

Schroder Global Recovery Fund

Overview

The Schroder Global Recovery Fund applies a disciplined value investment approach, seeking to invest in a select portfolio of securities that are significantly undervalued relative to their long-term earnings potential.

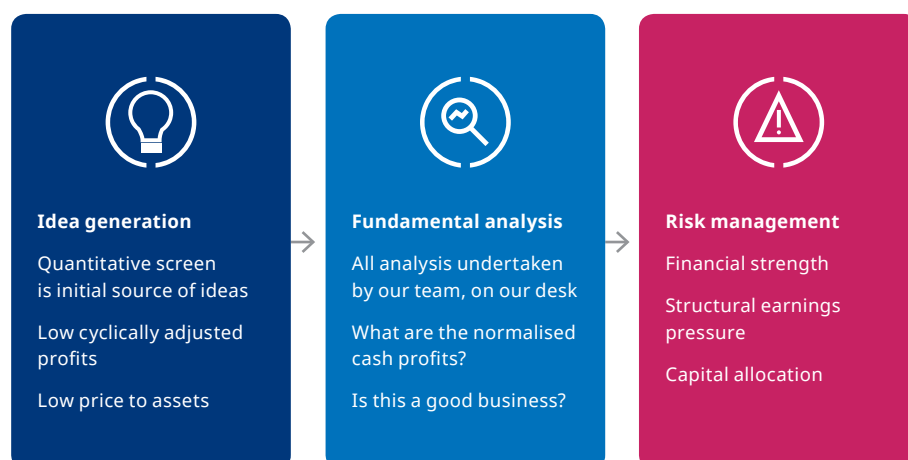
The Fund invests in companies worldwide that have classic recovery characteristics. Companies trade on low multiples of recovered profits, but where long-term prospects are believed to be good. Its major strength is the disciplined focus on buying out-of-favour companies at all stages in the investment cycle. While valuation-driven philosophies may fall in and out of favour, over longer time periods this investment style has shown the potential to deliver higher returns.

Investment approach

Recognising the long term benefit of a value strategy, we seek to identify stocks which trade at a substantial discount to their fair or intrinsic value and where we believe that profits growth will surpass expectations. We believe these stocks provide the most attractive investment returns over the long term.

The strategy has a distinct contrarian approach with a focus on stocks that will deliver absolute returns over the long term. It therefore has higher volatility than market indices, though we believe strongly that this is more than compensated for by the potential of longer term outperformance.

Investment process



Benefits

- **Unconstrained:** The Fund is benchmark unaware with a focus on stocks that will deliver absolute returns over the long term
- **Contrarian:** The Fund adopts a disciplined value driven approach
- **Bottom up:** The investment team has a strong focus on micro analysis, not macro, using skills in company analysis and valuation
- **Low turnover:** A thoughtful, patient, investment style, targeting long-term value creation.

Portfolio summary

The Fund's investment objective is to provide capital growth and to outperform the MSCI World Index.

Style	Value
No. securities	30 – 70
Position size	Maximum position size of 10%
Sector weights	Maximum of 35% in any one industry sector
Country weights	Maximum of 50% in any one country
Derivatives	Used for hedging and efficient portfolio management
Currency	Unhedged

Investment process

Idea generation

Quantitative screens are used to highlight companies that have underperformed the equity market, are attractive on a variety of valuation measures and have operating returns substantially below their peers.

Fundamental analysis

We believe strongly in the benefits of independent fundamental research. We spend considerable time constructing a model for each company based on at least one cycle's worth of company reports and accounts.

The main aims of the model are:

- To verify the output of the screening process and / or the veracity of the company's financial disclosure
- To understand the main dynamics of the business; operating leverage, cash conversion, sales volatility etc.
- Investigate balance sheet strength and perform sensitivity analysis
- Investigate historic levels of profitability and enable conservative modelling of recovery.

Risk management

We view investment risk in terms of the potential to lose capital. We seek to minimise this by constructing a portfolio of investments deemed to have attractive valuations and a sound financial position.

We focus on three main sources of risk:



- 1. Valuation** The risk of paying more for a share than is warranted by the intrinsic value of the underlying business



- 2. Earnings** The risk that the earnings of the company are in structural decline over time



- 3. Financial** The risk that the company becomes insolvent

We attempt to minimise absolute risk by concentrating on companies with low valuations, resilient earnings and strong balance sheets. This margin of safety is designed to protect capital in event of an unexpected adverse outcome.

What are the risks?

All investments involve risks however Schroders actively re-assesses and manages risk at every stage of the investment process.

The main risks specifically with investing in this Fund are market risk, equities and company risk, derivatives risk and risks associated with international investing such as movements in exchange rates.

For further details about the risks of investing in this Fund please refer to the Product Disclosure Statement.

Fund features

APIR	SCH0095AU
mFund code	SCH45
Fund inception	18 August 2017 (strategy inception Oct 2013)
Management costs (ICR)	0.98% p.a.
Buy / sell spread ¹	0.30% on application; 0.15% on redemptions

Contact Schroders

www.schroders.com.au

Level 20 Angel Place,
123 Pitt Street,
Sydney NSW 2000

Email info.au@schroders.com

Phone 1300 136 471

Fax (02) 9231 1119

Schroder Investment Management Australia Limited, ABN 22 000 443 274 Australian Financial Services Licence 226473

Disclaimer: Investment in the Schroder Global Recovery Fund may be made on an application form in the Product Disclosure Statement (PDS) dated 1 August 2017 which is available from Schroders (ABN 22 000 443 274, AFS Licence 226473). The information contained in this Fund Summary is general information only and does not take into account your objectives, financial situation or needs. Before acting on the information contained in this Fund Summary you should obtain a copy of the PDS and consider the appropriateness of the information in regard to your objective, financial situation and needs before making any decision about whether to invest, or continue to hold. The repayment of capital and performance in the Fund is not guaranteed by Schroders or any other party. Opinions constitute our judgement at the time of issue and are subject to change. Past performance is not an indicator of future performance. Investment guidelines represented are internal only and are subject to change without notice. For security reasons telephone calls may be taped.

