

Schroder Global Core Fund

Overview

The Global Core Fund is an actively managed strategy designed to target outperformance of MSCI World ex Australia with limited index-relative risk. The team analyses a global universe

of over 15,000 companies to identify attractive opportunities, applying index relative constraints at the stock, sector and regional level in order to ensure effective diversification, manage risk and avoid any

extreme outcomes. This strategy provides the benefits of index-based investing from a risk and cost perspective with the advantage of relative performance upside potential.

Key features

An 'all-weather' product

We invest in stocks on the basis of both attractive valuations and business quality. The advantage of combining Value and Quality opportunities in a single portfolio is that while both strategies tend to outperform through time they typically deliver their returns at different stages of the economic cycle, offering investors the potential for outperformance across a broad range of market environments.

Exceptional global diversification

Our research suggests that there is a long-term premium available to investors focused on valuations and on business quality. We exploit this through a highly diversified portfolio, typically invested in excess of 500 stocks. This high level of diversification minimises stock-specific risk.

Limited index-relative risk

Top-down risks are carefully managed by applying index-relative limits on the weights of regions, sectors and stocks in our portfolio construction process. This results in a low tracking error which is typically less than 1.5% p.a.

Portfolio summary

Investment objective

Long run excess returns above the MSCI World ex-Australia Index (net dividend reinvested) before fees

Tracking error (ex-post)

Not targeted but expected to typically be less than 1.5% p.a.

Style

Beta neutral, all capitalisation

No. securities

Typically > 500 stocks

Investment process

We take a strategic approach to equity investment. All stock selection is focused on two key fundamental drivers of long-run equity returns – stock valuations and business quality. We then employ quantitative tools to 'scale up' our fundamental analysis and search for the best opportunities across a global universe of over 15,000 stocks in more than 40 countries. These tools enable us to maximise the opportunity set and to re-balance the portfolio in order to take advantage of opportunities as they evolve.

Finally, an experienced investment team is responsible for implementing every trade decision and for ensuring that we remain focused on future risks and opportunities.

Our investment process can be summarised in three stages:

Stage 1: Fundamental Drivers – Global Value and Global Quality Ranks

Stock selection is focused on two key fundamental drivers of long-run equity returns: Value and Quality. We begin by

ranking a global universe of over 15,000 companies in terms of both their valuations (across range of metrics based on dividends, earnings, cash flow, assets and sales) and business quality (based on measures of profitability, stability and financial strength). Our investment universe includes stocks in the top third of either (or both) of these ranks.

Investment process (cont.)

Stage 2: Stock Selection

We prioritise stocks with the most favourable combination of both Value and Quality characteristics. We believe that the Quality criterion helps us to avoid 'value traps' – stocks which are cheap for good reason. Conversely, our awareness of a stock's valuation helps us to avoid over-paying for Quality. Individual position sizing is determined by our analysis of a stock's fundamentals – as well as considerations of liquidity and volatility – subject to index relative weight limits. Typically we will hold overweight positions in attractively valued, high quality stocks and will be underweight (or will not hold) companies which are unattractive on

Value and Quality measures. We also monitor other factors such as Momentum and Glamour for risk management and diversification purposes.

Stage 3: Portfolio Construction

Top-down risks are carefully managed with index-relative limits applied at the region, sector and stock level. Within these limits we aim to maximise exposure to stocks with a higher probability of outperformance and avoid or underweight those with a lower probability of outperformance. Portfolio managers assess the portfolio every day and re-balance according to the opportunities

available. Portfolio managers are also responsible for controlling the overall risk budget of our funds, ensuring an efficient trade-off between potential risks and rewards. Exceptional diversification is one of our most important tools, maximising exposure to return opportunities across sectors, countries and market capitalisation while minimising stock-specific risk. Portfolio managers ensure that the strategy is sufficiently diversified, typically invested in excess of 500 stocks. Portfolio managers implement every trade decision and, as experienced investors, provide an important overlay in terms of awareness of future opportunities and risks in global markets.

What are the risks?

It is important to understand the risks associated with investing in the Fund. The main risks specifically with investing in this strategy are market risk, equities risk,

emerging markets 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 strategy please refer to the Product Disclosure Statement.

Fund features

Currency exposure	Unhedged
Inception date	31 October 2002
Pricing	Daily
Minimum investments	\$20,000
Management costs	0.40% p.a.
Buy/sell spread	0.15% on application and 0.10% on withdrawal
Entry/exit fees	Nil
Distributions	Normally last business day of June and December
APIR code	SCH0003AU

Contact Us

Please call Client Services on **1300 136 471**

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Or visit us at www.schroders.com.au

Investment in the Schroder Global Core Fund may be made on an application form in the current Product Disclosure Statement (PDS) which is available from Schroder Investment Management Australia Limited (ABN 22 000 443 274, AFS Licence 226274) website www.schroders.com.au. The information contained in this flyer is general information only. It does not contain and should not be taken as containing any financial product advice or financial product recommendations. Before acting on the information contained in this flyer 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 of the Fund is not guaranteed by Schroders or any company in the Schroders Group. 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 recorded. September 2016 SC970 RC61215.