the following paragraphs. Transfers may be made to Unitholders or potential investors in the Trust, and it can also be arranged with the Manager for transfers to be made to shareholders and potential investors in the Schroder PAIF.

Unitholders or potential investors wishing to buy or sell Units on the secondary market should complete an Application Form (potential investors) or a Top-up Form (existing Unitholders), detailing their secondary market requirement in the investment details section. Unitholders wishing to sell Units 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.

## 2.12 Trade requirements

Applicants wishing to sell Units should state the amount of Units they wish to sell by reference to a number of Units or a specified sterling amount. Applicants wishing to buy Units should state the amount of Units 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 Units. The maximum price should be stated by reference to the latest published NAV per Unit, 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 Units. The price should be stated by reference to the latest published NAV per Unit, 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.

## 2.13 Unit matching

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

- a. First price: Units (or Schroder PAIF shares) available from sellers seeking the lowest price per Unit (or Schroder PAIF 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 Units (or Schroder PAIF 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 Units may apply a minimum economic trade at its discretion which is Units 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 Units between the 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.

## **2.14 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 Units 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.

## **2.15 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 Units 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 2.8.

The seller must sign the stock transfer form in the form prescribed by the Manager. 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 Units multiplied by the purchase price per Unit. The purchase price per Unit is the price at which the trade is agreed.

**Re-registration of Units** – 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 Units 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 Units are re-registered.

## **2.16 Secondary market arrangements conducted directly between Unitholders**

Where Units are exchanged between Unitholders without the involvement of the Secondary Market Facilitator, the re-registration of Units 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.



## 2.17 Restrictions and compulsory transfer and redemption

The Manager may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Units 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 Trust or any Fund incurring any liability to taxation which the Trust or any Fund is not able to recoup itself, or suffering any other adverse consequence. In this connection, the Manager may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or conversion of Units.

If it comes to the notice of the Manager that any Units ('affected Units') 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 Trust or any Fund incurring any liability to taxation which the Trust or any Fund 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 Unitholder or Unitholders in question is/are not qualified to hold such Units or if it reasonably believes this to be the case, the Manager may give notice to the holder(s) of the affected Units requiring the transfer of such Units to a person who is qualified or entitled to own them or that a request in writing be given for the repurchase of such Units 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 Units to a person qualified to own them or submit a written request for their redemption to the Manager or establish to the satisfaction of the Manager (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Units, 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 Units pursuant to the Sourcebook.

A person who becomes aware that he is holding or owns affected Units 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 Units, shall forthwith, unless he has already received a notice as described above, either transfer all his affected Units to a person qualified to own them or give a request in writing for the redemption of all his affected Units pursuant to the Sourcebook.

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

## 2.18 Issue of Units in exchange for in specie assets

In its role as Manager and as authorised corporate director of the Schroder PAIF, the Manager may in its discretion, arrange for the Trust to issue Units to a prospective Unitholder at no greater than the Offer Price in exchange for assets other than cash.

The Manager, acting as authorised corporate director of the Schroder PAIF, will ensure that the beneficial interests in the assets are transferred to the Schroder PAIF in exchange for the issue of shares in the relevant Class of the Schroder PAIF, which in turn will be issued to the Trustee for the relevant Fund in exchange for the issue of Units to the prospective Unitholder.

The Manager as authorised corporate director of the Schroder PAIF will not issue shares in the Schroder PAIF in exchange for assets the holding of which would be inconsistent with its investment objective. Neither will it do so unless the depository of the Schroder PAIF has taken reasonable care to determine that the acquisition of those assets is not likely to result in any material prejudice to the interests of shareholders or potential shareholders in the Schroder PAIF.

## 2.19 When the suspension of dealings in Units might occur

The Manager may, with the prior agreement of the Trustee, and must without delay if the Trustee so requires, temporarily suspend the issue, cancellation, sale and redemption of Units in any or all of the Classes or Funds, where, due to exceptional circumstances, it is in the interests of all the Unitholders in the relevant Class, Classes, Fund or Funds (as appropriate).

The Manager and the Trustee must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Unitholders.

The Manager or the Trustee (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 other relevant regulators where the relevant Class or Fund is offered for sale.

The Manager will notify Unitholders 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 Unitholders details of how to find further information about the suspension. Where a suspension takes place, the Manager will publish details on its website or give by other general means, sufficient details to keep Unitholders appropriately informed about the suspension, including, if known, its possible duration. During the suspension none of the obligations in that section of the Sourcebook that deals with Dealing will apply but the Manager will comply with as much of that section of the Sourcebook that deals 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 Manager and the Trustee 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 Unitholders.

The Manager may agree during the suspension to deal in Units 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 Units.

## **2.20 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.

### **2.21 Initial charge**

The Manager may impose a charge on the purchase of Units in each Class or Fund of up to 5 per cent of the total amount subscribed for. The current initial charge is nil. The Manager 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 Unitholder to the Manager.

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

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

### **2.22 Redemption charge**

The Manager may make a charge on the redemption of Units in each Class or Fund of up to 5 per cent of the total amount redeemed.

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

There is currently no charge for redeeming Units in any of the Classes or Funds.

### **2.23 Conversion fee**

On the conversion of Units between Classes or Funds, the Manager may impose a charge of up to the level of the then prevailing initial charge on the issue of new Units. If a redemption charge is payable in respect of the Original Units, this may become payable instead of, or as well as that charge. The charge on converting is payable by the Unitholder to the Manager.

### **2.24 Stamp duty reserve tax (SDRT)**

SDRT is payable on certain dealings in Units. SDRT is currently charged at a rate of 0.5 per cent in respect of agreements to transfer chargeable securities (which include Units) 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.

## **2.25 Money laundering**

As a result of legislation in force in the UK to prevent money laundering, the Manager 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 Manager will not issue Units or pay the proceeds of a redemption of Units.

## **2.26 Governing law**

All deals in Units are governed by English law.

## Section 3 Trust structure

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### 3.1 General

**SCHRODERS CAPITAL UK REAL ESTATE FUND FEEDER TRUST** (the 'Trust') is an authorised unit trust in umbrella form and authorised by the FCA with effect from 31 July 2012. The Trust has an unlimited duration.

