

# **Schroder Global Emerging Markets Fund**

ARSN 121 251 410

**Interim report**

**for the half-year ended 31 December 2017**

# Schroder Global Emerging Markets Fund

ARSN 121 251 410

## Interim report

for the half-year ended 31 December 2017

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This interim 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 2017 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 report of the Fund for the half-year ended 31 December 2017.

### Directors

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

M A Coble

M W Conlon

G J A Cooper

S Doyle

R Mellor-Bessant

S G Mather

### 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's Constitution.

	Half-year ended	
	31 December 2017	31 December 2016
Operating profit before finance costs attributable to unitholders (\$'000)	<u>22,729</u>	<u>11,370</u>
<i>Distributions</i>		
Distributions paid and payable (\$'000)	<u>886</u>	<u>2,123</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 off to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Report) 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



M A Coble

Director



G J A Cooper

Sydney  
9 March 2018



## Auditor's Independence Declaration

As lead auditor for the review of Schroder Global Emerging Markets Fund for the half-year ended 31 December 2017, 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  
9 March 2018

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## Statement of comprehensive income

	Notes	Half-year ended	
		31 December 2017 \$'000	31 December 2016 \$'000
<b>Investment income</b>			
Interest income		17	15
Dividend income		1,509	1,398
Distribution income		11	9
Net gains on financial instruments held at fair value through profit or loss		22,467	11,082
Other investment income		<u>-</u>	<u>3</u>
<b>Total net investment income</b>		<u>24,004</u>	<u>12,507</u>
<b>Expenses</b>			
Responsible entity's fees		1,126	1,009
Custody transaction fees		52	66
Transaction costs		49	31
Other operating expenses		<u>48</u>	<u>31</u>
<b>Total operating expenses</b>		<u>1,275</u>	<u>1,137</u>
<b>Operating profit</b>		<u>22,729</u>	<u>11,370</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	7	-	(2,123)
Increase in net assets attributable to unitholders	6	<u>-</u>	<u>(9,247)</u>
<b>Profit/(loss) for the half-year</b>		<u>22,729</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the half-year</b>		<u>22,729</u>	<u>-</u>

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

**Balance sheet**

	Notes	As at	
		31 December 2017 \$'000	30 June 2017 \$'000
<b>Assets</b>			
Cash and cash equivalents		2,223	2,912
Receivables		195	153
Accrued income		472	1,052
Due from brokers - receivable for securities sold		-	1,112
Financial assets held at fair value through profit or loss	4	<u>174,488</u>	<u>147,174</u>
<b>Total assets</b>		<u>177,378</u>	<u>152,403</u>
<b>Liabilities</b>			
Distribution payable	7	245	2,845
Payables		210	369
Due to brokers - payable for securities purchased		32	582
Financial liabilities held at fair value through profit or loss	5	<u>-</u>	<u>2</u>
<b>Total liabilities (30 June 2017: excluding net assets attributable to unitholders)</b>		<u>487</u>	<u>3,798</u>
<b>Net assets attributable to unitholders - Equity*</b>	6	<u>176,891</u>	<u>-</u>
<b>Net assets attributable to unitholders - Liability*</b>	6	<u>-</u>	<u>148,605</u>

\* Net assets attributable to unitholders are classified as equity at 31 December 2017 and as a financial liability at 30 June 2017. Refer to note 1 for further detail.

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

## Statement of changes in equity

	Notes	Half-year ended	
		31 December 2017 \$'000	31 December 2016 \$'000
<b>Total equity at the beginning of the half-year</b>		-	-
Reclassification due to AMIT tax regime implementation*	6	148,605	-
<b>Comprehensive income for the year</b>			
Profit for the half-year	6	22,729	-
Other comprehensive income		-	-
<b>Total comprehensive income for the half-year</b>		<u>22,729</u>	-
<b>Transaction with unitholders</b>			
Applications	6	9,959	-
Redemptions	6	(4,809)	-
Units issued upon reinvestment of distributions	6	641	-
Units issued upon reinvestment of fee rebates	6	652	-
Distributions paid and payable	7	(886)	-
<b>Total transactions with unitholders</b>		<u>5,557</u>	-
<b>Total equity at the end of the half-year*</b>	6	<u>176,891</u>	-

\* Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity. Refer note 1 for further detail. As a result, equity transactions, including distributions have been disclosed in the above statement for the half-year ended 31 December 2017.

