

Schroder Global Blend Fund & Schroder Global Blend Fund (Hedged)

Overview

Global Blend is an index unconstrained global equity strategy that aims to generate long-term returns before fees in excess of traditional capitalisation weighted global equity indices by investing in a diversified portfolio of equity and equity related securities of companies worldwide excluding Australia.

The strategy focuses on two key fundamental drivers of long-run equity returns: business quality (Quality) and stock valuations (Value).

Returns provide diversification benefits to typical global equity benchmarks or other global equity managers and as a result the strategy is suitable as a primary investment

or complementary blend for existing Core, Growth or Value global equity funds which follow a benchmark constrained and/or concentrated investment approach. Global Blend is available in both unhedged and hedged options:

Schroder Global Blend Fund

Unhedged option where underlying foreign currency exposure is typically unhedged against the Australian dollar so movements in the Australian dollar will impact Fund returns.

Schroder Global Blend Fund (Hedged)

Hedged option where the impact of movements of the Australian dollar on fund returns are minimised by hedging the foreign currency exposure back to Australian dollars.

Key features

Advantages of both Value and Quality in one fund

Strategic diversification from blending Value and Quality factors which tend to outperform at different stages of the economic cycle.

Embracing breadth

Exploiting opportunities from more than 15,000 stocks globally.

Non market cap stock weights

Stock weights are determined by fundamentals and not by a stock's size in an index.

Bottom up index unconstrained strategy

Our bottom-up, index-unaware process does not impose inefficient index-based sector/region constraints, enabling us to look beyond the index and invest wherever we find the best opportunities.

Focus on risk management and portfolio construction

A highly diversified portfolio minimises stock specific risk whilst retaining a high degree of conviction.

What makes us different

Our unconstrained approach and broad opportunity set of over 15,000 stocks allows us to find attractive opportunities across most market cycles. The Fund invests in stocks on the basis of both attractive valuations and business quality. The advantage of combining Value and Quality opportunities is that

while both strategies tend to outperform through time they tend to deliver their returns at different stages of the economic cycle, offering investors the potential for outperformance across a broad range of market environments. The Fund is quite different to the majority of global equity approaches:

- No benchmark constraints forcing us to hold industries, countries or stocks we do not like.
- Unconstrained but highly diversified portfolio to minimise stock specific risk.
- Typically has a higher exposure to mid cap stocks than most other global equity managers.

Portfolio summary

Performance objective

Long run returns before fees in excess of comparable global equity indices.

Tracking error (ex-post)

Not targeted but typically within a range of 3-4% p.a.

Style

Blend of Value and Quality factors, all capitalisation, unconstrained.

No. securities

Typically > 400.

Currency exposure

Hedged or unhedged options.

Investment process

Our investment process can be summarised in three stages

Stage 1: Global Blend Rank

Stock selection is focused on two key fundamental drivers of long run equity returns – Value and Quality.

We create a Global Blend Rank by ranking our global universe of over 15,000 companies in terms of both their Value (across a range of metrics based on dividends, earnings, cash flow, assets and sales) and Quality (based on measures of profitability, stability and financial strength). Our investment universe is the top third of the Global Blend Rank.

Stage 2: Stock selection

In deciding how much of each stock to own, a focus on business Quality (as measured by profitability, stability and financial strength) helps us to maximise our exposure to those stocks which are both attractively valued and good quality and to avoid 'value traps'. Other considerations in scaling position sizes include measures of risk, liquidity and volatility. In order to ensure proper diversification, we apply a maximum position size limit to individual stocks and construct a highly diversified portfolio.

Stage 3: Portfolio construction

Portfolio construction is bottom-up, driven by stock selection. Portfolio managers assess the portfolio every day and re-

balance according to the opportunities available. Our portfolio managers are 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 portfolio is sufficiently diversified, typically invested across in excess of 400 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 risk associated with investing in both the hedged and unhedged options is equities risk. The unhedged Schroder

Global Blend Fund also involves currency risk. Please refer to the PDS for a full description of the risks associated with these Funds. As with any equity based strategy, negative returns may occur in

the short-to-medium term. In addition, performance may be very different to a capitalisation weighted global benchmark as the investment strategy does not attempt to track a benchmark.

Fund features

	Schroder Global Blend Fund (Hedged)	Schroder Global Blend Fund
Currency exposure	Hedged	Unhedged
Inception date	29 November 2010	8 December 2009
Pricing	Daily	Daily
Minimum investment	\$20,000	\$20,000
Management costs	0.98% p.a.	0.98% p.a.
Buy/sell spread*	0.23% on application 0.18% on redemption	0.20% on application 0.15% on redemption
Entry/exit fees	Nil	Nil
Distributions	Normally last business day of June and December	Normally last business day of June and December
APIR codes	SCH0051AU	SCH0040AU

Contact Us

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

or email us at info.au@schroders.com

Or visit us at www.schroders.com.au

Investment in the Schroder Global Blend Fund and Schroder Global Blend Fund (Hedged) 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 RC61216.