



Schroder Real Return Fund (Managed Fund)

A new offering from Schroders (ASX:GROW)

September 2016

Introductory presentation

Why buy the Schroder Real Return Fund (Managed Fund)?

1 Benefits of diversification

2 Active asset allocation

3 Protection from the market

4 Focus on real returns

5 Available on the ASX

6 A strong track record in multi-asset investing



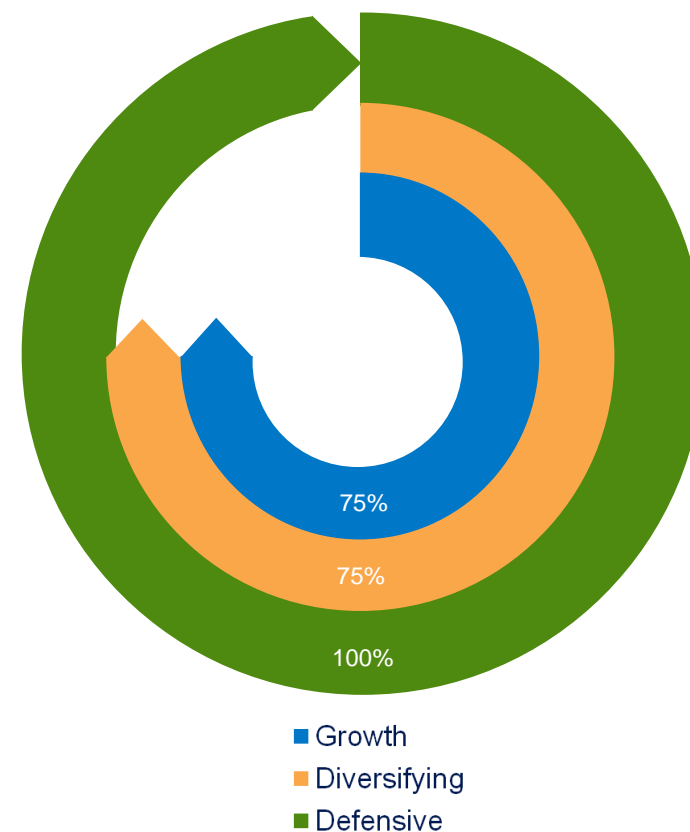
GROW – a new way to think about investing

Schroder Real Return (ASX:GROW)

Key Features

	Schroder Real Return (ASX:GROW)	
Asset Class	Multi-Asset / Objective Based	
Benchmark	None/Flexible	
Target performance/risk objective	CPI+5% (before fees) over rolling 3 yr periods, min downside risk	
Management style	Active	
Asset allocation ranges	Growth	0 – 75%
	Diversified	0 – 75%
	Defensive	0 – 100%
Strategy	Target return / downside risk focus, flexible asset allocation	
Investment phase	Accumulation, Pre-retirement and Pension	
Distribution	Normally twice yearly	
Availability	Available on the ASX (ASX:GROW)	
Liquidity	Open-ended fund, issues and cancels units daily Acts as market maker to provide liquidity	
Pricing	Expected to trade at a tight spread around iNAV	
Execution and settlement	Live pricing on ASX Settlement via CHESS	
Fees	0.90%	