Unitholders are not liable for the debts of the Trust.

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

#### Head office

1 London Wall Place, London EC2Y 5AU.

#### Address for service

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

#### Base currency

The base currency of the Trust is pounds sterling.

#### Units

Units have no par value. The value of the Trust at all times equals its Net Asset Value.

The Funds are designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of the Funds may harm performance by disrupting the investment management strategy and by increasing expenses. The Manager may at its discretion refuse to accept applications for Units, 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 a Fund. For these purposes, the Manager may consider an investor's trading history in the Funds or other funds managed by the Manager and accounts under its ownership or control.

### 3.2 The Structure of the Trust

#### The Trust

The Trust is structured as an umbrella unit trust and different Funds may be established from time to time by the Manager with the approval of the FCA, the agreement of the Trustee and in accordance with the Trust Deed. On the introduction of any new Fund, a revised or supplemental prospectus will be prepared setting out the relevant details of each Fund.

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

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

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

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

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

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund. Investment of the

assets of each of the Funds must comply with the Sourcebook and the investment objective and policy of the relevant Fund. Details of each Fund are set out in 'Summary details for each Fund' in section 1.

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

Each Fund (if more than one) has a specific portfolio to which that Fund's assets and liabilities are attributable. So far as the Unitholders are concerned, each Fund is treated as a separate entity.

The net proceeds from subscriptions to a Fund will be invested in the specific pool of assets constituting that Fund. The Trust will maintain for each current Fund a separate pool of assets, each invested for the exclusive benefit of the relevant Fund.

To the extent that any Scheme Property of the Trust, or any assets to be received as part of the Scheme Property, or any costs, charges or expenses to be paid out of the Scheme Property, are not attributable to one Fund only, the Manager will allocate such Scheme Property, assets, costs, charges or expenses between Funds in a manner which is fair to all Unitholders of the Trust. This will normally be pro rata.

Within each Fund, charges will be allocated between Classes (if more than one) in accordance with the terms of issue of Units of those Classes.

### 3.3 Changes to the Trust

Where any changes are proposed to be made to the Trust or any Fund, the Manager will assess whether the change is fundamental or significant in accordance with the Sourcebook. If the change is regarded as fundamental, Unitholder approval will be required. If the change is regarded as significant, four months' prior written notice will be given to Unitholders. The Manager may in its discretion reduce this notice period if it considers that it is in the interests of Unitholders 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 Manager shall be reflected into the Prospectus after receipt of approval from the FCA and shall be notified to the relevant Unitholders in accordance with the above paragraph.

### 3.4 Units

The Trust currently has only one Fund (with one Class), but several classes may be issued in respect of each Fund.

Units have no par value and (within each Class in each Fund) are entitled to participate proportionally in the profits arising in respect of, and in the proceeds of, the liquidation of the relevant Fund. Units do not carry preferential or pre-emptive rights to acquire further Units.

Further Classes of Unit may be established from time to time by the Manager with the approval of the FCA, the agreement of the Trustee and in accordance with the Trust Deed. 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 Units in each Fund will be determined at the date of creation and set out in the prospectus issued in respect of the new Class of Units in that Fund.

Units in the Trust (or any particular Fund or Class) are not currently listed on any investment exchange.

The Unit 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 Trust'.

The Funds issue net Units only. The Registrar will pay income distributions to each Unitholder net of tax.

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

Where a Fund has different Classes, each Class may attract different charges and so monies may be deducted from the Scheme Property attributable to such Classes in unequal proportions. In these circumstances, the proportionate interests of the Classes within the Fund will be adjusted accordingly.



### 3.5 Funds

At present the Trust has one sub-fund, being 'Fund I' which invests in I Class Gross Shares in the Schroder PAIF.

### 3.6 Documents of the Trust

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

- a. The most recent annual and half yearly reports of the Trust
- b. The Prospectus
- c. The Trust Deed (and any amending documents)

Documents are also available at [www.schroders.com/sref](http://www.schroders.com/sref).

Any other financial information to be published concerning the Trust, including the Net Asset Value, the historical performance of the Trust and the Offer Price and Bid Price of the Units will be made available at [www.schroders.com/sref](http://www.schroders.com/sref). Periodic reporting for the Trust is also described in section 4.10 'Reporting'.

### 3.7 Genuine diversity of ownership

Units in each Fund in existence are and will continue to be widely available. The intended categories of investors are all investors eligible to invest in a Qualified Investor Scheme but who are not able to invest directly in the Schroder PAIF because they are Bodies Corporate.

Units in each Fund in existence 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 Manager, the Trustee and the Registrar are authorised and regulated by the Financial Conduct Authority of 12 Endeavour Square, London E20 1JN.

### 4.2 Manager

#### General

The Manager 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 Funds.

Schroders Capital is a trading name of Schroders Unit Trust Limited.

#### Registered Office and Head Office

1 London Wall Place, London EC2Y 5AU.

#### Share Capital

Share Capital: Issued: £9,000,001

Paid up: £9,000,001

#### Directors

- Chislett, Paul James
- Minio Paluello, Carolina Dr
- Rainbow, James
- Reedy, Stephen John
- Schroder Corporate Services Limited
- Thomson, Calum
- Truscott, Paul Michael
- Williams, Howard

#### Ultimate holding company:

Schroders plc, incorporated on 14 January 2000.

#### Responsibility and delegation

The Manager is responsible for portfolio management and risk management of the Trust and administering the Trust's affairs in compliance with the Sourcebook and the AIFM Rules. The Manager 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 Manager has delegated to the Registrar certain functions relating to administration and the holding of the Trust's register. The Manager has retained responsibility for portfolio and risk management.

Although the Manager 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 Manager have the relevant expertise and that the delegated tasks are overseen by committees that report directly to the Manager's board.

