

# Schroders

## Schroder Real Return Fund (Managed Fund) ASX Code: GROW

### Product Disclosure Statement Issued: 22 September 2018

ARSN: 612 309 332

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#### Important information

This Product Disclosure Statement (PDS) was lodged with both the Australian Securities & Investments Commission (ASIC) and ASX Limited (ASX) on 21 September 2018. No responsibility as to the content of this PDS is taken by ASIC or ASX.

This Product Disclosure Statement (PDS) provides information on the Schroder Real Return Fund ('Fund'). You should read this PDS in its entirety before making a decision to invest. This PDS describes the main features of the Schroder Real Return Fund.

An investment in the Fund made on the basis of this PDS is an investment in the Fund's units. Under the terms of the Constitution of the Fund, investors in units of the Fund have an interest in all assets of the Fund, which may be used to meet all liabilities arising in respect of the Fund.

References to "Schroders", "our", "us" or "we" throughout this PDS are references to Schroder Investment Management Australia Limited ABN 22 000 443 274 in its capacity as the Responsible Entity and product issuer for the Fund. References to "Schroders Group" are to Schroders plc and its subsidiaries.

Neither Schroders, nor any company in the Schroders Group promises that you will earn any return on your investment or that your investment will gain, or retain its value. No Schroders Group company, other than us, makes any statement or representation in this document. The information contained in this PDS is general information only and does not take into account your objectives, financial situation or needs. Before acting on the information contained in this PDS you should consider the appropriateness of the information in this PDS having regard to your objectives, financial situation and needs.

The offer of units in the Fund is available to persons receiving a copy, electronic or otherwise, of this PDS within Australia.

All references to dollars are in Australian dollars. Capitalised terms in this PDS are defined terms and they are listed in the Glossary section in this PDS or defined elsewhere in the PDS. Days are calendar days unless otherwise specified as Business Days.

Information in this PDS is subject to change from time to time where it is deemed not materially adverse. Such updates will be published on the ASX Market Announcements Platform and on Schroders website: [www.schroders.com.au/grow](http://www.schroders.com.au/grow).

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## 1. About Schroders

Schroders is the Responsible Entity for the Fund and the issuer of this PDS. As Responsible Entity, Schroders is responsible for selecting and managing the assets and overseeing the operations of the Fund. This responsibility includes establishing, implementing and monitoring the Fund's investment objective.

Schroders offers a range of investment products and is part of the Schroders Group. The Schroders Group is one of the largest independent investment managers providing investment management from offices in 27 countries. While many financial institutions try to provide all things to their clients, we specialise in just one – pure investment management.

In Australia, Schroders is a wholly owned subsidiary of Schroders plc, a publicly listed UK company with origins in banking and finance dating back over 200 years. Financial services has been a core business for Schroders in Australia since 1961. For further information, please visit our website [www.schroders.com.au](http://www.schroders.com.au).

### Why Schroders?

- Organisational stability from a strong balance sheet, low levels of debt and majority family and staff ownership
- Independence and exclusive focus on asset management aligns our interests with our clients
- Size and experience of investment teams both locally and globally
- Commitment to in-house research
- Global perspective
- Disciplined and robust investment process.

## 2. At a glance

Fund details		
<b>Fund name</b>	Schroder Real Return Fund	
<b>ARSN</b>	612 309 332	
<b>ASX code</b>	GROW	
Investment details		
<b>Fund objective<sup>1</sup></b>	<p>The primary objective of the Fund is to maximise investment returns subject to an acceptable level of risk. Specifically, the Fund aims to:</p> <ul style="list-style-type: none"> <li>– achieve a return of 5% p.a. above the rate of inflation over rolling 3 year periods (before fees); and</li> <li>– minimise the incidence and size of negative returns in doing so.</li> </ul> <p>Inflation is defined as the RBA's Trimmed Mean, as published by the Australian Bureau of Statistics.</p>	<i>Further information is outlined in the 'Fund description' section of this PDS.</i>
<b>Investment category</b>	Balanced	
<b>Management style<sup>2</sup></b>	Active	
<b>Distribution frequency</b>	Normally twice yearly. Calculated on the last Business Day of June and December.	
<b>Key risks</b>	Market risk, equities risk, interest rate risk, credit risk, company risk, international investments risk, emerging markets/frontier markets risk, currency risk, derivatives risk, liquidity risk, counterparty risk, regulatory and legal risk, administration risk, fund risk.	<i>Further information is outlined in the 'Risks of investing in the Fund' section of this PDS.</i>
Fees and other costs		
<b>Fees when your money moves in or out of the Fund</b>	Nil	<i>Further information is outlined in the section 'Fees and other costs' in this PDS.</i>
<b>Management costs<sup>3</sup></b>	Management fee: 0.90% p.a. Indirect costs: 0.08%	
Fund valuations		
<b>Net asset value</b>	The net asset value ('NAV') of the Fund indicates the value of the Fund as at the close of business on the prior Business Day. The NAV is calculated by deducting the liabilities from the aggregate value of the assets. The NAV per unit is derived by dividing the NAV by the number of units on issue.	<i>Further information is outlined in the section 'Additional Fund information' in this PDS.</i>
<b>Adjusted Indicative NAV costs</b>	The Adjusted Indicative NAV ('Adjusted iNAV') will be published throughout the ASX Trading Day. The Adjusted iNAV will be updated for price movements of the underlying Fund investments through live market prices, foreign currency movements or proxy instruments where possible.	

## Reporting and contact details

<b>Reporting</b>	Confirmation of application/withdrawal, periodic transaction statements, distribution summary, annual tax statement, fund and financial reports.	<i>Further information is outlined in the section 'Contacting Schroders' in this PDS.</i>
<b>Application and redemptions</b>	<p>Investors can enter and exit the Fund by buying and selling units on the ASX in the same way as ASX listed securities. The price at which investors enter and exit the Fund will be the price at which they buy or sell the units on the ASX.</p> <p>Investors may also be able to make an off-market request to withdraw their investments from the Fund where trading in units on the ASX has been suspended for five consecutive Business Days in line with the Fund Constitution.</p>	
<b>Contact details</b>	<p><b>Website:</b> <a href="http://www.schroders.com.au">www.schroders.com.au</a></p> <p><b>Telephone:</b> Client Services (9am-5pm EST); +61 1300 180 103</p> <p><b>Email:</b> <a href="mailto:info.au@schroders.com">info.au@schroders.com</a></p>	

**1** Further information on the investment objective, strategy and benefits of the Fund is outlined in the 'Fund description' section of this PDS.

**2** Active: This means that the investment manager of the fund regularly makes decisions about buying and selling investments of the Fund.

**3** Management costs: This represents the management fee (which covers ordinary expenses since these are paid out of the management fee) and indirect costs. Fees charged by Schroders are inclusive of GST less any RITC entitlement, where applicable. Schroders may charge abnormal expense recoveries in addition to the management costs, which covers abnormal expenses such as the cost of unitholder meetings. See the 'Fees and other costs' section of this PDS for further details. Schroders may rebate or reduce the management fee at its discretion where permitted by law.

### 3. Key Features of the AQUA Rules and CHES

#### AQUA Rules Framework

The Fund is subject to the AQUA Rules, which are outlined below and available at [www.asx.com.au](http://www.asx.com.au). The following table sets out the key differences between the ASX Listing Rules (the 'Listing Rules') and the AQUA Rules.

