

# Schroders

## Schroder Absolute Return Income (Managed Fund)

### Exchange Code: PAYS

#### Product Disclosure Statement

Issued: 22 May 2023

ARSN: 624 529 120

#### Issuer and responsible entity

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#### Important information

This Product Disclosure Statement ('PDS') was lodged with both the Australian Securities & Investments Commission ('ASIC') and Cboe Australia Pty Ltd ('Cboe') on 22 May 2023. No responsibility as to the content of this PDS is taken by ASIC or Cboe. This PDS is a summary of significant information relating to the Schroder Absolute Return Income (Managed Fund) (ARSN 624 529 120) ('the Fund'). This PDS is issued by Schroder Investment Management Australia Limited ('Schroders', 'Responsible Entity', 'our', 'we' or 'us') as Responsible Entity for the Fund. References to 'Schroders Group' are to Schroders plc and its subsidiaries. No other fund, trust or class of units is offered in this PDS. You should read and consider all the information in this PDS before making a decision to invest in the Fund. You can download a copy of the PDS from the Schroders' website at [www.schroders.com.au](http://www.schroders.com.au) or request a copy free of charge by calling us on (+61) 1300 136 471.

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. You should seek financial advice tailored to your objectives, financial situation and needs.

An investment in the Fund is subject to investment and other risks, including possible delays in payment and loss of income and capital invested. Investments in the Fund are not deposits with or other liabilities of the Responsible Entity or any of its related bodies corporate, affiliates, associates or officers. Neither the Fund, Schroders, nor any of its related bodies corporate or associates, guarantees in any way the performance of the Fund, repayment of the capital from the Fund, any particular return from, or any increase in the value of, the Fund. For more details on the risks relevant to investments in the Fund, please refer to section 5 of this PDS, 'Risks of investing in the Fund.'

As at the date of the PDS, the units in the Fund have been admitted to quotation on the Cboe market. Investors can buy units on the Cboe market through a stockbroker or via a financial adviser. Such investors may use this PDS for informational purposes only.

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.

#### The offer

The offer or invitation to subscribe for units in the Fund under this PDS is only available to persons who are, or who have been engaged to act on behalf of

persons who have been, authorised as trading participants under the Cboe Operating Rules (**Authorised Participants**) and, where required, have entered into a relevant Authorised Participant Agreement.

Investors who are not Authorised Participants looking to acquire units in the Fund cannot apply directly through this PDS but may acquire units on the secondary market through Cboe. Please consult your stockbroker or financial adviser. Investors who are not Authorised Participants may use this PDS for information purposes only to assess the merits of investing in the Fund.

The offer of units in the Fund under this PDS is only available to persons receiving a copy, electronic or otherwise, of this PDS within Australia. This does not constitute an offer or invitation in any jurisdiction, or to any person to whom it would be unlawful to make such an offer.

### **Up to date information**

The information in this PDS is up-to-date at the time of preparation. 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 of the Fund and the Fund's 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/pays](http://www.schroders.com.au/pays). A paper copy of any updated information will be given, or an electronic copy made available to you without charge, upon request by contacting Schroders (see 'Contacting Schroders' section of this PDS). Where a change is considered materially adverse, we will issue a supplementary PDS or a replacement PDS.

### **Consents**

Computershare Investor Services Pty Limited (ACN 078 279 277) ('Computershare') and JPMorgan Chase Bank N.A. (Sydney Branch) ('JPMorgan') have provided consent to being named and the statements about them in the form and context in which they are included in this PDS. Computershare and JPMorgan were not otherwise involved in the preparation and distribution of this PDS, are not responsible for, and did not cause, the issue of this PDS, are not responsible for any particular part of this PDS or for the accuracy or completeness of any information included in it, and do not guarantee the success or performance of the Fund or the repayment of capital or any particular rate of return. Neither Computershare nor JPMorgan have withdrawn their consent before the date of this PDS.

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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 has helped Australian investors achieve their objectives since 1964 through our diversified suite of actively managed investment products, which now spans both public and private markets. Our local expertise in equities, fixed income, multi-asset and alternatives, combined with our global resources facilitates a diversity of thought to seek to assess each situation from every angle and consider the long-term impact on returns and the earth.

Schroders is part of the Schroders Group, an investment manager with over 200 years’ experience which is headquartered in London and has a presence in 38 locations around the world. Schroders offers Australian investors the strength and stability of a global firm coupled with the long-term perspectives and independent thinking of a local manager.

### Why Schroders?

- Stability of a global firm with strong heritage
- Dedicated to building a sustainable future, with a number of sustainability factors integrated into our investment processes
- A diverse and experienced investment team with an independent view
- Active investment is a core aspect of our business
- We strive to put investors' interests at the heart of everything we do

For further information, please visit our website [www.schroders.com.au](http://www.schroders.com.au).

## 2. At a glance

Fund details	
Fund name	Schroder Absolute Return Income (Managed Fund)
ARSN	624 529 120
Exchange code	PAYS
Investment details	
Fund description	The Fund is an active absolute return strategy that invests in a range of domestic and international fixed income securities. The Fund invests primarily in a portfolio of bonds and other fixed and floating rate securities denominated in various currencies issued by corporates, governments, government agencies, supra-nationals as well as securitised credit such as asset and mortgage backed securities. The full spectrum of available securities, including non-investment grade, may be utilised. With a focus on managing downside risk, the Fund has the flexibility to invest in cash and other debt securities (such as government bonds) to help preserve capital during downturns in the credit cycle. In adopting an absolute return approach, the most critical element of the investment process is to identify which assets to own and when to own them. This is then complemented by extensive credit research and expertise in individual credit selection. The Fund may also use derivatives and active currency management as part of the overall investment strategy to create a well-diversified portfolio with the potential to deliver consistent returns above cash and term deposits but with less risk and volatility than the equity market.
Investment return objective <sup>1</sup>	To outperform the RBA Cash Rate after fees over the medium term while aiming to avoid negative returns over any rolling 12-month period.
Type of investment	The Fund is a registered managed investment scheme structured as a unit trust whose units trade on the Cboe market. As units in the Fund have been admitted to quotation on the Cboe market, the Fund offers investors the opportunity to buy or sell a diversified portfolio of assets in a single transaction. Exchange traded managed investment schemes, have a number of benefits, including diversification, transparency and liquidity.
Investment category	Fixed income
Suitability	This product is <b>likely</b> to be appropriate for a consumer seeking capital preservation and income for a small or core component of their portfolio, with a low to medium risk and return profile. This product is <b>unlikely</b> to be suitable for a consumer seeking capital guarantee or consumers with a very high risk and return profile or with a short investment timeframe.
Minimum suggested holding period	At least 2 years. Please note this is a guide only, not a recommendation.
Management style <sup>2</sup>	Active
Hedging	

Further information is outlined under the 'Fund description' section of this PDS.

Further information is outlined under the 'Investor suitability and target market determination' section of this PDS.