Portfolio ranges



Source: Schroders as at 31 August 2016

Schroders

One of the largest independent investment managers in the world

Long standing heritage, with over 200 years of experience

Managing money is our sole business

Extensive global network operating in 28 countries

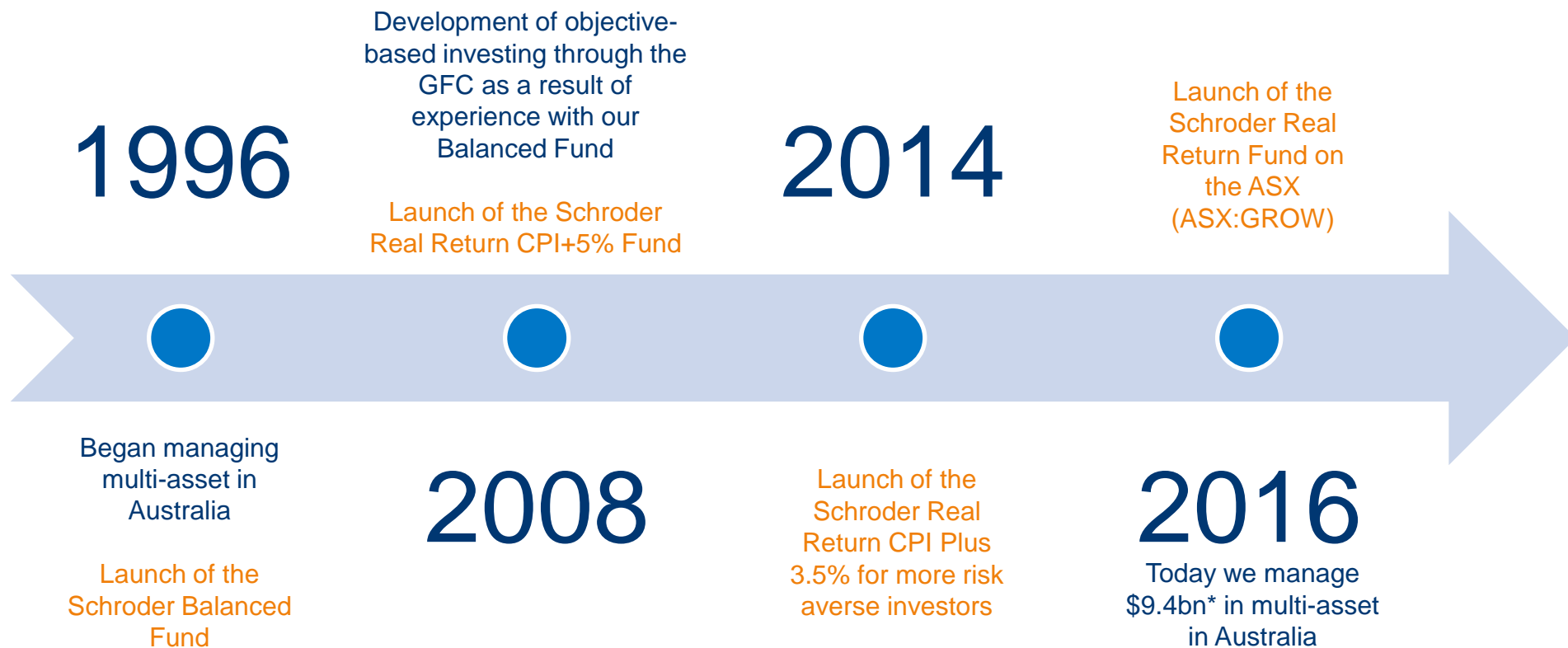
Global funds under management: **A\$617.2bn**

Australian business funds under management: **A\$46.9bn**

Source: * Schroders at 30 June 2016

Our Multi-Asset credentials

Strong track-record across objective-based and growth strategies



Access to a wide network of global resources with local management and accountability

Source: Schroders *as at 31 July 2016

Schroders' Real Return Strategy

Our core beliefs

- 1** Valuations of asset classes matter just as much as for individual securities
- 2** Asset allocation needs to be broad and flexible - responding to changing markets
- 3** Risk is losing money and not meeting investment objectives, NOT volatility

Schroder Real Return Fund (ASX:GROW)

Focused on the things that matter

- Objectives are focussed on the things that matter for the investor
- Arbitrary benchmarks are not appropriate in an objective based framework
- Objectives involve both a return target and multi-faceted and intuitive risk measures
- We see risk as not delivering on these objectives

Return Objective

CPI + 5% p.a.*

Rolling 3 year timeframe

Risk Objective

Volatility

Acceptable level of portfolio volatility
~ 5%

Drawdown

Minimise incidence and size

Liquidity

Aim to ensure intra-day liquidity

Efficiency

Risk adjusted performance matters

Active allocation and stock selection

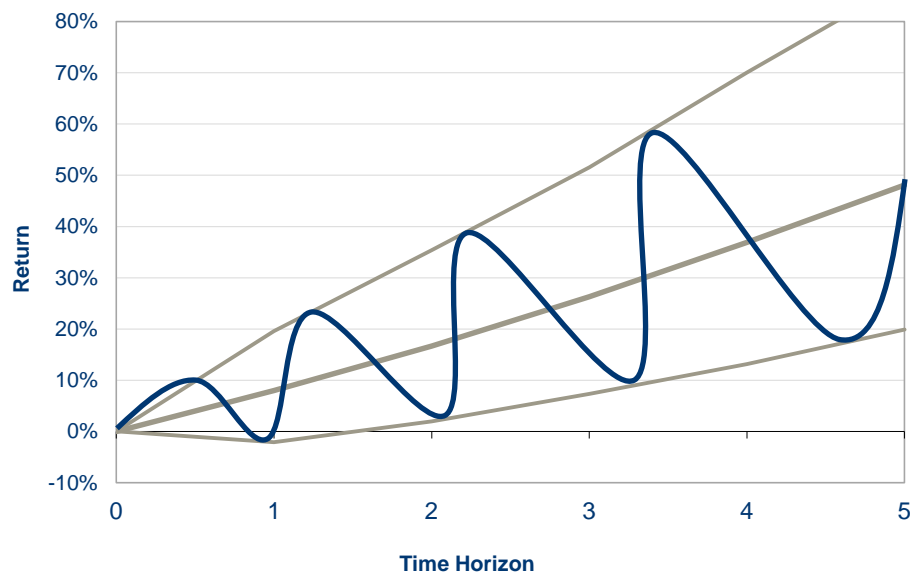
Flexibility across broad range of asset classes