Requirement	ASX Listing Rules	AQUA Rules
<b>Continuous disclosure</b>	Products under the Listing Rules are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act.	<p>Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act.</p> <p>There is a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provides the ASX with any information that may lead to the establishment of a false market in its products or would materially affect the price of its products.</p> <p>Under the AQUA Rules issuers of managed funds must also disclose:</p> <ul style="list-style-type: none"> <li>- information about the NAV of the Fund's underlying investments daily</li> <li>- net monthly applications and redemptions</li> <li>- information about dividends, distributions and other disbursements paid in relation to the Fund</li> <li>- any other information that is required to be disclosed to ASIC under s675 or s323DA of the Corporations Act must be disclosed to the ASX via the Company Announcements Platform (CAP) at the same time it is disclosed to ASIC.</li> </ul>
<b>Periodic disclosure</b>	Products under the Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules.	Under AQUA Rules, issuers are not required to disclose half yearly and annual financial information or annual reports under the Rules. Responsible entities of AQUA Products that are registered managed investment schemes are still required to lodge financial reports with ASIC at the same time they are sent to product holders.
<b>Corporate control</b>	Requirements in the Corporations Act and Listing Rules in relation to matters such as replacement of the Responsible Entity, takeovers, buy-backs, change of capital, new issues, restricted securities, directors' interests and substantial shareholding disclosures apply to companies and schemes.	<p>Certain requirements in the Corporations Act and the Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules.</p> <p>Under AQUA Rules, issuers are subject to a general requirement to provide the ASX with any information concerning itself that the nondisclosure of which, may lead to the establishment of a false market or materially affect the price of its product. As the scheme is not listed, replacement of the responsible entity may only be done by resolution passed by at least 50% of the total votes that may be cast by members entitled to vote (s601FM).</p>
<b>Related party transactions</b>	Chapter 10 of the Listing Rules, relating to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	Chapter 10 of the Listing Rules does not apply to AQUA Products. The Fund, as a registered managed investment scheme, is subject to Chapters 2E and 5C.7 of the Corporations Act.
<b>Auditor rotation requirements</b>	There are specific requirements regarding auditor rotation in Part 2M.4 Division 5 of the Corporations Act.	<p>Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the Corporations Act.</p> <p>Responsible entities of registered managed investment schemes will continue to be required to undertake an independent audit of its compliance with the scheme's compliance plan in accordance with section 601HG of the Corporations Act and the auditor must not be the auditor of the scheme's financial statements (though they may be from the same firm).</p>

## CHES

The Clearing House Electronic Subregister System (CHES) performs two major functions for ASX:

- facilitates the clearing and settlement of trades in shares, and
- provides an electronic subregister for shares in listed companies.

The Unit Registry will maintain an electronic subregister with CHES on behalf of Schroders. Schroders will not issue investors with certificates in respect of their units. Rather, when investors purchase units on the ASX, Issuer Sponsored Holders will receive a holding statement from the Unit Registry which will set out the number of units they hold, together with the 'Securityholder Reference Number' or CHES Holders will receive a holding statement from ASX Settlement which will set out the number of units they hold, together with a 'Holder Identification Number' allocated by CHES.

## 4. Risks of investing in the Fund?

It is important to understand the risks associated with investing in the Fund. The nature of investment markets is such that the return on investment markets, as well as individual investments, can vary significantly and future returns are unpredictable. In the event that any of the risks (including those described on the following pages) eventuate then they may affect the value of the Fund's assets and hence unit prices and the extent to which the Fund is able to make distributions. Different types of investments perform differently at different times and have different risk characteristics and volatility.

The risks and therefore return on investments will be influenced by factors, including many outside the control of Schroders, such as domestic and international markets, economic conditions, political climates, interest rates and inflation.

The significant risks that may affect the performance or value of your investment in the Fund include, but are not limited to:

### Market risk

Market risk is the possibility that the market has negative returns over short or even extended periods. Different asset classes are exposed to different levels of market risk – for instance, cash investments have the lowest market risk whereas equities have higher market risks. The returns of individual securities in any asset sector would normally be determined by a combination of the market return and returns specific to each security. Where the Fund invests in more than one asset class the level of market risk can vary from time to time subject to the allocation to each asset class at a particular point in time.

Market risk also relates to the risk that the value of investments can be directly or indirectly affected by changes in legislation, economic policy, political events, technology change and changes in global economic conditions (e.g. growth and inflation).

### Equities risk

Over the longer term, equities have generally outperformed other asset classes; however, returns can be volatile. Equity performance will generally be based on, among other things, the underlying strength of the cash flows, balance sheet and management of a company. Also affecting the performance of equity markets are changes in global economic conditions (e.g. growth and inflation), interest rates and bond yields.

### Interest rate risk

The performance of fixed interest and debt securities will be sensitive to movements in domestic and international interest rates (e.g. increases in interest rates result in the capital value of fixed interest investments falling). Investments with longer terms and fixed coupon payments are more likely to be affected by interest rate changes than shorter term investments or floating rate securities.

### Credit risk

Credit risk arises when an issuing entity defaults, which results in a loss of capital to a Fund. Investments in debt securities with a lower credit rating generally have a higher risk that the issuing entity will be unable to pay interest and principal when due.

Credit ratings are scales by which the future relative creditworthiness of a security is measured and express an opinion about the vulnerability of default. Credit ratings may be issued by an independent credit rating agency, or represent internal ratings prepared by Schroders. A change in a published credit rating can impact the price and liquidity of the security(ies) being re-rated.

Investors should not rely on credit ratings in making investment decisions or view them as assurances of credit quality or the likelihood of default.

### Company risk

An investment such as a share or corporate bond in any company is exposed to changes within that company, or to its business environment. These events include changes to operations and/or management, changes to product distribution, legal action against the company or profit and loss announcements. These changes may affect the value of the Fund's investments (and thus the value of the Fund).

In addition, there is a risk that if the company becomes insolvent, the Fund's right of recovery against the assets of the company may rank lower than the secured creditors of the company.

### International investments risk

International investments will give exposure to potentially additional risks that are not typically associated with investments in Australia. International investments risk includes but is not limited to political and economic uncertainties, regulatory and legal risk, currency risk, interest rate risk and liquidity risk.

### Emerging Markets/Frontier Markets risk

Risks associated with investments in Emerging Markets/Frontier Markets include, but are not limited to, significantly greater price volatility than in developed markets, substantially less liquidity and significantly smaller market capitalisation of securities markets, more government intervention in the economy, higher rates of inflation, currency volatility, less government supervision and regulation of securities markets and participants in those markets and a higher degree of political uncertainty.

### Currency risk

Units in the Fund are denominated in Australian Dollars. However, investments of the Fund may be denominated in other currencies. Movements in the exchange rate between the Australian Dollar and other currencies may cause the value of these investments to fluctuate when expressed in Australian Dollars. Currency risk is minimised to the extent that investments are currency hedged.

### Derivatives risk

Derivatives are contracts between two parties that usually derive their value from the price of an underlying physical asset or market index. They can be used to manage certain risks, however they can create exposure to additional risks. These risks include the possibility that the derivative position is difficult or costly to reverse; that the value of the derivative does not move in line with the underlying physical position; or that the parties do not perform their obligations under the contract.

### Liquidity of exchange traded products

Units in the Fund may be traded on the ASX, meaning that liquidity may be affected if the ASX suspends trading of the Fund's units.

### Liquidity of investments risk

Liquidity of investments risk relates to the probability of loss arising from the difficulty of selling an investment due to insufficient buyers or sellers in the open market or other prevailing market conditions. The level of liquidity can fluctuate especially for smaller company shares, microcap stocks and corporate debt. At times of lower liquidity the securities may trade at a discount to fair value, reducing the net asset value of the Fund if securities in the Fund need to be sold to fund withdrawals.

### Adjusted iNAV risk

The Adjusted iNAV is indicative only, and may incorporate securities for which there are no live market prices at the time of calculation and so it may not reflect the actual value of the underlying assets of the Fund.

### Trading price risk

The price at which the units may trade on the ASX may be materially different from the Fund's quoted NAV and iNAV.

### Market making risk

A market maker is appointed in accordance with AQUA Rules to assist in maintaining liquidity. There is no guarantee of liquidity if there is a failure by the market maker, either Schroders or its agent, to make a market.

The Fund will bear the risk of the market making activities undertaken. There is a risk that either Schroders or its appointed agent may make an error either in the execution of its role as market maker or in the price at which units are transacted. Such errors may result in a loss to the Fund.

In order to mitigate these risks, Schroders or its appointed agent has the discretion to increase the spread at which it makes a market or may cease making a market if it is permitted to do so under the AQUA Rules

### Counterparty risk

The Fund may conduct transactions through or with brokers, clearing houses, market counterparties and other agents. There is a risk that these counterparties fail to meet their contractual obligations resulting in loss of capital to the Fund.

### Regulatory and legal risk

Governments or regulators may pass laws, create policy, or implement regulation that affects the Fund or its underlying investments or the manager's ability to execute its investment strategies. Such initiatives may impact either a specific transaction type or market and may be either country specific or global and may include the imposition or tightening of exchange controls or other limitations on repatriation of foreign capital. Such changes may result in the Fund failing to achieve its investment objectives. The ASX may amend its AQUA Rules that affect the Fund or result in the Fund not being able to meet these requirements and be suspended from trading.