<b>Liquidity</b>	<p>The Fund will primarily invest in liquid assets in accordance with its investment strategy. As a result the Fund is expected to be able to liquidate its investments in order to meet any withdrawal requests from investors on a daily basis.</p> <p>At the date of this PDS, we reasonably expect that at least 80% of the Fund's assets are capable of being realised at the value ascribed to those assets when calculating the Fund's NAV, within 10 days. Where applicable, we will provide relevant information with respect to liquidity in the monthly reports for the Fund.</p> <p>The Schroders Group Investment Risk Framework requires regular monitoring of the liquidity of the assets in which the Fund invests to seek to ensure that the Fund remains liquid and within permitted investment parameters.</p>	<p>Further information is outlined under the 'How to withdraw from the Fund' section of this PDS.</p>
<b>Distribution frequency</b>	<p>Typically monthly, calculated as at the last Business Day of each calendar month.</p>	<p>Further information is outlined under the 'Distributions' and 'Taxation' sections of this PDS.</p>
<b>Risks of investing in the Fund</b>	<p>Market risk, Interest rate risk, Credit risk, Entity risk, International investments risk, Emerging Markets/Frontier Markets risk, Currency risk, Derivatives risk, Over-the-counter (<b>OTC</b>) derivatives risk, Active exchange traded fund risk, Asset liquidity risk, Alternatives risk, Counterparty risk, Regulatory and legal risk, Conflicts of interest risk, Cyber security risk, Fund risk</p>	<p>Further information is outlined under the 'Risks of investing in the Fund' section of this PDS.</p>
<b>Fees and other costs</b>		
<b>Fees when your money moves in or out of the Fund</b>	<p>Nil</p>	<p>Further information is outlined under the 'Fees and costs' section of this PDS.</p>
<b>Management fees and costs<sup>3</sup></b>	<p>The management fees and costs of the Fund are estimated to be <b>0.55% p.a.</b> of the net asset value ('NAV') of the Fund which comprises of the following components:</p> <ul style="list-style-type: none"> <li>– A management fee: 0.54% p.a. of the NAV of the Fund</li> <li>– Indirect costs: estimated to be 0.01% p.a. of the NAV of the Fund</li> <li>– Expense recoveries: estimated to be 0% p.a. of the NAV of the Fund</li> </ul>	
<b>Fund valuations</b>		
<b>Net asset value</b>	<p>The 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 in the Fund.</p>	<p>Further information is outlined under the 'Additional Fund information' section of this PDS.</p>
<b>Adjusted Indicative NAV</b>	<p>The Adjusted Indicative NAV ('Adjusted iNAV') is an indicative calculation of NAV that will be published throughout Cboe market trading hours on each Business Day. The Adjusted iNAV will be updated for price movements in the assets in the Pricing Basket.</p>	
<b>Entering and exiting the Fund</b>		

<b>Applications – Authorised Participants</b>	<p>The offer for units in the Fund made in this PDS is only available to Authorised Participants.</p> <p>The minimum application amount is \$20,000.</p> <p>Only whole units in the Fund will be issued. Accordingly, applications will be rounded up to the next whole unit, with a balancing cash amount being payable by the Authorised Participant to the Fund equal to the difference between its original cash application amount and the amount required for the issue of the whole number of units after rounding.</p> <p>A valid application request must be received in our Sydney office before 4:00pm Sydney time on a Business Day (referred to as the <b>‘transaction cut-off time’</b>). The transaction cut-off time may be changed by Schroders at its discretion without notice.</p> <p>An Authorised Participant may make an application to create units by completing the Application for Creation/Redemption Form and paying to the Fund the cash application amount and balancing amount.</p>	<p><b>Further information is outlined under the ‘How to invest in the Fund’ and ‘How to withdraw from the Fund’ sections of this PDS.</b></p>
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<b>Redemptions – Authorised Participants</b>	<p>Units in the Fund can only be redeemed by an Authorised Participant.</p> <p>The minimum redemption amount is \$20,000.</p> <p>Only whole units in the Fund will be redeemed. Accordingly, redemptions will be rounded down to the next whole unit. This may cause the redemption amount paid out by the Responsible Entity to be less than the requested redemption amount.</p> <p>A valid redemption request must be received in our Sydney office by the transaction cut-off time on a Business Day.</p> <p>An Authorised Participant can make an application to redeem units by completing the Application for Creation/Redemption Form. The proceeds of redemptions will be paid to the Authorised Participant generally in cash after the redemption is processed and the relevant units are cancelled.</p>
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## **Investors - entering and exiting the Fund**

<b>Market liquidity</b>	<p>Investors can buy and sell units from/to other investors in the secondary market in the same way as other securities quoted on the Cboe market. The Authorised Participant may provide liquidity to investors by acting as a buyer and seller of units. The Responsible Entity has appointed an Authorised Participant to act as market maker in respect of the Fund (<b>‘Market Maker’</b>) under a market making agreement to facilitate this liquidity (<b>‘Market Maker Agreement’</b>).</p>	<p><b>Further information is outlined under the ‘Additional Fund information’ section of this PDS.</b></p>
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<b>Application and redemptions – Investors who are not Authorised Participants</b>	<p>Generally, investors may not apply for or redeem their units in the Fund directly from the Responsible Entity and can only enter and exit the Fund by buying and selling units on Cboe in the same way as other products are traded on the Cboe market. The price at which investors enter and exit the Fund will be the price at which they buy or sell the units on Cboe.</p> <p>The buying and selling of units on Cboe is not governed by the terms of this PDS and therefore minimum application and redemption requirements described in this PDS as applying to Authorised Participants do not apply to such purchases or sales.</p> <p>Investors who are not Authorised Participants may be able to make an off-market request to withdraw their investments from the Fund in limited circumstances where trading in units on Cboe has been suspended for five consecutive Business Days in line with the Fund’s Constitution.</p>
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## **Reporting and contact details**

<b>Reporting</b>	<p>Confirmation of applications/withdrawals, periodic transaction statements, distribution summary, annual tax statement, fund report and financial report.</p>	<p><b>Further information is outlined under the ‘Keeping you informed’ section of this PDS.</b></p>
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## Contact details

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

**Telephone:** Client Services (9am–5pm EST): (+61) 1300 136 471

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

<sup>1</sup>Further information on the investment objective, strategy and benefits of the Fund are outlined under 'Fund description' in section 3 of this PDS.

<sup>2</sup>Active: This means that the Investment Manager of the Fund regularly makes decisions about buying and selling investments of the Fund.

<sup>3</sup>Management fees and costs: This represents the management fee (which includes any normal operating expenses incurred by the Fund as these are paid out of the management fee), estimated expense recovery and estimated indirect costs. Fees charged by Schroders are inclusive of GST and net of any input tax credits ('ITCs') or reduced input tax credits ('RITCs') that are expected to be available to the Fund, and are shown without any other adjustment in relation to any tax deduction available to the Responsible Entity. 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. Fund description

### Fund structure

The Schroder Absolute Return Income (Managed Fund) is a registered managed investment scheme that has been admitted to quotation on the Cboe market. This means that investors can buy and sell units in the Fund on the Cboe market during trading hours on a Business Day.