Source: Schroders. *Objective is stated gross of fees.

Why objective based investing?

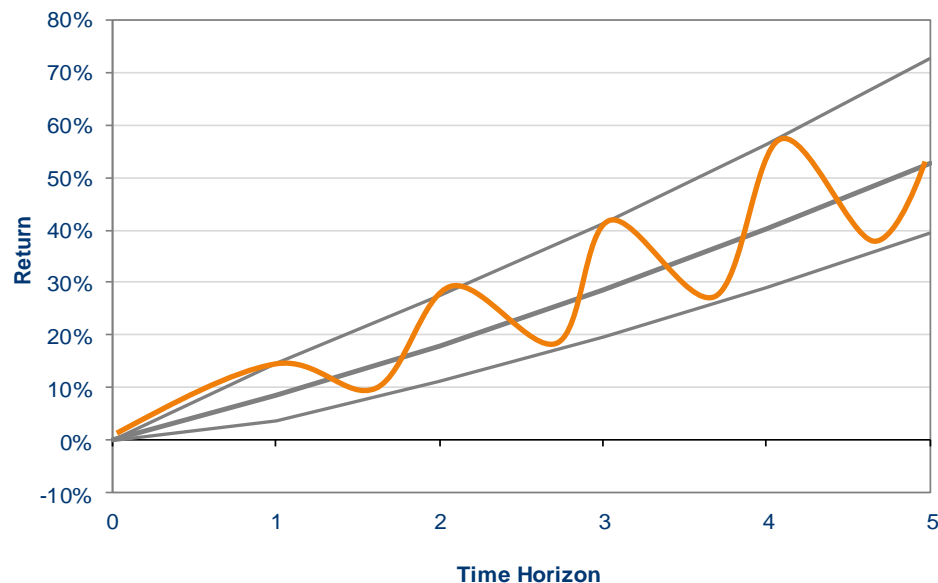
Real Return provides smoother path of returns

Traditional approach



- A fixed strategic asset allocation can get investors to their objective over the long term
- But this comes with significant periods of volatility
- The "real risk" is that a significant drawdown may come at just the wrong time – remember the GFC?

Schroders' objective based approach



- We build portfolios designed to meet investors' objectives, rather than use an arbitrary benchmark or fixed SAA
- All investments are managed to achieve more stable returns with reduced levels of volatility
- Our approach uses a dynamic and unconstrained asset allocation – investment opportunities are constantly reassessed to help negotiate market movements