### Administration risk

Investors transacting through an administration platform carry the risk that the operator of the administration platform may not perform its obligations properly. In the case of administration platforms that facilitate straight through processing and settlement, systems could fail and errors, anomalies or irregularities may arise.



## Fund risk

The following risks are inherent in any managed fund that is exchange-traded:

- the investment team may change, which may affect the Fund's future performance;
- investing in the Fund may result in a different outcome from investing directly because of the application of tax laws to the Fund, income or capital gains accrued in the Fund, the deduction of management costs and the impact of investments into and withdrawals out of the Fund by other investors;
- investments into and withdrawals out of the Fund by other investors may also affect the taxable income distributed to an investor during a financial year as those cash flows trigger asset purchases and sales;
- the costs of your investment may increase through an increase in fees and costs. If this occurs, we will provide at least 30 days' prior written notice of any changes (see 'Changing the fees' section of the PDS);
- the Fund may be suspended from trading on the ASX;
- the Fund may be terminated; and investing in the Fund with a relatively smaller number of investments may lead to more volatile returns than investing in a fund with a more diversified portfolio.

As stated above, as a result of these risks, the value of an investment in the Fund and the level of distributions may change.

## 5. How Schroders seeks to manage risks

The investment process aims to minimise risk by focussing on the valuation of assets and minimising exposure to overpriced assets where risk is high. Schroders also seeks to minimise risk through diversification of the Fund's assets, by raising cash where appropriate and through the utilisation of specific strategies designed to mitigate downside risks. Derivatives may also be used for purposes such as hedging and for the more efficient and cost effective implementation of investment strategies. Where derivatives are used, Schroders will ensure that, at all times, there are sufficient liquid funds to discharge its liabilities in relation to these investments. Further information about derivatives and how Schroders uses derivatives can be found in the current Schroders Derivative Risk Statement, which can be provided at your request or obtained from the Schroders' website [www.schroders.com.au](http://www.schroders.com.au).

## 6. How investors can manage investment risk

Investors should consider their investment objectives, timeframe and risk tolerance before investing in the Fund.

We recommend that investors obtain appropriate professional advice with regard to their individual circumstances prior to investing in the Fund.



## 7. Fund description - Schroder Real Return Fund

### Investment objective

The Schroder Real Return Fund is a multi-asset objective based strategy that specifically selects investments which in combination align with the Fund's performance objective of achieving real returns above Australian inflation over rolling 3 year periods before fees. Investments are managed with the aim of minimising the size and incidence of negative returns whilst also achieving a real return relative to inflation. The Fund may also use derivatives and active currency management to help achieve this investment objective.

### Investment approach

Unlike the traditional multi-asset investment approach that constructs investment portfolios around relatively static asset allocations, the Fund uses a dynamic approach to asset allocation to take full advantage of the opportunities presented in the market.

The diverse nature of the Fund's investment universe and broad investment ranges ensures that it has the flexibility to effectively and efficiently allocate to and select those assets that in combination target the greatest probability of achieving the Fund's investment objective in different market environments.

This is further enhanced by the incorporation of a multi-pronged risk management framework designed to identify, understand and mitigate any inherent downside risk within the Fund.

### Asset classes and investment ranges

The Fund may invest across a broad array of asset classes within the major categories of Growth, Diversifying and Defensive assets. The Fund may also use derivatives and active currency management. The permitted asset allocation ranges are set out below:

Asset class	Investment ranges
<i>Growth assets</i> , typically shares and property securities, offer potentially the highest return but also the highest volatility.	0 - 75%
<i>Diversifying assets</i> , typically higher yielding debt and alternatives, offer higher potential returns usually with an income generating focus which assist in diversifying the portfolio's sources of return.	0 - 75%
<i>Defensive assets</i> , typically investment grade debt securities, cash and cash equivalents, are relatively secure with lower volatility.	0 - 100%

### Key features

Investing in the Fund offers a range of benefits including:

- **The benefits of diversification:** By investing across a broad range of asset classes the Fund can take advantage of opportunities wherever they arise.
- **Active asset allocation:** The Fund's asset allocation approach is active and relatively unconstrained – this means it has sufficient flexibility to adapt to changing markets.
- **Protection from the market:** Our approach is aimed at protecting investors from bearing the full brunt of falls in markets.
- **Focus on real returns:** Developed in Australia for Australian clients, the Fund aims to deliver a 5% return above Australian inflation (before fees), over rolling 3 year periods, without taking undue risk, so that the journey to achieving this objective is a relatively stable one.
- **Expertise:** Investors will benefit from the experience and expertise of Schroders' dedicated multi-asset investment team, who have a strong track record in Real Return Investing. We manage the Fund locally, drawing on the insights and experience of our dedicated local and global teams.
- **Available on the ASX:** A new way to invest, the Schroder Real Return Fund makes it easy to buy, sell and own an actively managed diversified fund.

### Risks

Please refer to the section titled 'Risks of investing in the Fund' of this PDS for details.

## 8. Additional Fund information

### Unit pricing (NAV per unit)

The calculation of NAV and NAV per unit is set out in the Fund's constitution. Schroders has appointed JPMorgan Chase Bank N.A. (Sydney Branch) (JPMorgan) to calculate the Fund's NAV and NAV per unit daily, which will be published on Schroders' website [www.schroders.com.au/grow](http://www.schroders.com.au/grow).

The NAV estimates the value of the Fund at the close of trading on the previous Business Day.

Schroders' Unit Pricing Discretions Policy contains further detail about how the NAV per Unit is calculated. This policy is available on our website [www.schroders.com.au/grow](http://www.schroders.com.au/grow).

### Adjusted indicative net asset value (Adjusted iNAV)

Schroders has engaged an agent to calculate and disseminate an Adjusted iNAV, which will be published throughout the ASX Trading Day on Schroders' website [www.schroders.com.au/grow](http://www.schroders.com.au/grow).

The Adjusted iNAV will be recalculated throughout the day to take into account movements in the price of underlying assets either through live market prices or, where there is no live market price, a price is estimated based on a proxy instrument. Where this is not possible, the last price at which an asset was quoted, will be used. Where possible, proxy instruments such as the S&P futures will be used to update the international listed shares component of the Fund's NAV when global markets are closed during the Australian Trading Day. The Fund's international exposure to fixed interest securities are not updated using proxy instruments. In addition, the Adjusted iNAV will be updated for foreign currency movements in respect of the Fund's portfolio of international holdings.

In Schroders' opinion, the Adjusted iNAV provides a better approximation of the fair value of the Fund's NAV as through the Adjusted iNAV process for pricing assets held, Schroders will have the ability to use either the last traded price, the live market price or fair value the asset to a proxy instrument for pricing the iNAV during the ASX's trading hours.

No assurance can be given that the Adjusted iNAV will be published continuously or that it will be up-to-date or accurate. To the extent permitted by law, neither Schroders nor its appointed agent shall be liable to any person who relies on the Adjusted iNAV.

### ASIC relief

ASIC has granted relief under section 1020F of the Corporations Act (the Act) from the ongoing disclosure requirements in section 1017B of the Corporations Act on the condition that Schroders complies with section 675 of the Act as if the Fund were an unlisted disclosing entity and includes statements in any PDS for interests in the Fund to the effect that Schroders will comply with the continuous disclosure requirements of the Act as if the Fund were an unlisted disclosing entity.

### Environmental, social and ethical factors and labour standards considerations

Schroders uses an investment approach that considers each investment based on its individual merits. Schroders may have regard to labour standards or environmental, social and ethical considerations in relation to investment decision making subject to economic and financial outcomes. From time to time, Schroders may exclude certain securities from the Fund's investment portfolio having regard to these matters as well as regulatory considerations and the risks these pose for unitholders. A list of securities excluded having regard to these considerations can be viewed at [www.schroders.com.au](http://www.schroders.com.au).

### Custodian

Schroders has appointed JPMorgan Chase Bank N.A. (Sydney Branch) (JPMorgan) to hold the Fund's assets. We will pay JPMorgan a fee for acting as the Fund's custodian. This fee is not an additional fee to you and is included in the management costs described in the PDS.

In its role as custodian, JPMorgan as the global custodian safekeeps assets of the Fund. The role of the custodian is limited to holding assets of the Fund and it has no supervisory role in relation to the operation of the Fund. The custodian does not make investment decisions in respect of the assets held or manage those assets, and has no liability or responsibility to investors in the Fund. Additionally, the custodian is a paid service provider and is not responsible for the preparation of this document and therefore accepts no responsibility for any information in this document. The custodian may be changed from time to time and we may change the custodian where we are satisfied that the proposed new custodian meets applicable regulatory requirements. You will not be notified of a change in custodian.