The Fund uses an absolute return focused strategy that invests in Australian and international fixed income securities and that aims to deliver regular income to investors. With a focus on managing downside risks it aims to outperform cash and term deposits over the medium term, but with less volatility than equity markets and aims to avoid negative returns over any rolling 12-month period.

The Fund may also use derivatives and active currency management to help achieve this investment objective.

### Investment return objective

To outperform the RBA Cash Rate after fees over the medium term while aiming to avoid negative returns over any rolling 12-month period.

### Asset classes and investment ranges

The Fund may invest across a wide range of Australian and international fixed interest securities. This may include corporate bonds across the credit spectrum, subordinated securities, mortgage and asset backed securities, government and quasi-government bonds, emerging market debt, cash and cash equivalents. Exposure to these asset classes may be achieved directly or via an investment in other investment vehicles (including those operated or managed by Schroders, such as the Schroder Absolute Return Income Fund (ARSN 092 060 172)).

The Fund may also use derivatives (both exchange-traded and over-the-counter) and active currency management, subject to complying with any restrictions imposed by the Cboe Operating Rules (as amended from time to time).

The Fund may use derivatives for hedging purposes or to gain market exposure by using derivatives to provide economic performance for the Fund. This includes but is not limited to using derivatives to adjust the Fund's exposure to interest rate, credit risk and currency exposures.

The permitted asset allocation ranges are set out below:

Asset classes	Investment ranges
Australian investment grade	0–100%
International investment grade	0–100%
Australian high yield <sup>1</sup>	0–40%
International high yield <sup>1</sup>	0–30%
Cash and cash equivalents	0–100%
Active currency	0–10%

<sup>1</sup>Maximum aggregate exposure to high yield assets will not exceed 50%.

### Investor suitability and target market determination

In accordance with our 'design and distribution' obligations under Part 7.8A of the Corporations Act, we have considered the design of the Fund (including its key attributes) and determined an appropriate target market for the Fund – that is, a class of investors for whom the Fund, including its key attributes, we consider would likely be consistent with their likely objectives, financial situation and needs. These considerations are documented in the Target Market Determination (TMD) for the Fund, and a summary of our determination is set out in section 2 of this PDS.

A copy of the current TMD for the Fund is available on the Schroders website [www.schroders.com.au](http://www.schroders.com.au). Copies of historical TMDs can also be obtained by contacting Schroders at the address specified in the 'Contacting Schroders' section.

We may from time to time seek information from individual investors to ensure that the Fund is distributed in accordance with its TMD or to otherwise fulfil our obligations under the DDO Regime.

### Key features

Investing in the Fund offers a range of benefits including:

- **Broad diversification:** access to exposure to a broad universe of bonds inaccessible for most retail investors.
- **Predictable income:** the Fund aims to provide investors with predictable and stable monthly income in the form of distributions to assist with matters such as retirement planning.

- **Active management:** full application of investment capabilities including asset allocation, credit sector selection, security selection, active currency and derivative strategies allows Schroders to both focus on avoiding capital drawdowns while taking advantage of market anomalies.
- **Strong research commitment:** the Schroders Credit Research team performs detailed fundamental analysis of corporates in Australia and globally.
- **Experienced investment team:** local portfolio management is well integrated into the broader Schroders global fixed income team delivering global insight, research and implementation in key regions and asset classes.
- **Availability on Cboe:** the Fund's quotation on the Cboe market makes it easy for investors to buy, sell and own units in an actively managed diversified fixed income fund.

## Liquidity

The Fund will primarily invest in liquid assets in accordance with its investment strategy. As a result the Fund is expected to be able to liquidate its investments in order to meet any withdrawal requests from investors on a daily basis.

At the date of this PDS, we reasonably expect that at least 80% of the Fund's assets are capable of being realised at the value ascribed to those assets when calculating the Fund's NAV, within 10 days. Where applicable, we will provide relevant information with respect to liquidity in the monthly reports for the Fund.

The Schroders Group Investment Risk Framework requires regular monitoring of the liquidity of the assets in which the Fund invests to seek to ensure that the Fund remains liquid and within permitted investment parameters.

## Risks

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

## 4. Key Features of the Cboe Operating Rules and CHES

### Cboe Operating Rules Framework

The units in the Fund are quoted on the Cboe market under the Cboe Operating Rules as investment products. The Cboe Operating Rules are available at <https://www.cboe.com/au/equities/compliance/>.

The following table highlights the key differences between securities of a listed entity, as that term is defined in the Corporations Act, and an investment product that is quoted on the Cboe market. For this purpose, the Corporations Act provides that a company, managed investment scheme or other body is listed if it is included in the official list of a prescribed financial market operated in this jurisdiction.

Requirement	Securities of listed entities	Investment product quoted under Cboe Operating Rules
<b>Control</b>	A listed entity has control over the operation of its business and in doing so can influence the value of its own securities. For example, the management and the board of a listed entity may carry out corporate actions that have a direct impact on security prices, or can make decisions affecting business performance that in turn impact security prices.	An investment product quoted on the Cboe market is typically an investment vehicle through which investors obtain exposure to underlying assets. An issuer of an investment product quoted under the Cboe Operating Rules typically controls the allocation of the investment product's funds among underlying assets, but does not directly influence the value of the underlying assets. Instead, the value of the underlying assets (and by extension the value of the investment product) is dependent on the performance of the underlying assets rather than the financial performance of the issuer itself.
<b>Continuous disclosure</b>	Listed entities are subject to the continuous disclosure requirements under section 674 of the Corporations Act and, in the case of entities listed on ASX, ASX Listing Rule 3.1.	Issuers of investment products quoted under the Cboe Operating Rules are not subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act. There is a requirement under Rule 14.29 of the Cboe Operating Rules that an issuer of an investment product quoted under the Cboe Operating Rules provides Cboe with any information that is not generally available and that may lead to the establishment of a false market in its products or would otherwise impact the price of its products. Under the Cboe Operating Rules issuers of quoted investment products must also disclose certain specific information including: <ul style="list-style-type: none"> <li>– Information about the Fund's NAV each Business Day</li> </ul>



