

Schroder Global Emerging Markets Fund

ARSN 121 251 410

Interim report

for the half-year ended 31 December 2019

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This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made in respect of Schroder Global Emerging Markets Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These financial statements cover Schroder Global Emerging Markets Fund as a registered managed investment scheme.

The responsible entity of Schroder Global Emerging Markets Fund is Schroder Investment Management Australia Limited. The responsible entity's registered office is Level 20, 123 Pitt Street, Sydney NSW 2000.

Directors' report

The directors of Schroder Investment Management Australia Limited ("Schroders"), the responsible entity of Schroder Global Emerging Markets Fund (the "Fund"), present their report together with the financial statements of the Fund, for the half-year ended 31 December 2019.

Directors

The following persons held office as directors of Schroders during the half-year or since the end of the half-year and up to the date of this report:

M A Coble (resigned 31 December 2019)

M W Conlon

S Doyle

C J Durack

S G Mather

R Mellor-Bessant

M Trinh (appointed 1 January 2020)

This report is made in accordance with resolution of the Directors.

Review and results of operations

There were no significant changes to the Fund's investment strategy. The investment policy of the Fund continues to be in accordance with the provisions of the Fund Constitution.

Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended	
	31 December 2019	31 December 2018
Operating profit/(loss) (\$'000)	<u>18,173</u>	<u>(11,796)</u>
<i>Distributions</i>		
Distributions paid and payable (\$'000)	<u>1,189</u>	<u>958</u>

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the period under review.

Rounding of amounts to the nearest thousand dollars

Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 3.

This report is made in accordance with a resolution of the directors.

Director  Director 
M Trinh C J Durack

Sydney

10 March 2020



Auditor's Independence Declaration

As lead auditor for the review of Schroder Global Emerging Markets Fund for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'Craig Stafford'.

Craig Stafford
Partner
PricewaterhouseCoopers

Sydney
10 March 2020

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Schroder Global Emerging Markets Fund
Statement of comprehensive income
For the half-year ended 31 December 2019

Statement of comprehensive income

	Half-year ended	
	31 December	31 December
	2019	2018
	\$'000	\$'000
<i>Investment income</i>		
Interest income	20	36
Dividend income	4,084	2,104
Distribution income	29	32
Net gains/(losses) on financial instruments at fair value through profit or loss	15,754	(12,495)
<i>Total net investment income/(loss)</i>	19,887	(10,323)
 <i>Expenses</i>		
Responsible Entity's fees	1,570	1,350
Custody fees	35	41
Transaction costs	107	69
Other operating expenses	2	13
<i>Total operating expenses</i>	1,714	1,473
<i>Operating profit/(loss)</i>	18,173	(11,796)
 <i>Profit/(loss) for the half-year</i>	18,173	(11,796)
Other comprehensive income	-	-
<i>Total comprehensive income for the half-year</i>	18,173	(11,796)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Schroder Global Emerging Markets Fund
Balance sheet
As at 31 December 2019

Balance sheet

	Note	As at	
		31 December 2019 \$'000	30 June 2019 \$'000
Assets			
Cash and cash equivalents		7,792	4,476
Receivables		242	184
Accrued income		773	1,358
Due from broker - receivable for securities sold		28	431
Financial assets at fair value through profit or loss	4	<u>230,997</u>	<u>212,583</u>
Total assets		<u>239,832</u>	<u>219,032</u>
 Liabilities			
Distribution payable	8	412	372
Payables		364	713
Due to brokers - payable for securities purchased		1,847	621
Financial liabilities at fair value through profit or loss	5	<u>5</u>	<u>-</u>
Total liabilities		<u>2,628</u>	<u>1,706</u>
Net assets attributable to unitholders - Equity		<u>237,204</u>	<u>217,326</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Schroder Global Emerging Markets Fund
Statement of changes in equity
For the half-year ended 31 December 2019