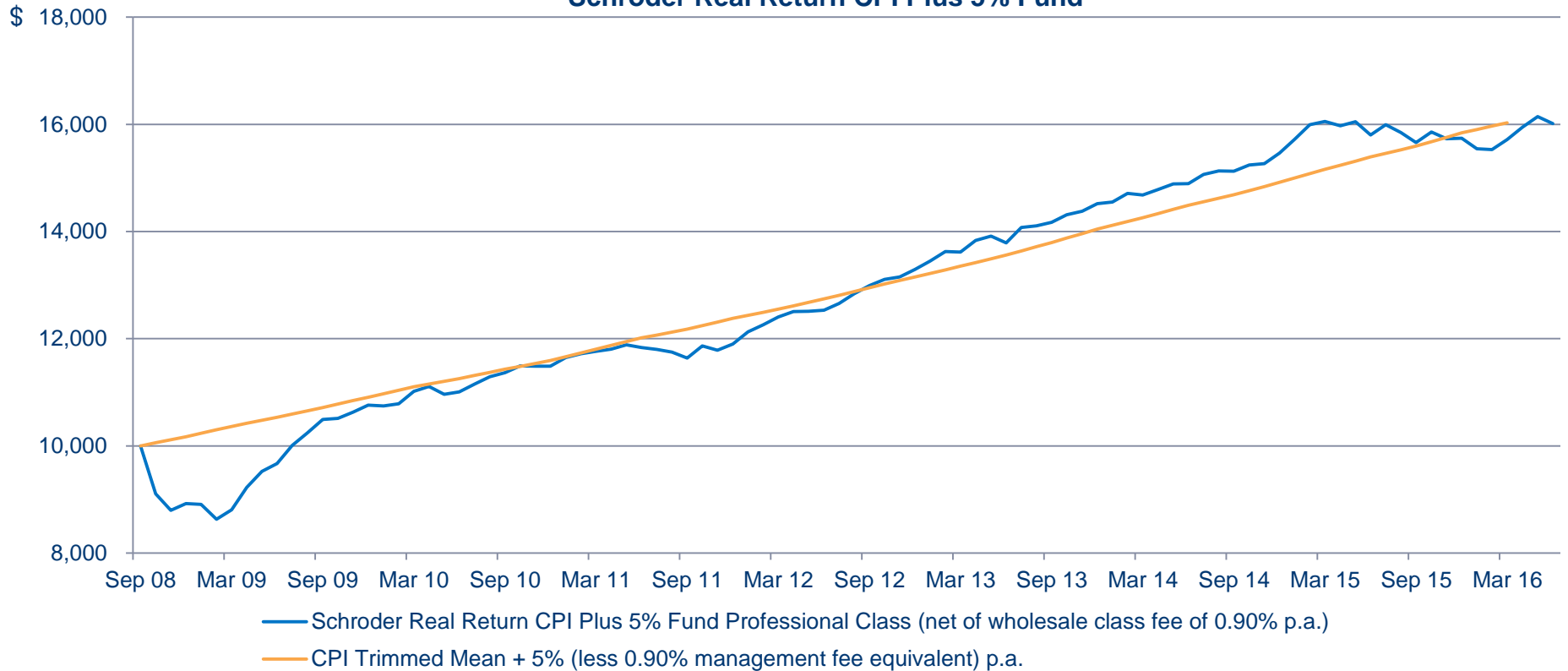
Source: Schroders. Charts are for illustration purposes only

Return, risk and drawdown objectives

Delivering capital growth whilst managing volatility and drawdowns

The team has a strong history managing a Real Return strategy

Cumulative growth of \$10,000 since inception of the Schroder Real Return CPI Plus 5% Fund

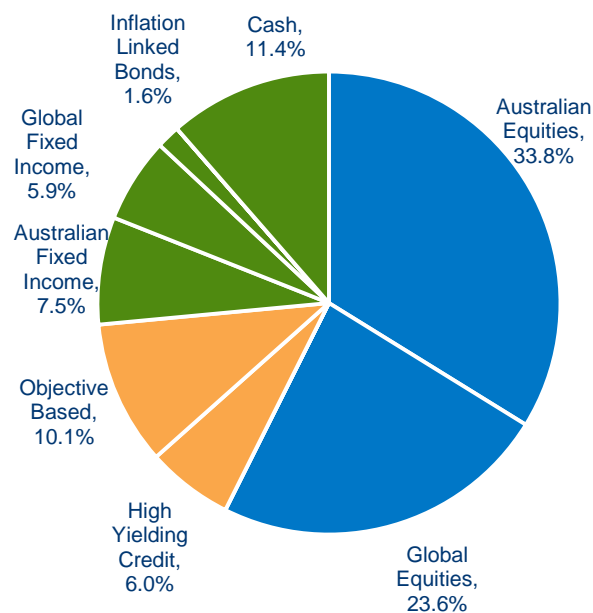


Source: Schroders, Datastream, ABS. Cumulative performance the Schroder Real Return CPI +5% Fund Professional Class (applying wholesale class fees of 0.90% p.a.) since inception. Past Performance is not a reliable indicator of future performance. CPI is measured by the RBA Trimmed Mean as published by the ABS. Performance of the Unlisted Fund is shown to illustrate how a comparable managed fund using the same strategy has performed over longer time periods. Performance of the Schroder Real Return Fund (ASX:GROW) may vary due to differences such as market making activities, variations in implementation strategy and inflows/outflows.