		<ul style="list-style-type: none"> <li>– The Fund's NAV whenever the issuer's management activities cause the Fund's NAV to move by more than 10% since the last reported NAV</li> <li>– Information about redemptions</li> <li>– Information about distributions paid to unitholders and any distribution statements (or information) made available or provided to unitholders</li> <li>– Any other information that is required to be disclosed to ASIC under sections 675 or 1017B of the Corporations Act, or would be required to be disclosed to ASIC under section 323DA of the Corporations Act if the Fund were admitted under the ASX Listing Rules</li> </ul>
<b>Periodic disclosure</b>	Entities listed on ASX are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the ASX Listing Rules.	<p>Under Cboe Operating Rules, issuers are not required to disclose their half yearly and annual financial information or annual reports. Responsible entities of registered managed investment schemes quoted on Cboe are, however, still required to lodge financial reports for those managed investment schemes with Cboe at the same time as they are provided to ASIC and investors (as required under Chapter 2M of the Corporations Act).</p> <p>In addition, under the Cboe Operating Rules issuers of quoted investment products must also disclose each month:</p> <ul style="list-style-type: none"> <li>– Information about the total number of units of the investment product on issue</li> <li>– Where the Fund's aggregate notional exposure to all OTC derivatives is greater than 5% of the Fund's NAV, certain information about the Fund's OTC derivative exposure</li> </ul>
<b>Corporate control</b>	Requirements in the Corporations Act and ASX Listing Rules in relation to matters such as replacement of a Responsible Entity, takeovers, buy-backs, change of capital, new issues, restricted securities, directors' interests and substantial shareholding disclosures apply to companies and schemes listed on ASX.	<p>Many of the requirements in the Corporations Act and all of the requirements in the ASX 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 listed entities do not apply to investment products quoted under the Cboe Operating Rules.</p> <p>As the Fund is a registered managed investment scheme, the Responsible Entity is still required to comply with the provisions of the Corporations Act including that the Responsible Entity may be removed by an extraordinary resolution of members.</p>
<b>Related party transactions</b>	Entities listed on ASX are subject to Chapter 10 of the ASX Listing Rules, which contains restrictions on transactions between an entity and persons in a position to influence the entity.	Chapter 10 of the ASX Listing Rules does not apply to investment products quoted under the Cboe Operating Rules. The Responsible Entity is still required to comply with Chapter 2E and Part 5C.7 of the Corporations Act in respect of the Fund.
<b>Auditor rotation requirements</b>	There are specific requirements regarding auditor rotation in Division 5 of Part 2M.4 of the Corporations Act applying to listed entities.	<p>Issuers of investment products quoted under the Cboe Operating Rules are not subject to the requirements in Division 5 of Part 2M.4 of the Corporations Act.</p> <p>Under the Corporations Act the Responsible Entity is still required to appoint an independent auditor to carry out audits of the Fund's financial statements and the Fund's compliance plan.</p>

## Compensation

Retail investors who suffer loss as a result of the misappropriation or fraudulent misuse of their money, property or authority by a Cboe participant, may be eligible to claim compensation under the Cboe compensation arrangements.

In certain circumstances, and if the loss is suffered in respect of matters arising on or after 26 October 2020, the National Guarantee Fund operated by the Securities Exchanges Guarantee Corporation ('SEGC') may apply to the loss. Please refer to the SEGC's website at [www.segc.com.au](http://www.segc.com.au) for further information.

If the loss is suffered in respect of matters arising before 26 October 2020, that loss may be covered under the arrangements outlined in section 11 of the Cboe Operating Rules which are available at Cboe's website at <https://www.cboe.com/au/equities/compliance/>.

### **CHES**

The Clearing House Electronic Subregister System ('CHES') performs two major functions in relation to trading on Cboe:

- Facilitates the clearing and settlement of trades in products quoted on Cboe
- Provides an electronic subregister for products quoted on Cboe
- The Unit Registry will maintain an electronic subregister with CHES on behalf of Schroders (the 'CHES sponsored' subregister) in addition to maintaining an 'issuer sponsored' subregister. Schroders will not issue investors with certificates in respect of their units. Rather, when investors purchase units on Cboe, they will either receive a holding statement from the Unit Registry which will set out the number of units they hold, together with the 'Securityholder Reference Number' (for holders on the issuer sponsored subregister) or a holding statement which will set out the number of units they hold, together with a 'Holder Identification Number' allocated by CHES (for holders on the CHES sponsored subregister).

## **5. 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**

The market as a whole, or a particular market segment or asset class, may be affected by events such as changes in legislation, economic policy, political events, technological change, changes in global economic conditions (e.g. growth and inflation) and pandemics or health crises. These events can be unpredictable and can have broad ranging impacts. The assets of the Fund are exposed to market risk to varying degrees, and there is a risk that occurrence of such events may have an adverse impact on the value of some or all of the

assets of the Fund, causing reductions in the value of the Fund's units.

### **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 or a borrower does not meet its interest and/or principal payment obligations, which results in a loss of capital to the 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.

### **Entity risk**

An investment in any entity, such as a share or corporate bond in a company, is exposed to changes within that entity, or to its business environment. These events include changes to operations and/or management, changes to product distribution, legal action against the entity 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 entity becomes insolvent, the Fund's right of recovery against the assets of the entity may rank lower than the secured creditors of the entity.

### **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 magnify existing risks or 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.

### Over-the-counter (OTC) derivatives risk

Instruments traded in OTC markets may trade in smaller volumes, and their prices may be more volatile than instruments principally traded on exchanges. Such instruments may be less liquid than more widely traded instruments and may be more exposed to default and counterparty risks. This, in turn, may expose the Fund to the risk that a counterparty will not settle a contract, causing the Fund to suffer a loss. In addition, the prices of such instruments may include a dealer mark-up which the Fund may pay as part of the purchase price.

The extent of counterparty risk for OTC instruments depends on whether it is traded and settled between two counterparties or cleared through a Central Counterparty Clearinghouse (CCP) or clearing broker. Those trades not cleared through a CCP are exposed to the risk that a counterparty will not settle a contract resulting in a loss to the Fund. This risk is mitigated to the extent that collateral is transferred or pledged in favour of the Fund and available to cover any potential default.

For OTC instruments that are centrally cleared, the counterparty risk is primarily borne by the CCP as the CCP performs both the clearing and settlement functions. Counterparty risk to the CCP or clearing broker is mitigated to the extent that collateral is exchanged and held by the CCP. There is a risk of loss by the Fund of its collateral in the event of default of the clearing broker or CCP.

### Active exchange traded fund risk

The Fund is an actively managed exchange traded fund and units in the Fund are quoted on Cboe under the Cboe Operating Rules. There are a number of risks associated with the structure and operations of the Fund as a consequence of this, which include:

- **Liquidity of units** – Although the units in the Fund will be quoted there can be no assurance that there will be a liquid market in the units. While one or more Authorised Participants have been appointed by the Responsible Entity to make a market in the units on the Cboe market, this service may not be available at all times (for example, if the Authorised

Participants are required to suspend this service due to operational disruptions). Units in the Fund may also be suspended from trading or removed from quotation, either at the request of the Responsible Entity or by Cboe, which will impact on the liquidity of units in the Fund.

- **Adjusted iNAV** – The price at which the units trade on Cboe may not reflect the NAV of the Fund at that time. The publication of the Adjusted iNAV, the robust pricing methodology adopted for its calculation, and the appointment of Authorised Participants as Market Makers (using the Pricing Basket), are all intended to mitigate this risk however the market price of the units will nonetheless be affected by market forces including supply and demand amongst investors wishing to buy and sell such units.
- **Market making risk** – Under the Cboe Operating Rules the Responsible Entity has an obligation to facilitate an orderly and liquid market in the Fund's units and has appointed Authorised Participants as Market Makers to assist the Responsible Entity in doing so. Whilst the Responsible Entity will monitor the Market Makers' ability to maintain continuous liquidity in the market, there is no guarantee of liquidity, particularly if there is a failure by the Market Makers to make a market.