Statement of changes in equity

	Note	Half-year ended	
		31 December 2019 \$'000	31 December 2018 \$'000
Total equity at the beginning of the half-year		217,326	195,097
Comprehensive income for the half-year			
Profit/loss for the half-year	7	18,173	(11,796)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year		18,173	(11,796)
Transactions with unitholders			
Applications	7	10,185	13,721
Redemptions	7	(8,901)	(6,528)
Units issued upon reinvestment of distributions	7	777	612
Units issued upon reinvestment of fee rebates	7	833	772
Distributions paid and payable	8	<u>(1,189)</u>	<u>(958)</u>
Total transactions with unitholders		<u>1,705</u>	<u>7,619</u>
Total equity at the end of the half-year	7	<u>237,204</u>	<u>190,920</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Schroder Global Emerging Markets Fund
Statement of cash flows
For the half-year ended 31 December 2019

Statement of cash flows

	Half-year ended	
	31 December 2019 \$'000	31 December 2018 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	40,353	22,270
Purchase of financial instruments at fair value through profit or loss	(41,389)	(30,572)
Transaction costs of financial instruments at fair value through profit or loss	(107)	(69)
Dividends received	4,627	2,625
Distributions received	20	21
Interest received	21	33
Responsible Entity's fees paid	(1,511)	(1,332)
Payment of other expenses	(37)	(80)
Net cash inflow/(outflow) from operating activities	<u>1,977</u>	<u>(7,104)</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	11,018	14,493
Payments for redemptions by unitholders	(9,309)	(6,690)
Distributions paid from operating activities	(372)	(334)
Net cash inflow from financing activities	<u>1,337</u>	<u>7,469</u>
Net increase in cash and cash equivalents	3,314	365
Cash and cash equivalents at the beginning of the half-year	4,476	5,018
Effects of foreign currency exchange rate changes on cash and cash equivalents	2	9
Cash and cash equivalents at the end of the half-year	<u>7,792</u>	<u>5,392</u>
Non-cash financing activities	<u>1,610</u>	<u>1,384</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of interim report

This general purpose financial report for the half-year ended 31 December 2019 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The responsible entity of the Fund is Schroder Investment Management Australia Limited ("Schroders"). The registered office of the responsible entity is Level 20, 123 Pitt Street, Sydney NSW 2000.

Except for the impact of new and amended accounting standards adopted by the Fund, the accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

2 Summary of significant accounting policies

(a) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial half-year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) Comparatives

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis

- Financial assets / liabilities at fair value through profit or loss (FVPL) (see note 45)

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy;

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

3 Fair value measurement (continued)

(a) Fair value hierarchy

Recognised fair value measurements

The tables below set out the Fund's financial assets and financial liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2019 and 30 June 2019.

31 December 2019	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets at fair value through profit or loss:				
Derivatives				
Forward currency contracts	-	-	-	-
Equity securities	227,793	-	-	227,793
Unlisted unit trusts	-	2,375	-	2,375
Listed unit trusts	<u>829</u>	<u>-</u>	<u>-</u>	<u>829</u>
Total	<u>228,622</u>	<u>2,375</u>	<u>-</u>	<u>230,997</u>
Forward currency contracts	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
Total	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
30 June 2019	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets at fair value through profit or loss:				
Derivatives				
Forward currency contracts	-	1	-	1
Equity securities	209,582	-	-	209,582
Unlisted unit trusts	-	2,226	-	2,226
Listed unit trusts	<u>774</u>	<u>-</u>	<u>-</u>	<u>774</u>
Total	<u>210,356</u>	<u>2,227</u>	<u>-</u>	<u>212,583</u>

Investments in unlisted unit trusts are classified as level 2 as they are not traded on an active market. Whilst not traded on an active market, units in the unlisted trusts are open to daily transactions. In addition, the underlying investments of the unlisted unit trusts are predominantly classified as Level 1.

The Fund did not hold any level 3 instruments as at half-year ended 31 December 2019 and year ended 30 June 2019.