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

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

### 4.3 The Trustee and Depositary

The Trustee of the Trust is NatWest Trustee and Depositary Services Limited. The Trustee is a company formed in England and Wales and registered as a private limited company with company number 11194605. Its registered office is at 250 Bishopsgate, London EC2M 4AA and its principal place of business is at Gogarburn, 175 Glasgow Road, Edinburgh EH12 1HQ. The Trustee is a subsidiary of NatWest Group Plc, which is incorporated with limited liability in Scotland with its registered office at 36 St Andrew Square, Edinburgh EH2 2YB. The Trustee is authorised and regulated by the Financial Conduct Authority and is authorised to carry out regulated activities in the United Kingdom. Its principal business is the provision of trustee and depositary services.

The Trustee also acts as depositary of the Trust for the purposes of the AIFM Rules. In its capacity as such it must comply with the AIFM Rules relating to cash monitoring, ownership verification, safekeeping of assets and oversight.

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 Trust 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.

Unitholders 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 Registrar

The Manager has delegated the administration and holding of the register until 19 July 2021 to Northern Trust Global Services SE UK Branch, whose registered office is at 10 Rue du Château d'Eau, L-3364 Leudelange, Grand-Duché de Luxembourg and whose principal place of business in the United Kingdom is at 50 Bank Street, Canary Wharf, London E14 5NT. Thereafter, the Manager will delegate the administration and holding of the register to HSBC Bank Plc, whose registered office is at 8 Canada Square, London, E14.

#### Register of Unitholders

The Register of Unitholders is maintained by the Registrar at its principal place of business in the United Kingdom at 50 Bank Street, Canary Wharf, London E14 5NT until 19 July 2021 and thereafter at 8 Canada Square, London, E14 5HQ. Electronic copies of Register entries may be made available to any Unitholder or any Unitholder's duly authorised agent upon request from the Registrar. The Registrar will receive a fee which shall be paid out of Scheme Property.

Unitholders have no direct rights against the Registrar.

### 4.5 The Auditor

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

### 4.6 Legal adviser

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

## 4.7 Provision of investment advice

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

## 4.8 Telephone recordings

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

## 4.9 Complaints

Complaints concerning the operation or marketing of the Trust may be referred to the Complaints Officer of the Manager being the Head of Fund Services, Schroder Unit Trusts Limited, 1 London Wall Place, London 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.

Unitholders shall not have any direct contractual rights against the Manager, the Trustee, the Depositary, the auditor of the Trust or any other service providers of the Trust who have been appointed from time to time by the Trust.

## 4.10 Reporting

### Accounting periods

The annual accounting period of the Trust 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 Trust was 31 March 2013.

### When income is distributed

Distributions of Income for each Fund are paid by BACS directly into each Unitholder'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 Trust'. Income will normally be distributed on the last Business Day of the month following the end of the relevant calendar month.

Any distribution which remains unclaimed for a period of six years after the distribution became due will revert to the relevant Fund (or, if that no longer exists, to the Trust).

The total amount available for distribution in any month is intended to be the entire net Income received or receivable for the month from the Schroder PAIF. It will be calculated by taking the aggregate of the Income received or receivable for the account of the relevant Fund for the entire month and deducting the charges and expenses of the relevant Fund paid or payable out of Income in respect of that entire accounting period. The Manager then makes such other adjustments as it considers appropriate (and after consulting the Trust's auditors as appropriate) in relation to taxation and other matters.

A tax voucher will be sent by the Registrar to the Unitholders 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 Manager.

### Unit statements

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

## Notice provisions

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

All notices or other documents sent by the Trust to a Unitholder will be sent by email to the last email address notified in writing to the Trust by each Unitholder. 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 Trust 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 Manager has decided that the accounts contained in these reports should be short form reports. Reports containing the 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 Unitholders

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

- The percentage of the Trust'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 Trust
- Any changes to the maximum level of borrowing which the Manager may employ on behalf of the Trust 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 Trust
- The risk profile of the Trust

The Trust will also make available upon request at its registered office all information to be provided to Unitholders 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 FUND 1.4.7 G or of any conflicts that must be communicated to investors under FUND 3.2.2 R)
- The list of the sub-custodian(s) used by the Depositary
- The maximum amount of the fees that may be paid annually by the Trust
- The way chosen to cover potential liability risks resulting from the Trust's activities under the AIFM Rules
- Any right to reuse collateral and guarantees granted under the borrowing arrangements



## Section 5 Fees and expenses

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### 5.1 General

It is intended that all fees and expenses of the Trust, being the umbrella unit trust, and the Funds will be taken in the Schroder PAIF to ensure parity of Unit prices in the Funds and share prices of the relevant classes of the Schroder PAIF. As a result of this arrangement, Unitholders will bear their proportionate share of the fees and expenses of the Trust and its Funds through their indirect investment in the Schroder PAIF. No charges or expenses for their establishment and ongoing administration will be payable by the Funds or the Trust. In the event that this arrangement is changed, the applicable fees will be set out in this section of the Prospectus.

The fees, costs and expenses relating to the authorisation and establishment of the Trust, the offer of Units, the preparation and printing of this Prospectus and the fees of the professional advisers to the Trust in connection with the offer will be borne by Schroders.

All fees, costs, charges or expenses payable by a Unitholder or out of the property of the Funds are set out in this section. The Manager may, so far as the Sourcebook allows, also pay out of the property of the Funds all relevant fees, costs, charges and expenses incurred by the Funds, which include the items listed below. As stated above, it is intended that all fees, costs, charges and expenses listed below will be borne by the Schroder PAIF. Expenses are allocated between capital and income in the Schroder PAIF in accordance with the Sourcebook. The items referred to above are:

- a. The fees, charges and expenses payable to the Manager
- b. The fees, charges and expenses payable to the Trustee, the Custodian and any sub-custodians (if appointed)
- c. The fees, charges and expenses of the Registrar
- d. The fees and expenses in respect of establishing and maintaining the Register of Unitholders and related functions
- e. Expenses incurred in producing, distributing and dispatching income and other payments to Unitholders
- f. Fees in respect of the publication and circulation of details of the Net Asset Value and prices
- g. The fees and expenses of the auditors and tax, legal and other professional advisers of the Trust, the Trustee and the Manager, as relevant
- h. The costs of convening and holding Unitholder meetings (including meetings of Unitholders in any particular Fund (or any particular Class within a Fund))
- i. Costs incurred in taking out and maintaining any insurance policy in relation to any Fund
- j. Expenses incurred in Trust secretarial duties, including the cost of minute books and other documentation required to be maintained by the Trust
- k. The costs of updating and reprinting this Prospectus and any pre-contractual disclosure documentation required by Regulations, the Trust Deed, confirmation notes, contract notes and the costs of distributing this Prospectus and the Trust Deed and the costs of printing and distributing reports and accounts and any other administrative expenses related to this clause k
- l. Tax and duties payable by the Funds
- m. Interest on and charges incurred in borrowings including charges incurred in terminating the borrowings or in negotiating or varying the terms of the borrowings
- n. Any amount payable by the Trust under any indemnity provisions contained in the Trust Deed or any agreement with any functionary of the Trust
- o. 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 Units are or may lawfully be marketed
- p. Any payments otherwise due by virtue of changes to the Regulations
- q. Costs (apart from promotional payments) in respect of communications with investors

- r. Fees of any paying, representative or other agents of the Trustee or the Manager
- s. Any costs in modifying the Trust Deed and any other relevant document required under the Regulations
- t. All fees and expenses incurred in relation to the addition and internal organisation of any new Funds, the listing of Units on any stock exchange, any offer of Units (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 Trust or any Fund in any territory outside the UK for the purpose of marketing the Units in that territory, including any translation costs
- u. Royalties, licensing fees and other similar payments in relation to the use of intellectual property
- v. Broker's commission, fiscal charges and other disbursements which are:
  - i. Necessary to be incurred in effecting transactions for the Trust
  - ii. Normally shown in contract notes, confirmation notes and difference accounts, as appropriate
- w. Taxation and duties payable in respect of the property of the Trust, the Trust Deed or the issue of Units
- x. Any payment due by virtue of the Sourcebook
- y. All other costs and expenses of the Trust and the Funds

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

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

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

## 5.2 Charges payable to the Manager

In payment for carrying out its duties and responsibilities the Manager is entitled to take an annual fee out of each Fund, as set out in section 1.3 'Summary details for each Fund'.

Where the investment objective of a Fund 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 Manager's fee may be charged against capital instead of against income. This has been agreed with the Trustee. The treatment of the Manager's annual management charge in respect of each Fund is described in section 1.3 'Summary details for each Fund'.

The Manager's annual fees (and any VAT) are charged within its authorised corporate director fee in the Schroder PAIF (which is based on the Net Asset Value of the Schroder PAIF); there is no additional management fee charged within the Trust.

VAT is payable on these charges and expenses where appropriate.

The Manager 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 Unitholder approval by a simple majority of votes.

## 5.3 Annual management charge discount

A Unitholder may be eligible for a volume-based discount to the standard annual management charge of 0.70% of NAV per annum (paid at the level of the Schroder PAIF), depending on the Net Asset Value of the relevant Fund and net asset value of the Schroder PAIF (combined) that is attributable to the Unitholder, including any aggregation of holdings in accordance with this section (the 'Unitholder NAV').

The diagram below shows the fee rates per annum that a Unitholder will pay on the amount of its Unitholder NAV in each tier:

Tier	Fee rate	Unitholder NAV
1	0.70%	£0mn
2	0.55%	£50mn
3	0.45%	£75mn
4	0.40%	£125mn+

The annual management charge payable by a Unitholder will therefore reflect the weighted average of the fee rates payable, based on the amount of Unitholder NAV falling within each tier (the '**Blended AMC**').

#### Aggregation of holdings for the purposes of eligibility for fee tiers

Subject to the Manager's absolute discretion, Unitholder accounts which are managed on a discretionary basis under the same manager or equivalent decision-making entity may be aggregated to calculate the Unitholder NAV that is used to determine the eligibility for fee tiers (and thus, in turn, the Blended AMC payable by such Unitholder). For the avoidance of doubt, aggregation shall not be applied to advisory (i.e., non-discretionary) client mandates.

#### Additional annual management charge discount

Where the Unitholder NAV is greater than £1,000mn, a separate discount of 0.05% (the '**Additional AMC Discount**') is available to be applied to the Blended AMC borne by the relevant Unitholder.

Subject to the Manager's absolute discretion, Unitholder NAV for this purpose may be based on the aggregate of Unitholder accounts that are subject to common management or a shared collective strategy. This aggregation basis may differ from the basis that holdings are aggregated for the purposes of eligibility for fee tiers and each relevant Unitholder will receive the 0.05% discount to their individual Blended AMC.

#### Downside protection

Where Unitholder NAV decreases due to a redemption of Units or shares in the Schroder PAIF (as applicable), the Blended AMC will increase accordingly (and the Additional AMC Discount may cease to apply). However, where a fall in Unitholder NAV results from a fall in the price of Units or shares in the Schroder PAIF (as applicable) rather than a reduction in the number of Units held, the Manager will maintain the same Blended

AMC (and this will not affect the Additional AMC Discount). On the other hand, Unitholders shall be eligible for lower fee rates in higher tiers (or due to crossing the Shareholder NAV threshold for the Additional AMC Discount) irrespective of the reason that the Unitholder NAV increases (including increases in the price of Units or shares in the Schroder PAIF (as applicable)).

#### **Other information**

Where a Unitholder has a broader relationship with the Schrodgers Group, there may be additional fee arrangements in place to reflect that relationship.

### **5.4 Trustee's fees and expenses**

The Trustee acts as the depositary to the Schroder PAIF. It is not making a separate charge in relation to the Trust.

### **5.5 Registrar's fee**

The Registrar acts as the registrar to the Schroder PAIF. It is not making a separate charge in relation to the Trust.

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

All the above fees, duties and charges (other than those borne by the Manager) will be charged in the share class in the Schroder PAIF in which that Fund invests. Where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated to all classes of shares of the Schroder PAIF in which the Fund invests pro-rata to the Net Asset Value of each Fund, although the Manager has discretion to allocate these fees and expenses in a manner which it considers fairer to Unitholders generally.

## Section 6 Valuation of the Trust

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### 6.1 General

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

The Manager 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 Unit price for the day. The Manager will inform the Trustee 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 Manager 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 6.4 'Fair value pricing').