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



**Statement of cash flows**

	Half-year ended	
	31 December 2017 \$'000	31 December 2016 \$'000
<b><i>Cash flows from operating activities</i></b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	23,762	85,642
Purchase of financial instruments held at fair value through profit or loss	(28,021)	(28,796)
Transaction costs of financial instruments held at fair value through profit or loss	(49)	(31)
Interest received	18	14
Dividends received	2,045	2,393
Distributions received	11	9
Other income received	-	3
Responsible entity's fees paid	(1,107)	(1,068)
Payment of other expenses	(122)	(106)
<b><i>Net cash (outflow)/inflow from operating activities</i></b>	<b><u>(3,463)</u></b>	<b><u>58,060</u></b>
<b><i>Cash flows from financing activities</i></b>		
Proceeds from applications by unitholders	10,611	5,172
Payments for redemptions by unitholders	(4,988)	(63,498)
Distributions paid from operating activities	(2,845)	(157)
<b><i>Net cash inflow/(outflow) from financing activities</i></b>	<b><u>2,778</u></b>	<b><u>(58,483)</u></b>
<b><i>Net decrease in cash and cash equivalents</i></b>	<b>(685)</b>	<b>(423)</b>
Cash and cash equivalents at the beginning of the half-year	2,912	1,837
Effects of foreign currency exchange rate changes on cash and cash equivalents	(4)	(3)
<b>Cash and cash equivalents at the end of the half-year</b>	<b><u>2,223</u></b>	<b><u>1,411</u></b>
Non-cash financing activities	<u>641</u>	<u>1,505</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 2017 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 2017 and any 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*.

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.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

Reclassification of units from financial liability to equity

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund's constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Fund have been reclassified from a financial liability to equity on 1 July 2017, see note 6 for further information.

## 2 Summary of significant accounting policies

### (a) New and amended standards adopted by the Fund

There were no other standards, interpretations or amendments to existing standards that are effective for the first time for the half year beginning 1 July 2017 that would be expected to have a material impact on the Fund.

### (b) Impact of standards issued but not yet applied by the Fund

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2017 reporting period and have not been early adopted by the Fund. The director's assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) *AASB 9 Financial Instruments (and applicable amendments), (effective from 1 January 2018)*

*AASB 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The Fund will be required to apply this standard from 1 July 2018.

The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments, however, the assessment is not yet complete.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. *AASB 9* introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

(ii) *AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2018)*

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements, however, the assessment is not yet complete.

## 2 Summary of significant accounting policies (continued)

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the responsibility entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavorable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As at 30 June 2017, net assets attributable to unitholders are classified as a financial liability. Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

### (d) Income tax

Under current legislation, the fund is not subject to income tax provided they attribute the entirety of their taxable income to their unitholders.

### (e) Distributions

Distributions are payable as set out in the Fund's Product Disclosure Statement. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial assets and liabilities held for trading. Unrealised gains and losses on financial assets and liabilities held for trading that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

## 3 Fair value measurement of financial instruments

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

- Financial assets/liabilities designated at fair value through profit or loss (see note 4 and 5)
- Financial assets/liabilities held for trading (see note 4 and 5)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

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)
- (i) *Fair value in an active market (level 1)*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

### 3 Fair value measurement of financial instruments (continued)

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) *Fair value in an inactive or unquoted market (level 2 and level 3)*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

**(a) Fair value hierarchy**

The tables below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2017 and 30 June 2017.

<b>31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Financial assets designated at fair value through profit and loss:				
Equity securities	172,129	-	-	172,129
Unlisted unit trusts	-	1,715	-	1,715
Listed unit trusts	<u>644</u>	<u>-</u>	<u>-</u>	<u>644</u>
<b>Total</b>	<u><b>172,773</b></u>	<u><b>1,715</b></u>	<u><b>-</b></u>	<u><b>174,488</b></u>

### 3 Fair value measurement of financial instruments (continued)

#### (a) Fair value hierarchy (continued)

30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives				
Forward currency contracts	-	1	-	1
Financial assets designated at fair value through profit and loss:				
Equity securities	143,487	-	-	143,487
Unlisted unit trusts	-	3,080	-	3,080
Listed unit trusts	606	-	-	606
<b>Total</b>	<u>144,093</u>	<u>3,081</u>	<u>-</u>	<u>147,174</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives				
Forward currency contracts	-	2	-	2
<b>Total</b>	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>

Investments in unlisted unit trusts and unlisted cash 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 trust 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 ended 31 December 2017 and 30 June 2017.

#### (b) Transfers between levels

There were no transfers between levels of the fair value hierarchy during the half-year ended 31 December 2017 and year ended 30 June 2017.