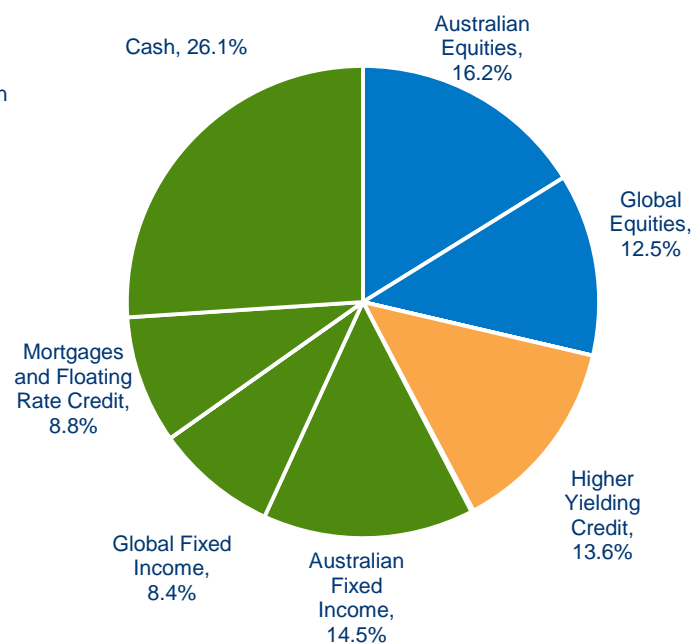
How does this compare to a traditional portfolio?

Focusing on client objectives

Traditional Schroder Balanced Fund



Objective Based Schroder Real Return Fund (ASX: GROW)



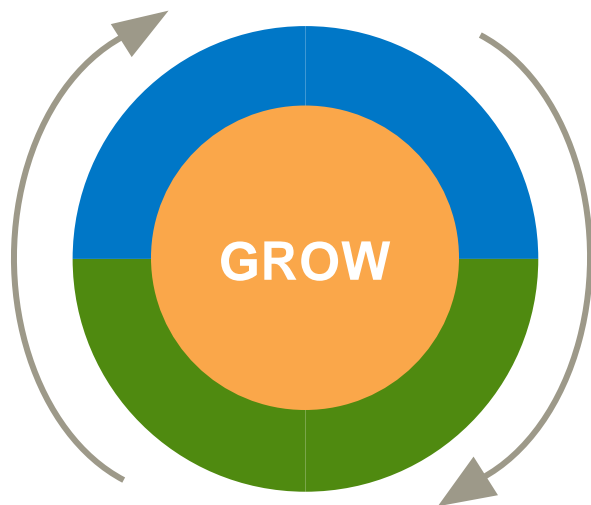
- Allocation to growth assets (equity and credit) but controlling downside risk
- No allocation to property and portfolio duration at 0.7 years due to bond related valuation concerns
- Cash at 26% as the defensive portfolio anchor and optionality over further valuation improvements

Source: Schroders. Please note that these are indicative asset allocation only and may change, subject to market conditions and outlook, and may not add to 100 due to rounding, as at 31 August 2016.

Where does GROW fit in your portfolio?

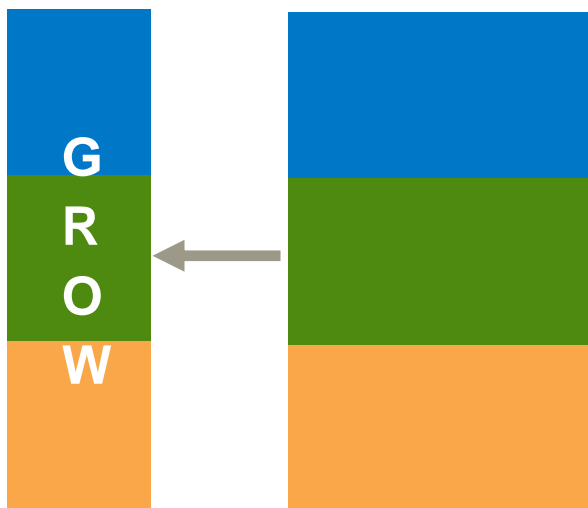
A flexible, professionally managed, diversified solution

Core holding



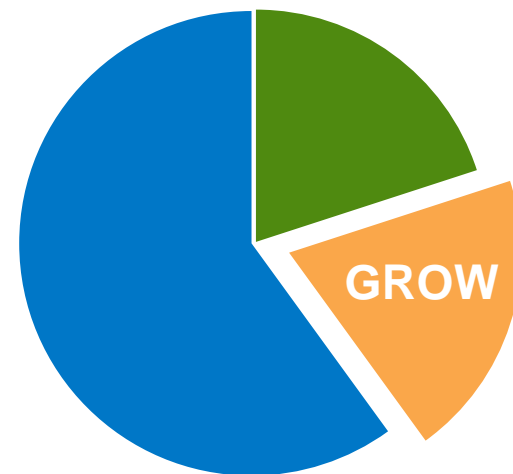
A core portfolio in a 'core satellite' approach