(i) *Transfers between levels*

There were no transfers between the levels of the fair value hierarchy during the half-year ended 31 December 2019 and year ended 30 June 2019.

4 Financial assets at fair value through profit or loss

	As at	
	31 December 2019	30 June 2019
	Fair value \$'000	Fair value \$'000
Financial assets at fair value through profit or loss		
Derivatives	-	1
Equity securities	227,793	209,582
Unlisted unit trusts	2,375	2,226
Listed unit trusts	829	774
Total financial assets at fair value through profit or loss	<u>230,997</u>	<u>212,583</u>
Comprising:		
Forward currency contracts	-	1
Total derivatives	-	1
Equity securities		
International equity securities listed on a prescribed stock exchange	227,793	209,582
Total equity securities	<u>227,793</u>	<u>209,582</u>
Unlisted unit trusts		
International unlisted trusts	2,375	2,226
Total unlisted unit trusts	<u>2,375</u>	<u>2,226</u>
Listed unit trusts		
International listed trusts	829	774
Total listed unit trusts	<u>829</u>	<u>774</u>
Total financial assets at fair value through profit or loss	<u>230,997</u>	<u>212,583</u>

5 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2019	30 June 2019
	Fair value \$'000	Fair value \$'000
Financial liabilities at fair value through profit or loss		
Derivatives	5	-
Total financial liabilities at fair value through profit or loss	<u>5</u>	<u>-</u>
Forward currency contracts	5	-
Total derivatives	<u>5</u>	<u>-</u>
Total financial liabilities at fair value through profit or loss	<u>5</u>	<u>-</u>

6 Financial assets and financial liabilities at amortised cost

The following financial assets and financial liabilities disclosed in the balance sheet are measured at amortised cost: cash and cash equivalents; receivables; accrued income; due from brokers - receivable for securities sold; distribution payable; payables; and due to brokers - payable for securities purchased.

7 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Movement in number of units and net assets attributable to unitholders during the half-year were as follows:

	As at			
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	No.'000	No.'000	\$'000	\$'000
Opening balance	179,782	169,701	217,326	195,097
Applications	8,121	12,239	10,185	13,721
Redemptions	(7,222)	(5,865)	(8,901)	(6,528)
Units issued upon reinvestment of distributions	596	567	777	612
Units issued upon reinvestment of fee rebates	665	680	833	772
Distributions paid and payable	-	-	(1,189)	(958)
Profit/(loss) for the period	-	-	18,173	(11,796)
Closing balance	181,942	177,322	237,204	190,920

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

8 Distributions to unitholders

The distributions during the half-year were as follows:

	Half-year ended			
	31 December 2019		31 December 2018	
	\$'000	CPU	\$'000	CPU
Distributions paid				
- 31 December*	777	0.66	612	0.54
Distributions payable				
- 31 December*	412	0.66	346	0.54
	1,189		958	

*CPU shown is the rate applicable to the sum of distributions paid and payable.

9 Events occurring after the reporting period

No significant events have occurred since the end of the reporting date which would impact on the financial position of the Fund disclosed in the Balance sheet as at 31 December 2019 or on the results and cash flows of the Fund for the half-year ended on that date.

10 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2019 and 30 June 2019.

Directors' declaration

In the opinion of the Directors of Schroders:

- (a) the financial statements and notes set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date;
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the directors.

Director

M Trinh

Director

C J Durack

Sydney

10 March 2020



Independent auditor's review report to the unitholders of Schroder Global Emerging Markets Fund

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Schroder Global Emerging Markets Fund (the Registered Scheme) which comprises the balance sheet as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors of the Responsible Entity's declaration.

Responsibility of the Directors of the Responsible Entity for the half-year financial report

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Registered Scheme's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Schroder Global Emerging Markets Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Schroder Global Emerging Markets Fund is not in accordance with the *Corporations Act 2001* including:

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1. giving a true and fair view of the Registered Scheme's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers
PricewaterhouseCoopers

Stafford

Craig Stafford
Partner

Sydney
10 March 2020