The Manager will, upon completion of each valuation, notify the Trustee of the price of Units of each relevant Fund (or Class).

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

### 6.2 How the Net Asset Value is calculated

The value of the property of the Funds will be the value of their assets less the value of their liabilities determined in accordance with the provisions set out in Appendix II.

### 6.3 Price per Unit in each Fund

Units in a Fund are bought by investors from the Manager at the Offer Price and are redeemed (sold back to the Manager) at the Bid Price.

The Manager intends that the Offer Price and Bid Price of Units in each Fund will match the offer price and the bid price of the relevant class of shares in the Schroder PAIF. The Manager will use the offer price and bid price of the shares in the Schroder PAIF as the basis of the valuation. The various other adjustments that must be taken into account are set out in Appendix II, but the Manager intends to manage the Funds in such a way that no adjustments will be required.

In the event that it is not appropriate to use the offer price and the bid price of the relevant shares in the Schroder PAIF, the Manager will calculate the Offer Price and Bid Price of Units in each Fund by valuing the property of the relevant Fund in accordance with Appendix II.

The Offer Price of Units in each Fund would in such circumstances be arrived at by valuing the net assets of the Fund dividing this by the number of Units in the relevant Fund, and adding Dealing Costs (if any) and adding any initial charge (if any).

The Bid Price at which Units in each Fund may be sold back to the Manager would in such circumstances be arrived at by valuing the net assets of the relevant Fund, dividing the result by the number of Units in the relevant Fund in existence, and deducting Dealing Costs (if any), any redemption charge (if any) and any SDRT provision.

**Investors should note that the costs of the Schroder PAIF dealing in real property are significantly higher than those normally associated with equities and bonds, so that the spread on the Funds, which reflects the spread on the PAIF'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 Schroder PAIF as well as cash.**

**Please note that all charges are taken in the Schroder PAIF so that there can be parity of Unit prices in each Fund with the share prices in the relevant class of the Schroder PAIF.**

## 6.4 Fair value pricing

Where the Manager has reasonable grounds to believe that:

- a. No reliable price exists for a security (including a unit/share in a collective investment scheme) at a Valuation Point
- b. The most recent price available does not reflect the Manager's best estimate of the value of the shares in the Schroder PAIF 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

## 6.5 Pricing basis

The Manager deals in Units 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 Manager or, in respect of a redemption, the next Dealing Day for Redemption after the redemption is deemed to be accepted by the Manager.

## 6.6 Publication of prices

The prices of all Unit Classes are available from Schroders or at [www.schroders.com/sref](http://www.schroders.com/sref). As the Manager 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 Manager may also, at its sole discretion, decide to publish certain Unit prices on third party websites or in publications but the Manager 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 Manager.



## Section 7 Unitholder meetings and voting rights

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### 7.1 Annual general meeting

Neither the Trust nor the Funds 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 each Fund, but by reference to Units of the Class concerned and the Unitholders and value and prices of such Units of that Class.

### 7.3 Requisitions of meetings

The Manager may requisition a general meeting of a Fund at any time.

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

### 7.4 Notice and quorum

Unitholders 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 Unitholders or Unitholders of not less than 50 per cent of the total Units 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 Unitholders 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 Unitholder 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 Unitholder may vote either in person or by proxy. The voting rights attaching to each Unit are such proportion of the voting rights attached to all the Units in issue in that Fund the price of the Unit bears to the aggregate price of all the Units in issue in that Fund at the date seven days before the notice of meeting is sent out.

A Unitholder 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 Unitholders, 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 Unitholders. For this purpose, seniority will be determined by the order in which the names stand in the Register.

Except where the Sourcebook or the Trust Deed 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 Manager may not be counted in the quorum for a meeting and neither the Manager nor any associate (as defined in the Sourcebook) of the Manager is entitled to vote at any meeting of a Fund except in respect of Units which the Manager or associate holds on behalf of or jointly with a person who, if the registered Unitholder, would be entitled to vote and from whom the Manager or associate has received voting instructions.

Where all the Units in a Fund are registered to, or held by, the Manager 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 Trustee, instead be passed with the written consent of Unitholders representing 50 per cent or more, or for an extraordinary resolution, 75 per cent or more, of the Units in issue.

'Unitholders' in a Fund in this context means Unitholders entered on the register at a time to be determined by the Manager 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 Voting in the Schroder PAIF**

When a vote is proposed at a meeting of the Schroder PAIF, or a Class meeting within the Schroder PAIF, the Manager will convene a meeting of the relevant Unitholders giving at least 14 days' notice. No quorum is required at such a meeting as each Unitholder's vote will be exercised by the Manager in the Schroder PAIF as the Unitholder instructs. Investors will at such meeting instruct the Manager as to how the Manager must exercise the voting rights of the Trust or Fund (as appropriate) as a shareholder in the Schroder PAIF. The Manager will follow their instruction, whether for, against or abstaining where the Unitholder does not vote, for the appropriate proportion of shares in the Schroder PAIF held by the Trust that are equivalent to the proportion of Units held by the Unitholder of all Units of the Trust or of the relevant Class or Fund, as appropriate, to which the Schroder PAIF resolution relates. Consequently, the Manager may not cast all its votes in the same way on a resolution in the Schroder PAIF.

## **7.7 Specific Unitholder rights**

Any proposal to amend the provisions for the redemption of Units will be subject to an extraordinary resolution of the Unitholders of the relevant Class.

Any proposal to implement a scheme of reconstruction or arrangement or to terminate a Fund or to wind up the Trust will be subject to an extraordinary resolution of relevant Unitholders.

Unitholders have the rights specified in this Prospectus and the Trust Deed. Apart from the 'Annual management charge discount' as set out in section 5.3, no Unitholder receives preferential treatment over any other Unitholder.

## Section 8 Winding up of the Trust

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The Trust will only be wound up or a Fund terminated as provided under the Regulations. The following provisions apply to the Trust as a whole as they apply to each Fund separately.