### Asset liquidity risk

- Asset liquidity 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 or microcap company shares, high yield and corporate debt. In these circumstances, in addition to the potential loss that the Fund may suffer if required to sell assets, the generally acceptable timeframe for satisfying withdrawal requests may not be able to be met and/or the transaction costs associated with the withdrawal may be higher.

### Alternatives risk

- **Alternatives risk:** the Fund may make investments in non-traditional asset classes, such as private equity and debt, commodities and insurance-linked securities, which are typically exposed to additional risks that are not associated with investments in traditional assets such as bonds and listed equities.

### Counterparty risk

- The Fund may conduct transactions through or with brokers, clearing houses, market counterparties and other agents and counterparty risk may arise from those transactions. It also may arise from 'over the counter' transactions involving derivatives. The Fund is also, to a certain extent, reliant on external services providers, such as the registrar and the custodian, to provide services in connection with the operation of the Fund and its investment activities.
- There is a risk that these counterparties fail to meet their contractual obligations resulting in loss of capital to the Fund. There is also a risk that external service providers may default on the performance of

their obligations or seek to terminate these arrangements resulting in the Fund having to seek an alternative service provider meaning that investment activities and other functions of the Fund may be affected.

- The methodology applied by Schroders to choose hedging counterparties is set out in the Schroders Group Derivatives Risk Management Policy.

### **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 Responsible Entity'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.

### **Conflicts of interest risk**

- A conflict of interest arises when a party is subject to multiple competing interests. In the context of the Fund, this may arise where Schroders, one of its agents or service providers, or their respective directors or employees, has a personal interest that is inconsistent with the best interests of investors, or if Schroders is required to make decisions which may affect different unitholders with competing interests. Schroders maintains a conflicts of interest policy to ensure that all conflicts of interest (actual or perceived) are identified and appropriately managed.

### **Cyber security risk**

- Unitholder details as well as the Fund's holdings are held electronically. There is a risk of financial loss, disruption or damage from either internal or external, accidental or malicious conduct targeting either Schroders or any of Schroders' agents or service providers resulting in unauthorised access to digital systems, networks or devices for the purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption.

### **Fund risk**

- The following risks are inherent in the Fund:
- the investment team may change, which may affect the Fund's future performance;

investing in the Fund may result in a different outcome to investing directly because of the application of tax laws to the Fund, income or capital gains accrued in the Fund, the deduction of fees and 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 impact 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 management fee increases

occur, we will provide at least 30 days' prior written notice of any such increase (see 'Changing the fees' in the 'More detailed information about fees and costs' section of this document);

the Fund may be terminated; and

investing in a fund with a 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 may change.

### **How Schroders seeks to manage risks**

The investment process aims to minimise risk by focusing 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.

Derivatives may also be used for hedging and risk management purposes.

### **How Schroders uses derivatives**

We may cause the Fund to hold derivatives, including OTC derivatives, when implementing the investment strategy for the Fund. Where we do so, we will monitor the Fund's exposure of all OTC derivative counterparties on a daily basis, and seek to ensure that the aggregate exposure of the Fund to all OTC derivative counterparties does not exceed 10% of the NAV. Where the Fund's OTC derivative counterparty exposure does exceed 10% of the NAV, we will take steps within one trading day to reduce that exposure (including by acquiring further collateral) to 10% or lower. OTC derivatives which are used predominately for hedging foreign exchange risk are excluded for the purposes of assessing the 10% counterparty exposure limit.

The form and characteristics of collateral that may be held by the Fund for OTC derivatives, and the nature of the counterparties to OTC derivatives, will be limited to those permitted under the Cboe Operating Rules. Examples of permitted collateral instruments include government bonds and cash.

In addition, margining is managed daily and collateralised to further reduce counterparty risk to the extent required under the ISDA Agreements entered into with our counterparties.

Where the Fund's aggregate notional exposure to all OTC derivatives exceeds 5% of NAV the Responsible Entity must publish on a monthly basis:

- The exposure of the Fund to all OTC derivative counterparties as a percentage of the NAV of the Fund
- The value of the assets held by the Fund (excluding the value of the OTC derivatives but inclusive of collateral) as a percentage of the NAV of the Fund

Further information about derivatives and how Schroders uses derivatives can be found in the current Schroders Group Derivatives Risk Management Policy, a copy of which can be provided at your request.

## 6. Additional Fund information

### Unit pricing (NAV per unit) and valuation of the Fund's assets

The process for calculating 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/pays](http://www.schroders.com.au/pays).

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

The Fund's assets and liabilities will usually be valued each 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/pays](http://www.schroders.com.au/pays). A copy of this policy may be obtained free of charge upon request.

### Pricing basket

Schroders has appointed one or more Authorised Participants to act as Market Makers in respect of the Fund under the Market Maker Agreements. Schroders and the Market Makers will agree on a Pricing Basket (which is intended to be representative of the Fund's portfolio) that will enable the Market Makers to determine the price at which to buy and sell units on the Cboe market. Schroders will disclose the Pricing Basket to the Market Makers and publish the Pricing Basket on the Fund's website in its Material Portfolio Information Report on a daily basis.

A Market Maker applies for and redeems units in the Fund with the Responsible Entity at prices that are determined by the published NAV of the Fund as at the end of the day. The NAV is based on the value of every underlying asset in the Fund. This means the Market Makers have a strong incentive to ensure there is minimal or no difference between the price at which it buys and sells units based on the Pricing Basket and the price of units that are created or redeemed based on the NAV of the Fund.

However, there is a risk to transacting investors that unit prices determined by the Pricing Basket during trading hours on a Business Day will not accurately represent the Fund's NAV at that time. This risk could arise due to, for example, market volatility or stale prices in the underlying assets.

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

Schroders has engaged an agent to calculate and disseminate an Adjusted iNAV, which will be published throughout trading hours on each Business Day on Schroders' website [www.schroders.com.au/pays](http://www.schroders.com.au/pays). The Adjusted iNAV will be calculated using the Pricing Basket, and recalculated throughout the trading day to take into account movements in the price of assets in the Pricing Basket, and is intended to provide an approximation of the fair value of the Fund's NAV.

No assurance can be given that the Adjusted iNAV will be published continuously or that it will be up-to-date or accurate. In particular, the Pricing Basket may not always be an accurate reflection of the assets of the Fund. Investors should not rely on any Adjusted iNAV which is made available in making decisions but should consider other market information and relevant economic factors. To the extent permitted by law, Schroders is not liable to any person who relies on the Adjusted iNAV.

Investors will be notified via the announcements page on the Cboe website if there is any material change to the methodology for calculating the Adjusted iNAV.

The price at which units trade on the Cboe market may not reflect either the NAV per unit or the Adjusted iNAV. Refer to 'Active exchange traded fund risk' in the section 'Risks of investing in the Fund'.

### Custodian

Schroders has appointed 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 fees and costs described in the PDS.

In its role as custodian, JPMorgan safekeeps the 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.