### Related party transactions

Schroder Investment Management Australia Limited is a wholly owned subsidiary of Schroders plc and part of the Schroders Group. For these purposes, a related party includes certain entities and individuals that have a close relationship with Schroders, including, but not limited to Schroders plc itself, other subsidiaries of Schroders plc and other funds operated or managed by members of the Schroders Group.

We may from time to time use the services of related parties (including, but not limited to, investment management and administration) and pay commercial rates for these services. We may also enter into financial or other transactions with related parties in relation to the assets of the Fund and such arrangements will be based on arm's length commercial terms or as otherwise permissible under the law.

In the course of managing the Fund we may come across conflicts in relation to our duties to the Fund, related funds and our own interests. We have internal policies and procedures in place to manage all conflict of interest appropriately. These policies and procedures will be reviewed on a regular basis and may change from time to time. In addition to complying with these policies and procedures, all conflicts will be resolved in a fair and reasonable manner, in accordance with the relevant law and ASIC requirements.

## 9. Fees and other costs

### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from Fund assets as a whole.

Tax details are set out in the 'Taxation issues' section of this PDS.

You should read all the information about fees and costs, because it is important to understand their impact on your investment.

## Schroder Real Return Fund

Type of cost*	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit fee</b> The fee to close your investment	Nil	Not applicable
<b>Management costs - The fees and costs for managing your investment**</b>		
<b>Management fee</b>	A management fee to Schroders of 0.90% of the NAV per annum. Normal expense recoveries are paid for by Schroders out of its management fee. For more information on the management fee, see 'Management costs' in the 'Additional explanation of fees and costs' section of this PDS.	The management fee is accrued daily and is generally paid in arrears. The management fee is deducted from the NAV of the Fund as a whole before unit prices are determined.  The management fee may be negotiated. See 'Management fee' in the 'Additional explanation of fees and costs' section of this PDS for further details.
<b>Indirect costs</b>	Indirect costs of 0.08% of the Net Asset Value (NAV) of the Fund.	The indirect costs are calculated and incorporate estimated amounts with reference to the relevant costs incurred during the financial year ending 30 June 2018. See 'Indirect costs' in the 'Additional explanation of fees and costs' section of this PDS for further details.
<b>Service fees</b>		
<b>Investment switching fee</b> The fee for changing investment options	Nil	Not applicable

\*For certain wholesale clients (as defined in the Corporations Act), Schroders may, at its discretion and in accordance with ASIC Policy and the Corporations Act, negotiate, rebate or waive all or part of Schroders' fees. Please refer to the 'Additional explanation of fees and costs' section of this PDS for further details. Unless otherwise stated, all fees and costs are quoted inclusive of any GST and net of any input tax credits (ITCs) or reduced input tax credits (RITCs) that are expected to be available to the Fund. Where RITCs are available, the prescribed rate is currently 55% or 75%, depending on the nature of the fee or cost incurred. Adviser fees may also apply. See below for more details. Please refer to the 'Additional explanation of fees and costs' section of this PDS for further details.

\*\*The Management costs reduce the Net Asset Value of the Fund and are reflected in the unit price.

## Additional explanation of fees and costs

### Example of annual fees and costs for the Fund

This table gives an example of how the fees and costs for the Schroder Real Return Fund can affect your investment over a 1-year period. You should use this table to compare this product with other managed investment products.

Example	Balance of \$50,000 with a contribution of \$5,000 during the year	
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
<b>PLUS</b> Management costs comprising:	<b>0.98%</b>	<b>And</b> , for every \$50,000 you have in the Fund you will be charged \$490 each year comprising:
Management fee	0.90%	\$450
Indirect costs	0.08%	\$40
<b>EQUALS</b> Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of <b>\$490</b> <sup>1</sup> . <b>What it costs you will depend on the fees you negotiate.</b>

<sup>1</sup>Additional fees may apply. This amount excludes fees for an additional contribution of \$5,000 during the year. We have assumed a constant value of \$50,000 throughout the year.

## Taxation

Tax details are set out in the 'Taxation issues' section of this PDS.

## GST

All fees and costs outlined in this PDS are inclusive of GST less any RITC entitlement where applicable.

## More detailed information about fees and costs

The investment returns of the Fund will be affected by the fees and expenses incurred. The formula below broadly outlines the management costs associated with your investment in the Fund. Further information on how management costs and transactional costs are calculated is set out below in this section.

Management costs = management fee (includes normal expenses) + performance fee (if applicable) + indirect costs (excludes transaction costs) + abnormal costs (if incurred)

## Management costs

Management costs comprise the fees or costs (including indirect costs) that you incur by investing in the Fund. The management fee is the fee for Schroders' services as Responsible Entity in overseeing the operations of the Fund and/or for providing access to the Fund's underlying investments. This revenue comprises a management fee and may also include reimbursement for ordinary expenses while acting as the Responsible Entity of the Fund (such as fund accounting, unit registry, audit costs, postage and preparation of tax returns, etc) that it is entitled to recover.

Management costs also comprise an indirect cost component, and are the additional fees or costs that you incur by investing in the Fund. Indirect costs are generally payable from the Fund's assets, rather than directly by you. Indirect costs do not include transaction costs.

## 1. Management fee (includes normal expenses)

Schroders is entitled to a management fee of 0.90% p.a. on the NAV of the Fund (inclusive of GST less any RITC entitlement). Schroders may rebate all or part of the management fee to 'wholesale clients' as defined in the Corporations Act on an individually negotiated basis. Schroders can be contacted at the address specified in the 'Contacting Schroders' section of the PDS for further details.

While Schroders is entitled to separately recover expenses from the assets of the Fund, Schroders has decided to pay normal expenses out of its management fee entitlement and will only be reimbursed out of the assets of a Fund where such expenses are abnormal expenses.

Other fees and costs may apply to the Fund. Unless otherwise agreed, Schroders may change the amount of any fees in this PDS (including increasing fees up to the maximum set out in the Constitution) without your consent. Management fees disclosed in this PDS will not be changed without providing at least 30 days' advance notice to you.

While acting as the Responsible Entity of the Fund, Schroders may incur certain expenses such as fund accounting, unit registry, audit costs, postage and preparation of tax returns etc., which it is entitled to recover. Provided that the expenses are properly incurred, there is no limit on the amount of these expenses that may be recovered by Schroders from the assets of the Fund. Subject to the items outlined below under 'Transaction costs' while Schroders is entitled to separately recover administration expenses from the assets of the Fund, Schroders has decided to pay any normal expenses incurred in the administration of the Fund out of its management fee entitlement and will only be reimbursed out of the assets of the Fund where such expenses are abnormal expenses.

## 2. Indirect costs

Indirect costs include any amount, not already disclosed as a fee or cost, that reduces (directly or indirectly) the performance return of a product. The management cost figure disclosed in the table of fees and costs of this PDS details the indirect costs incurred in connection with managing the underlying investment assets of the Fund based on the information for the financial year ended 30 June 2018. These indirect costs are reflected in the unit price of your investment in the Fund and include any underlying (indirect) management costs, underlying (indirect) performance-related fees and other indirect costs. The indirect costs may vary from year to year, including to the extent that they rely on estimates.

Indirect costs include (where applicable):

- **Indirect management costs (any underlying funds):** Managers in underlying funds will typically charge management fees and these fees are deducted from the underlying funds and the impact is included as part of their unit price. Schroders will typically offset the management fees of investments in Schroders' own managed funds to ensure that they are not an additional cost to you.
- **Indirect performance-related fees (any underlying funds):** Managers in underlying funds, or whom we appoint to manage a portfolio of assets within the Fund, may also receive performance-related fees and if they apply they will reduce the unit price of the underlying fund. These indirect performance-related fees will be an indirect cost to you.
- **Other indirect costs:** In managing the assets of the Fund, Schroders may engage in trading activity in certain types of derivative financial products that are either not traded or listed on a recognised exchange and/or not used for hedging purposes but rather to gain or reduce market exposure (e.g. derivatives such as forwards, over-the-counter (OTC) options and swap arrangements). Engaging in trade activity of these types of products may give rise to other indirect costs.

The Fund's indirect costs are based on the financial year ending 30 June 2018, however actual indirect costs for future years may differ. Details of any future changes to indirect costs will be provided on Schroders' website at [www.schroders.com.au](http://www.schroders.com.au) where they are not otherwise required to be disclosed to investors under law.