The Trustee will proceed to wind-up a Fund:

- a. If the order declaring the Fund to be an authorised unit trust scheme is revoked
- b. If the Manager or the Trustee requests the FCA to revoke the order declaring the Fund to be an authorised unit trust scheme and the FCA has agreed (provided no material change in any relevant factor occurs) that on the winding-up of the Fund, the FCA will accede to that request
- c. On the effective date of a duly approved amalgamation of the Fund with another authorised unit trust scheme or a recognised scheme (as defined in the Financial Services and Markets Act 2000); or
- d. On the effective date of a duly approved scheme of arrangement which is to result in the Fund being left with no property

If any of these events occur, the sections of the Sourcebook relating to Investment and Borrowing Powers and to Dealing and Valuation and Pricing will cease to apply. The Trustee will cease the creation and cancellation of Units and the Manager will stop redeeming and selling Units.

In the case of a scheme of arrangement, the Trustee will wind-up the relevant Fund in accordance with the approved scheme of arrangement.

In any other case, the Trustee will, as soon as practicable after the Fund falls to be wound-up, realise the assets of the Fund and after paying or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of the winding-up, distribute the proceeds to the Unitholders and the Manager proportionately to the size of their holdings (upon production by them of such evidence, if any, as the Trustee may reasonably require as to their entitlement).

If the Schroder PAIF is to be terminated then the Manager will terminate the Trust. If any Class within the Schroder PAIF is to be closed the Manager may terminate the Trust or the appropriate Fund, as appropriate.

## Section 9 Risk factors

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Potential investors should consider the below risk factors before investing in the Trust. 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.

The list below is split into risk factors that apply to the Trust and additional risk factors that apply to the Schroder PAIF.

### 9.1 Risk factors: The Trust

#### Tax

The returns from the Trust could be affected by changes in the tax treatment or interpretation of the Trust and/or by changes in the law relating to the taxation of property and property transactions (including VAT and stamp duty land tax rates).

#### Redemption demands, deferrals and suspensions

Investors should note that, in exceptional circumstances, the Manager may (after consultation with the Trustee) suspend the issue, cancellation, sale and redemption of Units in any or all Funds or Classes. In particular, if the issue, cancellation, sale and redemption of shares in the Schroder PAIF will be suspended, then the Manager will suspend the issue, cancellation, sale or redemption of Units to reflect the position in the Schroder PAIF.

#### Lack of liquidity of Units and liquidity risk

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

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

The Manager employs a risk management system and also has risk management procedures and processes which enable the Manager to monitor the risks of the Trust.

#### Inflation risk

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

#### Investment performance

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

### 9.2 Risk factors: Schroder PAIF

#### Property risks

The performance of the Schroder PAIF 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 Schroder PAIF 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 Schroder PAIF or the Schroder PAIF 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 Schroder PAIF 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 Schroder PAIF's portfolio may not be ascertained, and the Schroder PAIF may therefore be exposed to clean up and other remedial costs.

### **Pricing, liquidity and valuations of properties**

As the Schroder PAIF 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 authorised corporate director of the Schroder PAIF may have to delay acting on instructions to sell investments which may have a materially adverse impact on the value of the shares in the Schroder PAIF.

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.

### **Development risks**

The Schroder PAIF may invest in property developments. To the extent that the Schroder PAIF 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 Schroder PAIF, 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 Schroder PAIF and on the amount of funds available for distribution to the Schroder PAIF shareholders and, thus, the Unitholders.

### **Tenant default**

The distributions payable by the Schroder PAIF 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 Schroder PAIF in that it could cause a decline in the Schroder PAIF's income available for distribution to the Schroder PAIF shareholders and, thus, the Unitholders.

### **Disposal of properties**

It may be difficult to dispose of properties in the Schroder PAIF 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 Schroder PAIF's 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 Schroder PAIF.

### **Indirect investments**

The Schroder PAIF 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 Schroder PAIF might become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of the Schroder PAIF, or that any such co-venturer or partner may be in a position to take action contrary to the Schroder PAIF's objectives. Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for the Schroder PAIF to make up the shortfall from other sources. In that event, the Schroder PAIF 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 Schroder PAIF, its assets and the interests of the Schroder PAIF's shareholders including the Trust. In addition, the Schroder PAIF may be liable for actions of its co-venturers or partners. While the Schroder PAIF's investment manager will attempt to limit the liability of the Schroder PAIF 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.

### **Underlying property performance**

The Schroder PAIF will acquire assets in accordance with the Schroder PAIF's 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 the Schroder PAIF's 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.

### **Quoted and unquoted securities**

The Schroder PAIF 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 Schroder PAIF 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 Schroder PAIF's portfolio.

### **Unregulated collective investment schemes**

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

Where the Schroder PAIF 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 Schroder PAIF would be required to dispose of such investment or restructure the investment, if possible, such that it complies with the relevant regulations.

### **Investing in other collective investment schemes**

The Schroder PAIF may invest in other regulated collective investment schemes. As an investor in another collective investment scheme, the Schroder PAIF 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 Schroder PAIF bears directly with its own operations.

### **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.

### **PAIF status**

For the Schroder PAIF to maintain its status as a PAIF, it must meet certain statutory conditions laid out in the Tax Regulations. If the Schroder PAIF 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 Schroder PAIF's PAIF status.



## **Borrowing**

The Schroder PAIF has the ability to use gearing as part of its investment strategy. The use of gearing will increase the risk profile of the Schroder PAIF and the volatility of the value of the Schroder PAIF's 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.

## **SDLT savings schemes**

The Schroder PAIF may acquire underlying property where stamp duty or stamp duty land tax saving schemes have previously been adopted or the Schroder PAIF 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.

## **Insurance**

All immovable property forming part of the property of the Schroder PAIF will be insured against the risk of physical loss or damage and other perils considered appropriate by the Schroder PAIF's authorised corporate director. 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 Schroder PAIF's scheme property.

## **Economic and political**

The performance of the Schroder PAIF 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 Schroder PAIF.

The returns that are likely to be achieved on an investment in the Schroder PAIF, 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 Schroder PAIF'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.