#### 4 Financial assets held at fair value through profit or loss

	As at	
	31 December 2017	30 June 2017
	\$'000	\$'000
<b>Held for trading</b>		
Derivatives	-	1
Total held for trading	-	1
<b>Designated at fair value through profit or loss</b>		
Equity securities	172,129	143,487
Unlisted unit trusts	1,715	3,080
Listed unit trusts	644	606
Total designated at fair value through profit or loss	174,488	147,173
<b>Total financial assets held at fair value through profit or loss</b>	<b>174,488</b>	<b>147,174</b>
<b>Comprising:</b>		
<b>Derivatives</b>		
Forward currency contracts	-	1
Total derivatives	-	1
<b>Equity securities</b>		
International equity securities listed on a prescribed stock exchange	172,129	143,487
Total equity securities	172,129	143,487
<b>Unlisted unit trusts</b>		
International unlisted equity trusts	1,715	3,080
Total unlisted unit trusts	1,715	3,080
<b>Listed unit trusts</b>		
International listed trusts	644	606
Total listed unit trusts	644	606
<b>Total financial assets held at fair value through profit or loss</b>	<b>174,488</b>	<b>147,174</b>

#### 5 Financial liabilities held at fair value through profit or loss

	As at	
	31 December 2017	30 June 2017
	\$'000	\$'000
<b>Held for trading</b>		
Derivatives	-	2
Total held for trading	-	2
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>-</b>	<b>2</b>
<b>Comprising:</b>		
<b>Derivatives</b>		
Forward currency contracts	-	2
Total derivatives	-	2
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>-</b>	<b>2</b>

## 6 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

Prior to 1 July 2017 the Fund classified its net assets attributable to unitholders from liabilities in accordance with AASB 132. On 1 July 2017, the Fund has elected into AMIT tax regime. The Fund's constitution has been amended on the same date and it no longer has a contractual obligation to pay distributions to unitholders. Therefore the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity from 1 July 2017 onwards.

As a result of the classification of net assets attributable to unitholders from liabilities to equity, the Fund's distributions are no longer classified as finance cost in the statement of comprehensive income, but rather as dividends paid in the statement of changes in equity.

Movements in number of units and net assets attributable to unitholders during the period were as follows:

	As at			
	31 December 2017 No. '000	31 December 2016 No. '000	31 December 2017 \$'000	31 December 2016 \$'000
<b>Net assets attributable to unitholders</b>				
Opening balance*	145,859	205,593	148,605	185,837
Applications	8,953	4,667	9,959	4,465
Redemptions	(4,357)	(69,131)	(4,809)	(63,313)
Units issued upon reinvestment of distributions	550	1,556	641	1,505
Units issued upon reinvestment of fee rebates	590	744	652	707
Distributions paid and payable	-	-	(886)	-
Profit for the period	-	-	22,729	-
Increase in net assets attributable to unitholders	-	-	-	9,247
Closing balance*	<u>151,595</u>	<u>143,429</u>	<u>176,891</u>	<u>138,448</u>

\* Net assets attributable to unitholders are classified as equity at 31 December 2017 and as a financial liability at 30 June 2017. Refer to note 1 for further details.

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to 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.

### Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by Schroders. Under the terms of the Fund Constitution, Schroders has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

## 7 Distributions to unitholders

The distributions during the half-year were as follows:

	Half-year ended			
	31 December 2017		31 December 2016	
	\$'000	CPU	\$'000	CPU
Distribution paid*				
– 31 December	641	0.59	1,505	1.50
Distribution payable*				
– 31 December	<u>245</u>	0.59	<u>618</u>	1.50
	<u><u>886</u></u>		<u><u>2,123</u></u>	

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

## 8 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the balance sheet as at 31 December 2017 or on the results and cash flows of the Fund for the half-year ended on that date.

## 9 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2017 and 30 June 2017.



## Directors' declaration

In the opinion of the Directors' of Schroders:

- (a) the financial statements and notes set out on pages 4 to 14 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 2017 and of its performance for the 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.

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

Director



M A Coble

Director



G J A Cooper

Sydney  
9 March 2018



## **Independent auditor's review report to the members 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 Fund), which comprises the balance sheet as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the half-year financial report***

The directors of Schroder Investment Management Australia Limited (the Responsible Entity) 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 determine is necessary to enable the preparation of the half-year financial report that 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 entity's financial position as at 31 December 2017 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*.

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### *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:

1. giving a true and fair view of the entity's financial position as at 31 December 2017 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  
9 March 2018