### Market Maker

Under the Cboe Operating Rules, Schroders has certain obligations in respect of the Fund to facilitate an orderly and liquid market in the Fund. These obligations include, in summary, a requirement for us to maintain a certain level of liquidity in units in the Fund on the Cboe platform through arrangements which meet the requirements set by Cboe. As at the date of this PDS, we have arrangements in place designed to ensure that for at least 80% of the time during which the units are in active continuous trading (as defined in the Cboe Operating Rules) there are continuous two-way quotes available for at least \$20,000 worth of units in the Fund, and subject to a maximum spread requirement. There are a small number of situations during which this will not apply, including where firm prices are not available for at least 10% of the Fund's underlying assets, where operational disruptions prevent orders from being made, and where the making of orders would be contrary to law.

We have appointed one or more Authorised Participants to act as Market Makers (and, subject to the Cboe Operating Rules, may replace the Market Makers and appoint additional market makers) to maintain

continuous liquidity to the market by acting as a buyer and seller to the secondary market.

A Market Maker will apply for and redeem units from the Responsible Entity as required to hold an inventory of units enabling it to provide buy and sell prices to the secondary market, while also potentially hedging their underlying positions.

A Market Maker uses information such as the Pricing Basket and NAV prices to determine the price of Fund units and places a bid/ask spread around this value before sending these prices to Cboe as bid and ask orders.

We understand the importance of the role of the Market Makers and seek to ensure that any market makers appointed by us:

- Have experience in making markets in exchange quoted products and other types of listed securities both in Australia and overseas
- Are Cboe trading participants or are otherwise authorised by Cboe to access the Cboe market through a trading participant and have agreements with Cboe to act as a market maker
- Have the necessary skill and expertise to perform a market making function

A market maker will generally retain for its own account any trading profit and bear any loss generated by its market making activities.

## ASIC relief

### Exemption – unequal treatment in withdrawal from a Cboe managed fund

Pursuant to ASIC Instrument 19-1102, ASIC has granted relief under section 601QA of the Corporations Act from the equal treatment requirement in section 601FC(1)(d), to the extent that it would prevent Schroders from permitting only Authorised Participants to withdraw from the Fund. For the purposes of this relief, except in exceptional circumstances, only Authorised Participants may withdraw from the Fund, but other unitholders may sell their units on the Cboe market.

However, if the units are suspended from trading on the Cboe market for more than 5 consecutive trading days, investors will have the right to withdraw from the Fund and receive payment for their interests in money within a reasonable time of request unless any of the following apply:

- The Fund is being wound up
- The Fund is not liquid as defined in subsection 601KA(4) of the Corporations Act; or
- We suspend redemptions in accordance with the Constitution

In the event that such a redemption occurs, any withdrawal fee per unit payable by unitholders who are not Authorised Participants will not be greater than the withdrawal fee per unit that would generally be payable by an Authorised Participant receiving redemption proceeds in cash when withdrawing the minimum parcel of units.

## Ongoing disclosure relief

ASIC has granted relief under ASIC Class Order [CO 13/721] (as amended by ASIC Corporations (Amendment) Instrument 2019/784) under section 1020F of the Corporations Act from the ongoing disclosure requirements in section 1017B of the Corporations Act which applies to the Fund provided that Schroders complies with the disclosure requirements in section 675 of the Corporations Act as if the Fund was an unlisted disclosing entity (which Schroders intends to do).

## Periodic statements relief

ASIC has granted relief under ASIC Class Order [CO 13/1200] (as amended by ASIC Corporations (Amendment) Instrument 2019/784) under section 1020F of the Corporations Act from certain periodic statement requirements that would otherwise apply to the Fund. In particular, Schroders is not required (and does not intend) to include in the Fund's periodic statements purchase or sale price information, return on investment information, details of the price at which an investor transacts in units on the Cboe market, or return on investment information where Schroders is not able to determine such information and the periodic statement explains why this information is not included and how it can be obtained. In addition, the relief requires Schroders to report in each periodic statement whether the Fund has met its investment objective.

## Cboe Waiver

Pursuant to Cboe's powers to grant a waiver under Rule 1.5 of the Cboe Operating Rules, Cboe has granted Waiver COMP-172 in respect of the Fund. The effect of the waiver is to amend Rule 1.1 in relation to Rule 14.17(d)(ii) of the Cboe Operating Rules to the extent necessary to permit the Fund to make a *de minimis investment* (of up to 2% of the net asset value of the Fund) in private debt investments which do not have a reliable pricing framework (as defined in the Cboe Operating Rules) but are instead valued and priced by those with appropriate skills to do so within Schroders. The grant of the waiver was subject to Schroders retaining records of pricing these assets and providing Cboe with information on any impairment assessments on a quarterly basis. A copy of the waiver may be accessed here:

<https://www.cboe.com/au/equities/compliance/>

## Labour standards and environmental, social and ethical considerations

Schroders takes into account labour standards and environmental, social and ethical (**ESG**) considerations as part of its investment process, further detail of which is provided below. Schroders recognises that different asset classes, strategies, and investment time horizons require our Investment teams to adopt different perspectives pertaining to ESG to strengthen effective decision making. While Schroders does not have a pre-determined view as to what constitutes ESG considerations, the analysis of ESG considerations often relates to issues such as climate change, environmental

performance, labour standards and board composition. Schroders does not implement a weighting system for taking into account ESG considerations.

Where Schroders has delegated investment management for a Fund to another member of the Schroders Group, these ESG considerations are taken into account by the investment manager for the purposes of selecting, retaining or realising investments of the Fund.

From an ESG-perspective, Schroders categorises the Fund as an ESG-integrated fund. **ESG integration** means that our fund managers and analysts systematically and explicitly take account of ESG considerations alongside traditional financial analysis with a focus on prioritising investor returns. Schroders believes that ESG integration provides a more comprehensive assessment of investment opportunities as it captures ESG-related risks and opportunities associated with various securities which assists our investment teams in decision-making, security valuation, and forecasts of future return potential. The Fund adopts ESG integration into its investment process which is implemented practically in three important ways namely, **Negative Screens, Monitoring,** and **Active Ownership.**

#### (i) Negative Screens

At a minimum, all of our Funds are subject to our excluded securities policy, which is available on our website via this link:

<https://api.schroders.com/document-store/id/ae57ee43-89d7-4bf2-aa51-02fe23c987ef>

**(Excluded Securities Policy).** This policy does not apply to Funds of funds or portfolios managed by third party investment firms, or those in which we do not have discretion over security selection. In particular, where Schroders portfolios invest in market indices, externally managed investments including ETFs and other managed funds, these exclusion criteria will not apply. The main groups of securities that are excluded by the Excluded Securities Policy include companies that:

- **derive any revenue from the manufacture of Tobacco as defined in the Excluded Securities Policy,** being those securities issued by companies that manufacture tobacco products. This exclusion does not apply to companies generating revenue from the sale and distribution of tobacco, such as supermarkets;

- **derive any revenue from the manufacture, sale or distribution of cluster munitions, anti-personnel mines, biological and chemical weapons** as assessed by Schroders plc and applied to all investments globally for the Schroders Group. The Schroders Group fully supports the international conventions on cluster munitions and anti-personnel mines, biological and chemical weapons and we will not knowingly hold any security that will derive any revenue from these sources;

- **derive 5% or more of gross revenue from nuclear weaponry manufacture.** Schroders has identified a list of securities that derive 5% or more of revenue from the manufacture of nuclear weaponry. This list is updated from time to time and is available on the Schroders website. This exclusion does not apply to

companies generating revenue from the sale and distribution of nuclear weaponry; and

- **generate 20% or more of gross revenue from thermal coal mining.** The exclusion does not include companies operating in other areas of the thermal coal mining industry, for example equipment suppliers or electric utilities.