## **Counterparty risk**

If the Schroder PAIF 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 Schroder PAIF could experience delays in liquidating its position and may incur significant losses. The Schroder PAIF's authorised corporate director may use one or more counterparties to undertake derivative transactions on behalf of the Schroder PAIF and may be required to pledge the Schroder PAIF'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 Schroder PAIF.

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

## **Overseas property holdings**

Although the Schroder PAIF intends to hold UK properties in accordance with its investment objective and policy, it is possible that the Schroder PAIF 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 United Kingdom law and HM Revenue & Customs practice, both of which may be subject to change. It summarises the tax position of the Funds and of investors who are United Kingdom resident (except where indicated) and hold Units 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 United Kingdom, are recommended to take professional advice.

### 10.2 Taxation of the Schroder PAIF

The Schroder PAIF is not liable to tax on capital gains realised on the disposal of its investments. The income generated by its underlying property investment business is exempt from tax, as are any dividends received on underlying equity investments. Its other income (which will mainly comprise interest) although technically taxable will be distributed as a tax-deductible payment so no tax should in practice be payable by the Schroder PAIF. The Schroder PAIF will generally be liable to pay stamp duty land tax on purchases of property, and may incur other property-specific taxes.

### 10.3 The Funds

The Funds are exempt from United Kingdom tax on capital gains realised on the disposal of their investment in the Schroder PAIF.

The Funds will receive income from the Schroder PAIF. This will be streamed for tax purposes into up to three parts depending on the nature of the income generated by the Schroder PAIF:

- Property income distributions (representing property income received by the Schroder PAIF) will be received gross and corporation tax at 20% will be payable by the Fund in question on them
- PAIF interest distributions (representing the net amount of all other taxable income received by the Schroder PAIF) will be received gross and corporation tax at 20% will be payable by the Fund in question on them
- PAIF dividend distributions (representing balance of income distributed by the Schroder PAIF) will be exempt from corporation tax

Each Fund will pay all distributable income as dividend distributions.

### 10.4 Unitholders

#### Income

**Corporate Unitholders:** Corporation tax payers which receive dividend distributions will have to divide them into two for tax purposes, in which case the division will be indicated on the tax voucher. Any part representing PAIF dividend distributions will be treated as dividend income (that is, franked investment income) and no further tax will be due on it. The remainder will be received as an annual payment, deemed to have suffered deduction of income tax at the basic rate, and corporate Unitholders will be liable to tax on the grossed up amount, with the benefit of the 20% income tax credit attached or to reclaim part of the tax credit as shown on the tax voucher.

**Tax-exempt Unitholders:** Any Unitholders who are exempt from tax on income will not be able to reclaim any part of the tax credit.

**Individual Unitholders:** Individual investors will receive their first £2,000 of dividend income free from income tax. 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, Unitholders 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 tax payers will be liable to income tax at 32.5% and 38.1% respectively.

## Capital gains

Unitholders who are resident in the United Kingdom for tax purposes may, depending on their personal circumstances, be liable to capital gains tax or, if a corporate Unitholder, corporation tax on gains arising from the redemption, transfer or other disposal of Units. An exchange of Units in the Fund for shares in the Schroder PAIF, or alternatively an exchange of shares in the Schroder PAIF for Units in this Fund that take place by arrangement with the ACD of the Schroder PAIF, will not be treated as a disposal for the purposes of tax on capital gains.

## 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 Manager as a Foreign Financial institution (FFI) may be required to report directly to the Internal Revenue Service (IRS) certain information about Units 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 Manager may be required to report to HMRC certain information about Units held in a Fund or Funds by Unitholders 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 Manager may be required to obtain certain information from Unitholders so as to ascertain their tax status. Under the FATCA IGA referred to above, if the Unitholder is a specified US person, a US owned non-US entity, non-participating FFI or does not provide the requisite documentation, the Manager will need to report information on these Unitholders to HMRC, in accordance with applicable laws and regulations, which will in turn report this to the IRS. Under CRS, if the Unitholder is tax resident in a CRS participating country and does not provide the requisite documentation, the Manager will need to report information on these Unitholders to HMRC, in accordance with applicable laws and regulations. Provided that the Manager acts in accordance with these provisions it will not be subject to withholding tax under FATCA.

Unitholders and intermediaries should note that it is the existing policy of the Manager that Units are not being offered or sold for the account of US Persons or Unitholders who do not provide the appropriate CRS information. Subsequent transfers of Units to US Persons are prohibited. If Units are beneficially owned by any US Person or a person who has not provided the appropriate CRS information, the Manager may in its discretion compulsorily redeem such Units. Unitholders should moreover note that under the FATCA legislation, the definition of specified US persons will include a wider range of Unitholders 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 Trust and the Unitholders. The following paragraphs set out certain potential conflicts of interest of which Unitholders in the Trust should be aware.

### Other investments and business activities

Schroders' employees who are involved in providing the services in the capacity as 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 Trust. 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 Trust and the Schroder PAIF.

### Service fees

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

### Material interests

The Manager and any of its 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 manager of another Trust) for the account of the Trust. Neither the Manager nor its associates or subsidiaries is accountable to the Trust or any Unitholder for any profits or benefits arising from such transactions or arrangements.

### Trustee/Depositary

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

### Fair treatment of Unitholders

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

# Directory

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## **The Trust and head office**

Schroders Capital UK Real Estate Fund Feeder Trust  
1 London Wall Place  
London EC2Y 5AU

## **Manager/Alternative Investment Fund Manager**

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

Schroders Capital is a trading name of Schroders Unit Trust Limited.

## **Registrar**

### **Until 19 July 2021:**

Northern Trust Global Services SE UK Branch  
50 Bank Street  
Canary Wharf  
E14 5NT

### **From 19 July 2021 onwards:**

HSBC Bank Plc  
8 Canada Square  
London E14 5HQ

## **Trustee and Depositary**

NatWest Trustee and Depositary Services Limited  
Gogarburn  
175 Glasgow Road  
EdinburghEH12 1HQ

## **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 Trust

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## 1. General

The Scheme Property of each Fund will be invested with the aim of achieving the investment objective of that Fund, but subject to the limits set out in this Prospectus and to the limits set out in the Sourcebook that are applicable to a QIS.