## 3. Abnormal expense recoveries

Schroders may recover abnormal expenses (such as costs of unitholder meetings, changes to constitutions, and defending or pursuing legal proceedings) from the Fund. Abnormal expenses are not generally incurred during the day-to-day operation of the Fund. The management costs set out in the table on the previous page do not include any abnormal expenses. Schroders may, at its sole discretion, decide not to recover these abnormal expenses from the Fund.

### Other fees and charges

On investing in the Fund, any costs associated with an 'in specie' transfer will be paid by the investor.

Where a withdrawal is satisfied by an 'in specie' transfer, the investor will bear all costs, including any applicable stamp duty, payable as a result of the transfer.

Schroders reserves the right to accept 'in specie' transfers for applications in its absolute discretion or in satisfaction of withdrawals if agreed to by Schroders and a unitholder.

## Brokerage fees

When buying or selling units in the Fund via the ASX you are likely to incur brokerage fees and charges from your stockbroker or share trading account operator. You should consult your stockbroker or share trading account operator for more information in relation to their fees and charges.

## Market making agent cost

Schroders has appointed a market participant to execute its market making activities in order to provide liquidity in the units on the ASX and also to facilitate settlement. The agent will earn a fee as a result of these activities. The fee is applicable to the value of the new Units purchased and sold by the agent on behalf of the Fund. The fee payable by the Fund to the agent will also be subject to GST. These costs are recovered from investors in the form of a buy/sell spread. Please refer to Transactions costs below for further details.

## Transaction costs

For transactions made on the ASX, the market maker earns a fee that forms part of the bid/offer spread (that is, the difference between the price at which the market maker will offer to acquire units and the price at which it will offer to sell units) in the market making process.

For off-market transactions in the Fund's units, the Fund incurs transaction costs such as brokerage, buy/sell spreads in underlying securities, government taxes, duties and levies incurred when acquiring or disposing of part or all of the Fund's underlying investments. These transaction costs will be reflected in the price at which units are issued or redeemed.

In limited circumstances in which an off-market transaction is available to investors, a buy/sell spread of 0.25% will be charged to enter or exit the Fund.

The size of the buy/sell spread (above) may be varied from time to time without notice to ensure that non-transacting investors are not adversely impacted by the application and redemption activities of other investors. For example, in stressed and dislocated market conditions, the buy/sell spread may increase significantly. To obtain an indication of the current buy/sell spreads that may apply to an application or withdrawal from a Fund, please visit [www.schroders.com.au](http://www.schroders.com.au).

In addition, we may at our discretion reduce the buy/sell spread in certain situations such as when an investor subscribes assets (rather than cash) on application or receives assets (rather than cash) on withdrawal.

The buy/sell spread is additional to the costs you incur as detailed in the 'Fees and other costs' table in this PDS. No part of the buy/sell spread is paid to Schroders, instead the amount is retained in the assets of the Fund to protect ongoing investors from the transaction activity driven by applications and withdrawals.

Transaction costs such as bank charges, trade repository charges, custody transaction and processing costs (for example, fees for filing tax reclaims) that cannot be reasonably incorporated into the buy/sell spread will be paid out of the assets of the Fund



## Other transaction costs

Transactional costs that are incurred other than in connection with applications and redemptions arise through the day-to-day trading of the Fund's assets and are reflected in the Fund's unit price. As these costs are factored into the asset value of the Fund's assets and reflected in the unit price, they are an additional implicit cost to you and are not a fee paid to Schroders as the responsible entity. These costs can arise as a result of bid-offer spreads being applied by trading counterparties to securities traded by the Fund.

As a percentage of the average fund size, the total estimated transaction costs for the Fund for the financial year ending 30 June 2018 were as follows:

Total transaction costs of 0.23%

Minus: Buy/sell spread recovery of -0.16%

EQUALS: Other transaction costs of 0.07%

The dollar value of these costs over a 1 year period based on an average account balance of \$50,000 is \$35.00.

However, such costs for future years may differ. Details of any future changes to such costs will be provided on Schroders' website at [www.schroders.com.au](http://www.schroders.com.au) where they are not otherwise required to be disclosed to investors under law.

## Other fees and charges

Additional fees may be paid to a financial adviser if you have consulted a financial adviser. You should refer to the Statement of Advice provided by your financial adviser in which details of the fees are set out.

## Changing the fees

Schroders may change the amount of any management fees in this PDS (including increase fees up to the maximum set out in the Constitution) without your consent on 30 days' advance notice to you. In accordance with the Constitution and subject to law, Schroders may vary the amount of abnormal expense recoveries and the buy/sell spread at any time without your consent or notice.

Schroders may introduce and increase fees at its discretion, including where increased charges are due to government changes to legislation, increased costs, significant changes to economic conditions and/or the imposition of increased processing charges by third parties.

However, Schroders cannot charge more than the maximum fees permitted under the Constitution as set out below (otherwise we would need unitholders' approval to increase the fee maximums in the Constitution).

## Management fees

The maximum management fee for the Fund is 5.13% (inclusive of GST on an RITC basis) per annum. The current management fee for the Fund is 0.90% p.a.

All management fees are calculated on the NAV of the Fund (inclusive of GST and less any RITC entitlement) except where indicated otherwise.

## Establishment fee

The Fund has a maximum establishment fee of 5.00% of the application money for units or the market value of the property or any amount as agreed between the applicant and their adviser and notified to Schroders. This fee is not subject to GST. No establishment fee is currently charged.

## Withdrawal fee

The Fund has a maximum withdrawal fee of up to 5.00% of the withdrawal price or such other amount as agreed between Schroders and the relevant unitholder. This fee is not subject to GST. No withdrawal fee is currently charged.

## Expense recovery fee

There is no limit under the Constitution for expenses incurred in relation to the proper performance of Schroders' duties.

# 10. How to invest in the Fund

As the units are quoted on the ASX, the units are tradable on the ASX and can be purchased via a stockbroker or share trading account. Investors do not need to complete an application form and they will settle the purchase of their units in the same way that they would settle purchases of listed securities via the ASX CHESS settlement service.

There is no minimum number of units investors can purchase on the ASX. The cost of investing in the Fund will be the price at which you purchase units on the ASX plus any brokerage fee payable to your stockbroker or share trading account operator.

Investors can add to their investment at any time by purchasing additional units on the ASX through their stockbroker or share trading account.

Consistent with securities listed on the ASX, investors do not have cooling off rights in respect of units purchased on the ASX.

Subject to the AQUA Rules, Schroders has the discretion to refuse any purchase of units.



## 11. How to withdraw from the Fund

As the units are quoted on the ASX, the units are tradable on the ASX and can be sold via a stockbroker or share trading account. Investors do not need to complete a redemption form and they will settle the sale of their units in the same way that they would settle sales of listed securities via the ASX CHESS settlement service.

There is no minimum number of units investors can sell on the ASX. The proceeds from the sale of units in the Fund will be the price at which you sell units on the ASX less any brokerage fee payable to your stockbroker or share trading account operator.

### Off-market withdrawal rights

In the event that trading in the units on the ASX has been suspended for five consecutive Business Days, investors may be able to apply to Schroders directly to make an off-market withdrawal from the Fund. Investors can request a withdrawal form by contacting the Unit Registry. See 'Contacting Schroders'.

The off-market withdrawal process, including the calculation of the NAV per unit, applies only when the Fund is 'liquid' as defined by the Corporations Act. If the Fund is not liquid, units may only be withdrawn pursuant to a withdrawal offer made to all investors in accordance with the Fund's constitution and the Corporations Act. Schroders is not obliged to make such offers.

There may be other circumstances where off-market withdrawals from the Fund are suspended. Withdrawals may be suspended including where:

- it is impractical for Schroders, or Schroders is unable to calculate the NAV of the Fund;
- the quotation of units is suspended, halted or revoked; or
- Schroders believes it is in the best interests of investors, or is otherwise permitted or required by law.

### Staggered redemptions

Where Schroders believes it is in the best interests of unitholders, Schroders may stagger the withdrawal dates. This means that the withdrawal may be processed progressively over a period of up to 30 days at the withdrawal price applicable for each day on which a partial withdrawal is processed.