Portion



Replacing a portion of each asset class

Replacement/complement



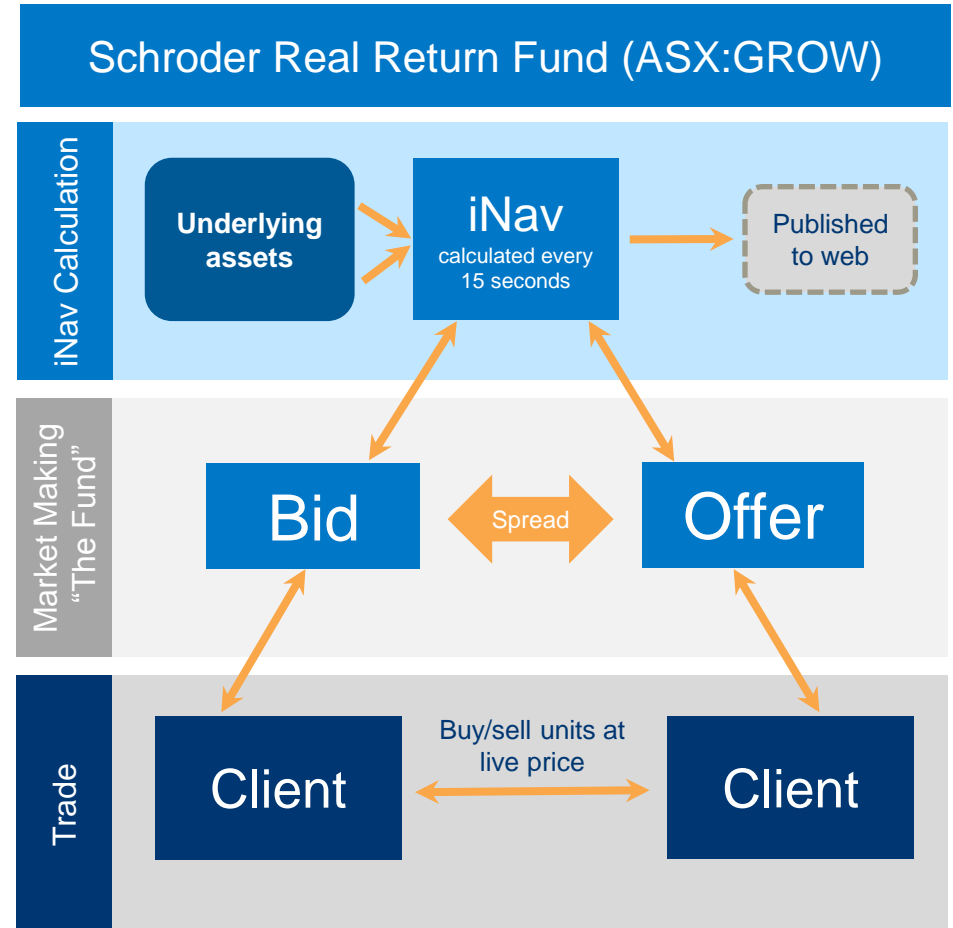
Replacing/complementing alternative assets

Or a cost effective professionally managed "whole of portfolio" solution

Market Making

How it works

- GROW acts as its own Market Maker:
 - Acts to provide liquidity
 - Issues and cancels units daily
 - Creates a price (iNAV) to reflect fair value
 - Sets the bid /offers for investors
 - Acts as market maker in order to protect the intellectual property of the fund manager, and alleviates risk of front running
 - At the end of each day, the Fund as market maker either issues or redeems its net position
 - Any gains or losses from the market making process will accrue to the fund (not Schrodgers)
- Settlement of transactions
 - Settlement occurs via CHESSE like any other exchange traded security
 - Investors buy or sell units in the secondary market



Associated investment risks

- Investment risks will be influenced by factors such as domestic and international markets, economic conditions, political climates, interest rates and inflation
- Significant risks which may affect the performance or value of your investment in the Fund may include market risk, equities risk, interest rate/duration risk, credit and company risk, currency risk, derivatives risk, liquidity of investments risk, market making risk and counterparty risk
- For further details about the risks of investing in this strategy please refer to the Product Disclosure Statement available at www.schroders.com.au/GROW

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