### 1.1 Prudent spread of risk

The Funds are 'feeder funds' and are permitted to invest solely in the Schroder PAIF. The Schroder PAIF is managed with the aim of meeting its investment objective and policy which includes a prudent spread of risk.

## 2. Investment in collective investment schemes

2.1 The Scheme Property of each Fund will be invested in shares in the relevant class in the Schroder PAIF provided the Schroder PAIF continues to satisfy the conditions:

2.1.1 to enable it to be authorised as a Qualified Investor Scheme; and

2.1.2 to enable it to meet the requirements of a Property Authorised Investment Fund as defined in Part 4A of the Authorised Investment Fund (Tax) Regulations 2006 (SI 2006/964), as amended from time to time;

2.2 Investment may only be made in the Schroder PAIF if the rules on double charging contained in the Sourcebook are complied with.

## 3. Cash and near cash

3.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:

3.1.1 the pursuit of the Trust's investment objective; or

3.1.2 the redemption of Units; or

3.1.3 efficient management of the Trust in accordance with its investment objective; or

3.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Trust.

## 4. General power to borrow

4.1 The Trust may borrow money on terms that the borrowing is to be repayable out of the Scheme Property.

4.2 The Manager must ensure that the Trust'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. At the date of this Prospectus, the Trust does not intend to borrow.

4.3 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.

4.4 Where the limit in 4.2 is breached, the Manager must take action in accordance with the principles set out in the section of the Sourcebook that deals with 'Duties of the authorised fund manager: investment and borrowing powers' to deal with that breach.



## **5. Guarantees and indemnities**

- 5.1 The Trustee may not provide a guarantee or indemnity in respect of any acquisition or holding of property for the account of any Fund.
- 5.2 None of the Scheme Property may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

## Appendix II Valuation of the property of the Trust

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### 1. General

- 1.1 The valuation of the property of the Trust takes place as at a valuation point fixed by the Manager and set out in the Prospectus in section 6 'Valuation of the Trust'.
- 1.2 The valuation is in the Trust's base currency.
- 1.3 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.
- 1.4 The valuation of the Trust 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.

### 2. Valuation of the Scheme Property of each Fund

- 2.1 The valuation of Scheme Property held in shares in the Schroder PAIF (that is, a collective investment scheme) will, subject as follows, be the most recent price which it is practicable to obtain from the Schroder PAIF or if, in the opinion of the Manager, 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 Manager's best estimate of the value, at a value which, in the opinion of the Manager, is fair and reasonable. The Manager will, in respect of an issue of Units, use the offer price of the shares in the Schroder PAIF and, in respect of a redemption of Units, use the bid price of the shares in the Schroder PAIF.
- 2.2 Cash and amounts, if any, held in current, deposit and margin accounts and in other time related deposits will be valued at their nominal values.
- 2.3 Any other investment will be valued:
  - 2.3.1 at the best available mid-market price (on the most appropriate market in a standard size); or
  - 2.3.2 if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if the most recent price available does not reflect the Manager's best estimate of the value, at a value which, in the opinion of the Manager, is fair and reasonable; and
- 2.4 Property other than that described in 2.1 to 2.3 above will be valued at a value which, in the opinion of the Manager, is fair and reasonable.
- 2.5 In determining the value of the Scheme Property, all instructions given to issue or cancel Units will be assumed (unless the contrary is shown) to have been carried out and any payment made or received and any consequential action required by the Regulations will be assumed (unless the contrary has been shown) to have been taken.
- 2.6 From the valuation determined in 2.1-2.5 will be deducted:
  - 2.6.1 an estimated amount for corporation tax and other anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Fund; 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, value added tax, stamp duty and stamp duty reserve tax;
  - 2.6.2 an estimated amount for any liabilities payable out of the property of the Fund and any tax thereon treating periodic items as accruing from day-to-day;
  - 2.6.3 the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
- 2.7 The following will be added:
  - 2.7.1 an estimated amount for accrued claims for tax, if any, of whatever nature which may be recoverable;
  - 2.7.2 any other credits or amounts due to be paid into the property of the Fund;
  - 2.7.3 a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received.

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

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

## Appendix IV Investor profile

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Fund I Units are suitable for all investors eligible to invest in a Qualified Investor Scheme and are for investors who are unable to invest directly into the Schroder PAIF because they are Bodies Corporate.

## Appendix V AIFMD Disclosures

### Legal implications of the contractual relationship

Investors in the Trust will become unitholders in an authorised unit trust in England and Wales, with the rights, duties and obligations set out in the Prospectus, the Trust Deed and at law.

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

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

### Governing Law

The Trust's documents and the purchase of Unit 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 Unitholder were to bring a claim against the Trust, it would be necessary for the Unitholder to bring proceedings in the English courts.

### Professional liability risk

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

### Leverage

An investment in the Trust will expose the Unitholder to the risks associated with the Schroder PAIF. The following statement relates to the risks of leverage and liquidity risk management of the Schroder PAIF.

## 1. Definition

Leverage is a way for the Schroder PAIF to increase its exposure through borrowing of cash or securities and/or the use of financial derivative instruments. The Schroder PAIF is permitted to borrow within the guidelines set out in the Schroder PAIF's prospectus and may also use derivatives for efficient portfolio management purposes.

Leverage is expressed as a ratio ('leverage ratio') between the exposure of the Schroder PAIF and its net asset value.

The leverage ratio is calculated in accordance with two methodologies for calculating the exposure of the Schroder PAIF, 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 Schroder PAIF 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.
(a) '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 Schroder PAIF 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

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relation to efficient portfolio management transactions where applicable. Under this method, netting and hedging arrangements can be taken into consideration under certain conditions.

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The two ratios resulting from applying the gross or commitment methodology for calculating the exposure of the Schroder PAIF 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 Schroder PAIF
- 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 Schroder PAIF

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 Schroder PAIF 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 a fund is unleveraged whereas a leverage ratio above 1 indicates a fund is leveraged.

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

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

As stated above, the Schroder PAIF 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'	1.2
(b) 'Commitment leverage ratio'	1.2

## 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 2.7, 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.



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