## 12. Distributions

Distributions are normally determined half yearly (in December and June), but may occur more frequently at the discretion of the Responsible Entity. Cash distributions are calculated based on the Fund's distributable income at the end of the distribution period as determined by the Responsible Entity in accordance with the Fund's Constitution divided by the number of units on issue. All taxable income will be attributed to unitholders each year in accordance with the applicable tax laws.

The distribution investors may receive will be based on the number of units they hold at the nominated record date.

A unitholder can elect to have their distributions:

- reinvested in units at the distribution reinvestment price; or
- paid to the unitholder's pre-nominated bank account with an Australian ADI or a non-Australian ADI as agreed by Schroders

## 13. Taxation

The Australian taxation information below is of a general nature only and does not take into account the specific circumstances of any unitholder. Schroders does not purport to offer any taxation advice. Each unitholder should obtain independent professional tax advice on the tax implications of their investments in the units of the Fund based on their own circumstances. The taxation information provided is based on current Australian law and may be subject to change.

The information below is based on a unitholder holding their units on capital account.

New Zealand investors should seek their own advice on the New Zealand law taxation implications of their investment.

### General taxation

The following comments apply to the Fund that is not an AMIT in a given year.

It is intended that Schroders, in its capacity as the Responsible Entity of the Fund, will not be liable to pay Australian income tax. Tax losses within the Fund cannot be claimed by unitholders and will be carried forward to be utilised by a Fund, subject to the tests for deductibility.

Unitholders will be presently entitled to all of the taxable income of the Fund each year. Under current tax law, unitholders will be liable to pay tax on their share of the taxable income of the Fund. The taxable income of the Fund may include capital gains. This will need to be taken into account by unitholders in calculating their net capital gain for a year. Unitholders may also be entitled to claim their share of any franking credits and foreign tax offset of the Fund.

A share of taxable income of the Fund will be included in a unitholder's assessable income for the relevant year, even if distributions are made in a subsequent year, reinvested in additional units or the actual distributions differ from the taxable amount.

Distributions to unitholders may include tax deferred amounts. These amounts are not immediately assessable when received by a unitholder but are applied to reduce the unitholder's CGT cost base in their units in the Fund which will affect the calculation of any gain or loss on the ultimate disposal of their units. If the CGT cost base of units in a Fund is reduced to nil, any further tax deferred amounts received are assessable as capital gains to the unitholder.

CGT concession amounts paid by the Fund will not reduce the CGT cost base of the units held by investors.

On disposal of a unit in the Fund, income tax may be payable on any capital gain realised. Individuals, trusts, complying superannuation funds or life insurance companies may be entitled to discount their gain for tax purposes where the units have been held for more than 12 months. If units in the Fund are disposed of for a loss, a capital loss may arise which may be offset against capital gains in the current or subsequent income years.

### AMIT regime

A new taxation regime for managed investment trusts that qualify as an 'Attribution Managed Investment Trust' (the AMIT Rules) has become law. The Fund can make an election to apply the AMIT Rules subject to the Fund meeting the eligibility criteria. Schroders has assessed that the Fund qualifies as an AMIT and has made an election to apply the AMIT Rules to the Fund from 1 July 2017.

Under the AMIT Rules, the Fund will be deemed to be a 'fixed trust' for taxation law purposes and can rely on specific legislative provisions to carry forward prior year taxable income adjustments (known as unders or overs) to subsequent years. In addition, the Fund's taxable income will be 'attributed' to investors.

Australian resident investors will be subject to tax on the income of the Fund which is 'attributed' to them under the AMIT Rules. The amount attributed to investors (and where relevant, its components) will be advised in an AMIT Member Annual Statement ('AMMA Statement'), similar to the annual tax statement that is currently provided to investors.

Under the AMIT Rules, an investor is entitled to increase the cost base of their units in the Fund if the Fund attributes amounts to the investor which are taxable or which are of a nature that would not deplete the cost base of the unit under the current law (such as CGT discount). Conversely, the payment of a cash distribution and attribution of tax offsets will reduce the cost base.

Investors who do not believe that the attribution of taxable income has been worked out on a fair and reasonable basis in accordance with the Fund's constitution can substitute the responsible entity's determination with their own. If you decide to take this course, it is important that you obtain professional tax and legal advice. You are required to contact Schroders in addition to notifying the Commissioner of Taxation.

### GST

References to GST in this PDS are to GST payable in Australia.

No GST should be payable on the acquisition, disposal, withdrawal or transfer of units in the Fund, nor on any income distributed in respect of the units held by a unitholder in the Fund.

GST may apply to fees and expenses charged to the Fund, and those fees and expenses plus any applicable GST may be recoverable from the assets of a Fund. However, depending on the nature of the fees and expenses, the Fund may be entitled to reduced input tax credits (RITCs) in respect of that GST.

The GST regulations were amended from 1 July 2012 which have the effect of increasing some fees. This is because under the changes 'recognised trust schemes' (which includes the Fund) will only be eligible for a RITC of 55% of the GST it pays on acquisition of certain services rather than the prevailing rate of 75%.

Schroders advises that all fees and costs disclosed in this PDS inclusive of GST net of RITC have been calculated on a reasonable estimate of the RITC that the Fund is expected to be able to claim. Accordingly, the actual costs and expenses inclusive of GST net of RITC may be subject to change without prior notice due to the Fund's ability to claim RITC on the expenses incurred.

### Non-resident taxation

Deductions of Australian withholding tax and non-resident income tax may be made from distributions of Australian sourced taxable income for investors with an overseas address or for non-resident investors temporarily residing in Australia.

### Tax File Number

Australian resident investors may choose to provide a Tax File Number or an Australian Business Number (if investing in the course of an enterprise). If neither is quoted and no relevant exemption is provided, we are required to withhold tax from income distributions at the highest marginal tax rate plus the Medicare levy (currently 47%).

## 14. Keeping you informed

Unitholders may receive the following reports:

- confirmations for their initial investment and all subsequent transactions;
- periodic transaction statements;
- distribution summary;
- annual tax statements providing details required to complete Australian taxation returns. Investors who redeemed during any year and who have received a distribution during that period will also receive an annual tax statement; and
- annual audited financial statements.

If you are a retail client as defined in the Corporations Act, you are entitled to a periodic statement on your investments.

Potential investors may obtain copies of audited financial statements and/or details of the underlying investments or current unit prices for the Fund by contacting Schroders (see 'Contacting Schroders' section of this PDS).

Under the Constitution of the Fund, Schroders or its nominee has certain discretions in calculating unit prices. A documented unit pricing policy is maintained relating to the exercise of these discretions. A copy of the policy and documents relating to it are available free of charge on our website, [www.schroders.com.au](http://www.schroders.com.au) or by contacting Schroders (see 'Contacting Schroders' section of this PDS).

## Online account access

Online account access is available for direct investors providing easy and convenient online access for you to:

- check the total value of your investments in the Fund;
- view your account summary, including the Fund(s) you are invested in, the number of units, unit price and current balance of the Fund(s); and
- review your recent transaction history.

Note that transactions cannot be made online.

Investors who wish to access their unit holding information online should register for this service online at [www.schroders.com.au](http://www.schroders.com.au). Investors will then be mailed a login ID, temporary password and activation instructions.

We will provide your adviser or authorised representative with a separate login ID and password to access your account information.

Access is subject to terms and conditions that will be available online upon accessing this service.

## Up-to-date information

Certain information in this PDS may change from time to time. This includes but is not limited to potential changes which we have identified (including the latest performance and Fund asset allocation information). Where we indicate to you that we will give notice of such changes, or where the updated information includes no materially adverse information, we will publish the updated information on our website, [www.schroders.com.au/grow](http://www.schroders.com.au/grow). A copy of the updated information will be available free of charge upon request by contacting Schroders (see 'Contacting Schroders' section of this PDS).

## Continuous disclosure

Where the Fund is a 'disclosing entity' as defined in the Corporations Act, it will be subject to continuous disclosure and reporting obligations under the Corporations Act. We will meet our continuous disclosure obligations by publishing material information on our website [www.schroders.com.au](http://www.schroders.com.au). Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at an ASIC Office. You have a right to obtain a copy of the following documents from us at no charge:

- the Fund's annual financial report most recently lodged with ASIC;
- any half yearly report lodged with ASIC after the lodgement of the annual report and before the date of this PDS; or
- any continuous disclosure notices given by the Fund after lodgement of the annual or half yearly report and before the date of this PDS.

Pursuant to the terms of the ASIC relief (see page 10 of this PDS) granted to Schroders, it will comply with the continuous disclosure requirements of the Act as if the Fund was an unlisted disclosing entity.