In applying the Negative Screens the revenue of a company will be based on information provided by third party data providers such as, but not limited to, MSCI.

#### (ii) Monitoring

Schroders does not employ a bespoke approach for monitoring and reviewing ESG considerations relevant to our Funds. Where ESG considerations form part of a Fund's investment guidelines by way of Negative Screens, these are monitored as part of the automated daily pre- and post-compliance checks for the Fund's investments in accordance with our standard investment compliance process. Generally, if an investment guideline is no longer met, the relevant asset is divested by the Fund in an orderly manner as determined by Schroders as Responsible Entity for that Fund. In certain circumstances the relevant investment team may choose to maintain an investment despite it breaching an investment guideline, such as where they determine that its ESG outlook is expected to improve or the breach will only be temporary.

#### (iii) Active Ownership

Schroders' Active Ownership philosophy entails three key pillars: dialogue, engagement and voting.

Schroders will partake in any or all three of these actions as and when it sees fit. Active Ownership can also be referred to as Active Stewardship. Details about these three key pillars are available via this link:

<https://api.schroders.com/document-store/id/9c8fb97b-7e95-4eda-b147-069b38e5f4a1>.

#### Dialogue and engagement

Dialogue and engagement may enable us to gain insight into companies' practices and future plans relating to ESG, raising ESG-related concerns with company management, and influencing them towards behaviour we consider to be more favourable through various forms of communication such as phone calls and meetings as and when we deem necessary. Schroders may engage on various ESG-related topics it deems to be important, such as reducing carbon emission output and responsible treatment of employees and customers.

#### Voting

Schroders uses voting as one of the key ways to communicate our views and positively influence how a company is run. We vote on a variety of resolutions many of which are corporate governance-related, such as the approval of directors and accepting reports and accounts. Schroders seeks to vote on all resolutions at all shareholder meetings globally except where there are restrictions that make it onerous or expensive to vote compared against the benefits of doing so. For example, we may not vote in markets where share-blocking is allowed, as this could restrict the trading of

shares which are to be voted upon. Further information on our voting policy and practices can be found in our Environmental, Social and Governance Policy for Listed Assets and monthly disclosure of our global voting can be found here:

<https://vds.issgovernance.com/vds/#/MTAwMzE=>.

Schroders' Engagement Blueprint sets out the long-term outcomes we desire to see from companies in areas of climate change, natural capital and biodiversity, human rights, human capital management, diversity and inclusion and corporate governance. The Engagement Blueprint can be accessed here:

<https://mybrand.schroders.com/m/20fba650f070c4c9/original/Schroders-Australia-Engagement-Blueprint-2023.pdf>.

In 2021, at a global level, Schroders held over 2,100 sustainability-focused engagements, interacting with over 1,600 companies across 58 countries. More information on Schroders engagement and voting activities can be found in our quarterly Sustainability Investment Reports on our website.

In the event we are undertaking significant Active Ownership activities, we will provide regular updates to investors of any outcomes we consider significant.

## About sustainability at Schroders

The following are some of the ways that Schroders seeks to incorporate ESG into its business.

### Sustainable Investment team

We have a dedicated Sustainable Investment team in London, with representatives across the APAC region who work with stakeholders across the business to help identify and analyse emerging trends, regulatory developments, and industry best practice pertaining to ESG that may be significant for Schroders' business.

### Schroders memberships

Schroders is an active member of a number of investor groups focused on promoting ESG considerations and dealing with specific issues or industries, or with whom we collaborate on various industry initiatives. We became a signatory to the PRI Association (**PRI**), a leading promoter of responsible investment practices supported by the United Nations in 2007. The UN PRI in 2021, and Schroders received scores of 4 and 5 stars across all modules in the new reporting structure for 2021 (reflecting our activity during 2020).

Schroders is also a member of the Responsible Investment Association of Australasia (**RIAA**). As at the date of this document, the **Schroder Sustainable Growth Fund** and the **Schroder Sustainable Global Core Fund** have each been certified by RIAA and this

accreditation is reviewed by RIAA annually. RIAA has accredited these funds according to the strict operational and disclosure practices required under its Responsible Investment Certification Program. Please see [www.responsibleinvestments.com.au](http://www.responsibleinvestments.com.au) for further details. A full list of organisations we support is available from our Client services team (details can be found on page 1).

### Our ESG Related Policies and Disclosures

We believe transparency is an important feature of effective ESG integration. We produce a number of publicly available reports for clients on our sustainability and ESG-related activities. All of these reports are available on our website on our policies and notices page. A copy of these policies and statements may also be obtained free of charge upon request by contacting our Client services team (details can be found on page 1).

### 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) or enter into financial or other transactions with related parties in relation to the assets of the Fund. Where we enter into such arrangements, they will be based on arm's length commercial terms or as otherwise permissible under the law. Where a Fund invests in an underlying fund that is managed by a wholly-owned member of the Schroders Group, Schroders will typically implement an arrangement to offset any fees payable to that wholly-owned group entity so that they are not an additional cost to you. However, fees payable to external managers and managers related to, but not wholly owned by, the Schroders Group will still typically be borne by the Fund.

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 conflicts 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.

## 7. 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 fees. 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) MoneySmart website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

## Fees and costs summary

This section 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 the assets of the managed investment scheme as a whole.

Taxes 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 Absolute Return Income (Managed Fund) –		
Type of fee or cost*	Amount	How and when paid
<b>Ongoing annual fees and costs**</b>		
<b>Management fees and costs</b> The fees and costs for managing your investment <sup>1</sup>	Estimated to be 0.55% p.a. of the Net Asset Value (NAV) of the Fund, comprised of: 1. A management fee of 0.54% p.a. of the NAV of the Fund. <sup>***</sup> 2. Estimated indirect costs of 0.01% p.a. of the NAV of the Fund. 3. Estimated expense recoveries of 0% p.a. of the NAV of the Fund.	1. The management fee is calculated and accrued daily and generally paid monthly in arrears out of the assets of the Fund within 10 Business Days after the end of the month. 2. Indirect costs are generally deducted from the assets of the Fund as and when incurred. 3. Expense recoveries are generally deducted from the assets of the Fund as and when incurred.
<b>Performance fees</b> Amounts deducted from your investment in relation to the performance of the product	Nil	Not applicable
<b>Transaction costs</b> The costs incurred by the scheme when buying or selling assets	Estimated to be 0.02% p.a. of the NAV of the Fund. <sup>2</sup>	Transaction costs generally arise when the value of the assets of the Fund are affected by the day-to-day trading of the Fund, and are deducted from the assets of the Fund as and when incurred.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)</b>		
<b>Establishment fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution fee<sup>1</sup></b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Buy-sell spread</b> An amount deducted from your investment representing costs incurred in transactions by the scheme	Estimated to be 0.15% of the application amount on application and 0.15% of the withdrawal amount on withdrawal. <sup>3</sup>	The buy-sell spread is deducted from the application amount received from the Authorised Participant at the time of the relevant application, and from the withdrawal amount paid to the Authorised Participant or (in the limited circumstances in which other unitholders may withdraw directly) other withdrawing unitholders at the time of the relevant withdrawal.
<b>Withdrawal fee<sup>1</sup></b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit fee<sup>1</sup></b> The fee to close your investment	Nil	Not applicable