# 15. Our legal relationship with investors

The Corporations Act, general law and the Constitution set out the rights and interests of the unitholders in the Fund as investors and also set out the rights, duties and obligations of Schroders as the Responsible Entity of the Fund.

## Compliance plan

In accordance with the Corporations Act, a compliance plan has been prepared for the Fund and lodged with ASIC. The compliance plan, among other things, sets out the measures that Schroders will apply to ensure that the Fund is operated in accordance with the Constitution and the Corporations Act. The compliance plan will be audited at least once a year by an external auditor who will report on their findings to Schroders. A compliance committee, with a majority of external members, has been established for the purpose of monitoring Schroders' adherence to the Fund's compliance plan.

## Constitution

The Fund is governed by its Constitution. The main provisions of the Constitution are summarised below. The Constitution is legally binding between Schroders and each unitholder. To the extent of any inconsistency between this PDS and the Constitution, the provisions of the Constitution will prevail. Subject to the Corporations Act, Schroders, as the Responsible Entity, may amend the Constitution. A copy of the Constitution is available for inspection free of charge at the offices of Schroders during normal business hours.

## Rights and liabilities of unitholders

Each unit carries with it an equal beneficial interest in the Fund as a whole but not in any particular asset of the Fund. Fund income is only distributed to registered unitholders entitled to a distribution as at the last Business Day of the distribution period. Unitholders may not interfere with Schroders' powers or exercise any rights in respect of any investment of the Fund. Under the Constitution and the Corporations Act unitholders may:

- transfer units in the Fund;
- requisition, attend and vote at meetings of the Fund;
- share in the income and capital distributions of the Fund; and
- participate in the winding up of the Fund.

Generally, the Constitution limits a unitholder's liability to Schroders as the Responsible Entity to the value of that unitholder's investment in the Fund. However, no absolute assurance can be given due to the fact that this has not been tested in superior courts.

## Liability of Schroders as the Responsible Entity

Subject to the Corporations Act, except in the case of its own fraud, gross negligence, or wilful default, Schroders is not liable to the extent that it is in fact able to be indemnified out of the Fund.

## Retirement and removal of Schroders as the Responsible Entity

Schroders may be removed from the Fund in the circumstances set out in the Constitution and the Corporations Act, including where unitholders pass an extraordinary resolution to remove Schroders as the Responsible Entity. Schroders may also retire voluntarily and must call a meeting of unitholders who may choose a replacement by extraordinary resolution.

## Termination of the Fund

Schroders may terminate the Fund at any time by giving notice to unitholders or in the circumstances provided in the Corporations Act, including pursuant to an extraordinary resolution passed by unitholders. Where the Fund is terminated, Schroders must sell all the assets of the Fund and distribute the net proceeds to unitholders in proportion to the number of units held.

## 16. Dealing with complaints

Schroders has procedures in place for dealing with complaints. Unitholders with enquiries should contact Schroders.

Notification of any complaint should be made in writing addressed to:

**Client Services Manager**  
**Schroder Investment Management Australia Limited**  
**GPO Box 5059**  
**Sydney NSW 2001**

We will seek to acknowledge receipt of your complaint in writing as soon as reasonably practicable and in any event within 14 days from receipt, and address your complaint within 30 days. If Schroders has not addressed your complaint, or if you are not satisfied, you can refer your complaint to the independent complaints resolution body, Financial Ombudsman Service Limited, ABN 67 131 124 448 (FOS), of which Schroders is a member.

Claims determined by FOS are subject to maximum limits on the total value of the remedy that can be awarded. Please see the terms of reference for FOS (which can be found at [www.fos.org.au](http://www.fos.org.au) as approved by ASIC). If your complaint remains unresolved you may contact FOS at GPO Box 3, Melbourne VIC 3001 or call 1300 780 808 or fax (03) 9613 6399. The FOS is not available to New Zealand unitholders.

## 17. Terms and conditions

### Conditions and acknowledgements

An investor agrees to be bound by the following terms and conditions:

#### 1. Facsimile and email terms and conditions

By sending a facsimile or email the investor accepts the following terms and conditions:

- The investor bears the risk that someone who knows their account details may send Schroders an instruction to apply or withdraw via facsimile or email. Any action taken by that person will be deemed to be taken by the investor. Schroders is not responsible to the investor for any fraudulently completed communications. Schroders will not compensate the investor for any losses.
- The investor bears the risk that the use of this arrangement may result in the duplication of instructions received by Schroders. Schroders will not compensate investors for any losses arising from the processing of duplicate instructions.
- The investor agrees to release, discharge and indemnify Schroders, and any other related or associated entities of Schroders, from and against any and all actions, proceedings, accounts, claims, costs, demands, charges and expenses, losses and liabilities, however arising out of the use of this arrangement.
- Schroders will only act on a completed communication that has been received by Schroders. A facsimile transmission certificate from the investor's facsimile machine is not evidence that the investor's facsimile was received by Schroders. Schroders is not liable for any loss or delay resulting from the non-receipt of any transmission.
- Schroders may cancel this arrangement or vary these conditions on 14 days' notice.
- Instructions to change payment details or signatories received by facsimile or email by Schroders will not be accepted without prior agreement by Schroders.
- The investor bears the risk of delays in processing instructions if a facsimile is not sent to the applications/withdrawals facsimile number or an email to the wrong email address.



## 2. Signatories' terms and conditions

- If the investor has granted a power of attorney, the attorney declares that he/she has not received notice of revocation of that power. A certified copy of the power of attorney should be submitted unless it has been provided previously to Schroders.
- If investing as trustee on behalf of a superannuation fund or trust, the trustee confirms that they have the power and authority under the relevant trust deed to invest on behalf of the superannuation fund or trust.
- If investing on behalf of an unincorporated entity, the officer confirms that they have the power and authority under the relevant Rules/Constitution to invest on behalf of the entity.
- In the case of joint applications, the investors agree to hold the units as joint tenants and acknowledge that, unless otherwise stated, either investor is able to operate the account, including making withdrawal requests and additional applications.
- If investing as a company/incorporated association, the investor confirms that they are officers of the company/incorporated association and that they have the authority to bind the company/incorporated association to the investment. If they are a sole signatory signing on behalf of a company, the investor confirms that they are signing as the sole director/secretary of the company.

## 3. Adviser/consultant and authorised signatories' terms and conditions

If the adviser/consultant has been appointed, the investor confirms that the following terms and conditions will apply to the appointment (subject to applicable legal requirements):

- Schroders will only pay the investor. Payment to third parties is not permitted.
- Schroders may treat the exercise of any power by a person reasonably believed to be acting as an investor's adviser/consultant or authorised signatory as if the investor had personally exercised those powers. An investor cannot claim that their adviser/consultant or authorised signatory was not acting on their behalf until the arrangement is discontinued by written notice being received by Schroders.
- Schroders is authorised to disclose information about an investor's investment in the Fund to the investor's adviser/consultant or the authorised personnel of the adviser/consultant.
- The investor's adviser/consultant or authorised signatory does not have the power to appoint another authorised signatory for an investor's investment. Only the investor has this power.
- The investor agrees to release, discharge and indemnify Schroders and any other related or associated entities of Schroders from and against any and all actions, proceedings, accounts, claims, costs, demands, charges and expenses, losses and liabilities, however arising out of the use of this arrangement or the appointment or exercise of powers by the adviser/consultant or authorised signatory.
- If the payment is made in accordance with the request or instructions of the adviser/consultant or authorised signatory, the investor shall have no claim against Schroders and any related or associated entities in relation to the payment.

- Any document or information required to be provided to the investor under any law that is given by Schroders to the adviser/consultant or authorised signatory, in accordance with the requests or instructions of the adviser/consultant or authorised signatory, shall be to the complete satisfaction of the obligation of Schroders, notwithstanding any fact or circumstance including that the document or information was requested, made or received without the investor's knowledge or authority.
- The investor is bound by the actions of the adviser/consultant or authorised signatory in relation to the operation of their investment in the Fund.
- Schroders may cancel this arrangement or vary these conditions on 14 days' notice.

## 4. AML/CTF acknowledgement

By applying to invest in the Fund you warrant that:

- You comply and will continue to comply with applicable anti-money laundering (AML) and counter-terrorism financing (CTF) laws and regulations, including but not limited to the law and regulations of Australia in force from time to time (AML/CTF Law).
- You are not aware and have no reason to suspect that:
  - (i) the monies used to fund your investment in the Fund have been or will be derived from or related to any money laundering, terrorism financing or similar activities illegal under applicable laws or regulations or otherwise prohibited under any international convention or agreement ("illegal activity"); or
  - (ii) the proceeds of your investment in the Fund will be used to finance any illegal activities
- You will provide us with all additional information and assistance that we may request in order for us to comply with any AML/CTF Law.
- You are not a 'politically exposed' person or organisation for the purposes of any AML/CTF Law.

You acknowledge that Schroders may, in its sole and absolute discretion but otherwise in accordance with the law, vary the terms of this PDS or alter the arrangements in respect of the Fund, where Schroders is required to do so due to changes in AML/CTF law.

By applying to invest in the Fund, you also acknowledge that we may decide to delay or refuse any request or transaction, including by suspending the issue or withdrawal of units in the Fund, if we are concerned that the request or transaction may breach any obligation of, or cause us to commit or participate in an offence under any AML/CTF Law, and we will incur no liability to you if we do so. You further acknowledge that Schroders is under no obligation to inform you of its intention to do any of the above, or the fact that it has done any of the above, nor is Schroders obliged to provide you with its reasons for any such actions.

## 5. Foreign Account Tax Compliance Act (FATCA) acknowledgment

Certain 'foreign financial institutions' (FFIs) are required to comply with FATCA. In order to avoid withholding tax of 30% on payments of US income or gross proceeds of the sale of certain US investments the Fund as an FFI must comply with certain reporting requirements. These include the collection and reporting of certain information about US and US-owned investors to the US tax authorities. The Fund may request certain information from investors to comply with its obligations under FATCA.

Schroders may be required to deduct and withhold tax from payments made to non-US investors in the Fund if the investors are FFIs and they fail to comply with the reporting requirements imposed under FATCA.

The investor acknowledges that where Schroders becomes aware at any time that units in the Fund are beneficially owned by a US Person, a US owned non-US entity, a non-participating FFI or a person who fails to provide the requisite documentation in relation to its US tax status, Schroders may at its sole discretion compulsorily redeem those units.

In addition, the investor acknowledges that Schroders may, in its sole discretion compulsorily redeem units from an account to ensure that units are not acquired or held in violation of this terms and conditions of the PDS, in breach of the law or requirements of any country or government or regulatory authority or which might cause adverse taxation or other pecuniary consequences for the Fund including a requirement to register under the laws and regulations of any country or authority.

## 6. Common Reporting Standard (CRS)

Australian financial institutions (AFIs) are required to comply with the Common Reporting Standard (CRS) from 1 July 2017. CRS provides a global standard for the collection of financial account information on account holders who are foreign tax residents. The Funds as AFIs must comply with the reporting requirements. As investors in the Funds, you are required to certify certain information about your tax residency status before we accept your application. Under CRS, we will be required to report details of foreign tax residents together with details of their investments to the Australian Taxation Office (ATO). The ATO may exchange financial account information with participating foreign jurisdictions.

You agree to provide all the necessary information and certification required by Schroders to meet our obligations under CRS.

## 7. Privacy

Schroders must comply with the Privacy Act. This Act generally regulates the collection, storage, quality, use and disclosure of personal information. Schroders may collect personal information from investors to provide its products and services. The Corporations Act and the AML/CTF Act require Schroders to collect some personal information about you. In accordance with Schroders' Privacy Policy, in most cases, investors have rights to access their personal information. Schroders can use your personal information to assess your application for the investment product and, if you obtain the product, to manage that product. If you do not want us to use your personal information for direct marketing purposes please contact The Privacy Officer at the address set out below.

Schroders may disclose your personal information to anyone you have authorised, or any adviser, consultant or dealer group advising you or acting on your behalf, government departments or agencies as well as any related entities of Schroders and anyone acting on Schroders' and/or the adviser/consultant/dealer group's behalf such as external service suppliers who supply administrative, financial or other services to assist Schroders and/or the adviser/consultant/dealer group in providing financial services. If we are not able to collect all the personal information we require, we may not be able to assess your application for the investment product or manage the product. Schroders may be required to transfer your personal information to entities located outside of Australia including London, Luxembourg and Singapore where it may not receive the level of protection afforded under Australian law.

Please note that if you provide personal information to Schroders about another person, you warrant that you are authorised by that person to do so and that you have informed that person of the information in this Privacy section.

Enquiries regarding access to personal information must be in writing and addressed to:

**The Privacy Officer**  
**Schroder Investment Management Australia Limited**  
**GPO Box 5059**  
**Sydney NSW 2001**

Further information on how Schroders handles personal and sensitive information can be found in the Privacy Statement that is available on the Schroders website [www.schroders.com.au](http://www.schroders.com.au). The Privacy Statement also contains information about how you can access and correct the information about you held by Schroders as well as how complaints may be made and how they will be dealt with by Schroders.

# Warning statement for New Zealand investors

If you are a New Zealand investor we are required to provide the following warning statement to you under New Zealand law.

## Warning Statement

1. This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
2. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
3. There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
4. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
5. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.
6. The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
7. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

## Currency exchange risk

1. The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
2. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

## Trading on financial product market

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

## Dispute resolution process

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.



## 18. Glossary

<b>ADI</b>	means Authorised Deposit-taking Institution.
<b>Adjusted iNAV</b>	means the adjusted indicative NAV per unit that gives an intra-day estimated value of the investment.
<b>AML/CTF Law</b>	means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) as amended from time to time.
<b>AQUA Product</b>	means a product quoted on the ASX.
<b>AQUA Rules</b>	means the rules outlined by the ASX Ltd that apply to AQUA Products.
<b>ASIC</b>	means the Australian Securities and Investments Commission or if it ceases to exist, any regulatory body or authority as then serves substantially the same objects.
<b>ASX</b>	means ASX Limited (ABN) 98 008 624 691) and associated markets as the context requires.
<b>ASX Trading Day</b>	means that day and time during which shares are traded on the ASX market.
<b>AUD</b>	means Australian dollars.
<b>Business Day</b>	means a day other than a Saturday, a Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day which the ASX declares is not a Trading Day.
<b>CHESS</b>	means the Clearing House Electronic Subregister System of the ASX, the Australian settlement system for products traded on the ASX.
<b>Constitution</b>	means the constitution of the Fund, as amended or replaced from time to time.
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth) as amended from time to time.
<b>Derivative Risk Statement</b>	has the same meaning as "Risk Management Statement" in the Prudential Practice Guide SPG 200 – Risk management issued by the Australian Prudential Regulation Authority and as amended from time to time.
<b>Emerging Markets</b>	means developing countries around the world that are characterised by a stronger growth potential than mature economies. The investable universe of Emerging Markets is commonly defined by, but not limited to, the MSCI Emerging Markets Index.
<b>Frontier Markets</b>	means frontier countries which are defined by, but not limited to, the MSCI Frontier Markets Index.
<b>Fund</b>	means the Schroder Real Return Fund, which is a registered managed investment scheme under the Corporations Act.
<b>GST</b>	means any goods and services tax, consumption tax, value-added tax or similar impost or duty that is or may be levied or becomes payable in connection with the supply of goods or services.
<b>NAV or Net Asset Value</b>	means the total assets minus the total liabilities of the Fund, units or portfolio in question, as determined in accordance with the Constitution.
<b>PDS</b>	means this Product Disclosure Statement dated 22 September 2018.
<b>Privacy Act</b>	means the Privacy Act 1988 (Cth) as amended from time to time.
<b>Responsible Entity</b>	has the meaning defined in the Corporations Act. The Responsible Entity of the Fund is Schroder Investment Management Australia Limited.
<b>RITC</b>	means a "reduced input tax credit" as defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth) as amended from time to time.
<b>Trading Day</b>	means a day on which the ASX is open for trading.

## 19. Contacting Schroders

### **Schroder Investment Management**

Australia Limited  
(ABN 22 000 443 274)  
(AFSL No. 226 473)

### **Registered office**

Level 20, Angel Place  
123 Pitt Street  
Sydney NSW 2000

### **Schroders unit registry**

C/o Link Market Services  
Level 12, 680 George Street  
Sydney NSW 2000

### **Website**

[www.schroders.com.au](http://www.schroders.com.au)

### **Email**

[info.schroders@linkmarketservices.com.au](mailto:info.schroders@linkmarketservices.com.au)

### **Client services telephone**

(+61) 1300 180 103