<b>Switching fee</b> The fee for changing investment options	Nil	Not applicable
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\*Unless otherwise stated, all fees and costs are quoted inclusive of GST and net of any input tax credits ('ITCs') or reduced input tax credits ('RITCs') that are expected to be available to the Fund, and are shown without any other adjustment in relation to any tax deduction available to the Responsible Entity.

\*\*Unless otherwise stated, all estimates of fees in this section are based on information available as at the date of this PDS and reflects Schroders' reasonable estimates of the typical ongoing amounts for the current financial year. All costs reflect the actual amount incurred for the last financial year and may include Schroders' reasonable estimates where Schroders was unable to determine the exact amount or information was not available at the date of this PDS.

\*\*\*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' management fee. Please refer to the 'Additional explanation of fees and costs' in this PDS for further details.

<sup>1</sup>This fee includes an amount payable to an adviser. Please refer to the 'Additional explanation of fees and costs' in this PDS for further details.

<sup>2</sup>The transaction costs disclosed in this fees and costs summary are shown net of any recovery received by the Fund from the buy/sell spread charged to the Authorised Participant (and, in the limited circumstances where unitholders may withdraw directly, other withdrawing unitholders). Please refer to the 'Additional explanation of fees and costs' in this PDS for further details.

<sup>3</sup>With the exception of the Authorised Participant, investors will not usually be able to apply for or withdraw their units directly from the Responsible Entity but instead may transact in units in the Fund on the Cboe market, and will not incur a buy-sell spread charged by the Fund when doing so. Investors are generally only able to withdraw their units directly from the Responsible Entity in exceptional circumstances. In estimating the buy-sell spread, Schroders has assumed that the applications or withdrawals are made during normal market conditions, as in times of stressed or dislocated market conditions (which are not possible for Schroders to predict) the buy-sell spread may increase significantly and it is not possible to reasonably estimate the buy-sell spread that may be applied in such situations. Please refer to the 'Additional explanation of fees and costs' in this PDS for further details.

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

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

<b>Example – Schroder Absolute Return Income (Managed Fund)</b>		
	<b>Balance of \$50,000 with a contribution of \$5,000 during year</b>	
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
<b>PLUS</b> Management fees and costs <sup>2</sup> comprising:	<b>0.55% p.a.</b>	And, for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$275 each year.
Management fee <sup>3</sup> to Schroders	0.54% p.a.	
Indirect costs	0.01% p.a.	
Expense recoveries	0% p.a.	
<b>PLUS</b> Performance fees	Nil	And, you will be charged or have deducted from your investment \$0 in performance fees each year.
<b>PLUS</b> Transaction costs <sup>2</sup>	0.02% p.a.	And, you will be charged or have deducted from your investment \$10 in transaction costs.
<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 and costs of <b>\$285</b> . <sup>1,4</sup>

#### **What it costs you will depend on the fees you negotiate.**

<sup>1</sup>Additional fees may apply. This example does not take into account the buy-sell spread charged to the Authorised Participant or to investors that withdraw directly from the Fund (in the exceptional circumstances where that is permitted). This example assumes that there are no abnormal expenses incurred by Schroders and recovered from the Fund during the period.

<sup>2</sup>Please refer to footnote \*\* in the Fees and costs summary above.

<sup>3</sup>Please refer to footnote \*\*\* in the Fees and costs summary above.

<sup>4</sup>This amount excludes fees for any additional contributions that may be made during the year. Please note that the minimum initial investment in the Fund for Authorised Participants is \$20,000. We have assumed that the \$5,000 contribution is made at the end of the year and that the value of the investment is a constant. This example is therefore calculated using the \$50,000 balance only. Please note that this is just an example. In practice, actual investment balances will vary daily and the actual fees and costs charged are based on the value of the Fund, which also fluctuates daily.

### Additional explanation of fees and costs

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

Total fees and costs = management fees and costs (comprised of the management fee, indirect costs and expense recoveries (if incurred)) + performance fee (if applicable) + transaction costs + buy-sell spread (if applicable)

Unless otherwise stated, all estimates of fees in this PDS are based on information as at the date of this PDS and reflect the typical ongoing amounts for the current financial year. All costs reflect the actual amount incurred for the previous financial year, including Schroders' reasonable estimates where Schroders was unable to determine the exact amount or information was not available at the date of the relevant PDS.

Investors in the Fund typically will not bear any establishment costs, contribution fees, withdrawal fees, exit fees or switching fees.

### Management fees and costs

Management fees and costs include the amounts payable for administering the Fund, amounts paid for investing in the assets of the Fund, and other expenses and reimbursements in relation to the Fund and investments.

The management fees and costs of the Fund are comprised of a management fee, indirect costs and any recoverable expenses (if incurred).

### Management fee

This 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.

Schroders is entitled to a management fee of 0.54% p.a. on the NAV of the Fund (inclusive of GST less any RITC entitlement). The management fee is calculated and accrued daily and generally payable monthly in arrears. Schroders may rebate all or part of its management fees to 'wholesale clients' as defined in the Corporations Act on an individually negotiated basis. For further information, on negotiated fees, see the 'Differential Fees' section below. Wholesale clients can contact Schroders at the address specified in the 'Contacting Schroders' section.

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 increased without providing at least 30 days' advance notice to you.

The Fund's estimated and/or historical management fees may not be an accurate indicator of the actual management fees you may pay in the future. Details of any future changes to management fees 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.

### Indirect costs

Indirect costs include any amount that we know or reasonably ought to know, or where this is not the case, may reasonably estimate has reduced or will reduce (as applicable), whether directly or indirectly, the return of the Fund, or the amount or value of the income of, or property attributable to the Fund, or an interposed vehicle (including an underlying fund) in which the Fund invests.

The management fees and costs figure disclosed in the fees and costs summary of this PDS includes the estimated indirect costs of the Fund of 0% p.a., which is the amount actually incurred by the Fund for the previous financial year, including Schroders' reasonable estimates where Schroders was unable to determine the exact amount or information was unavailable at the date of this PDS.

These indirect costs are reflected in the unit price of your investment in the Fund and include any underlying (indirect) management fees and costs 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 management fees incurred by the Fund on investments in funds managed by Schroders or any other entities wholly owned by the Schroders Group to ensure that they are not an additional cost to you. Management fees paid to external managers (including managers related to, but not wholly owned by, the Schroders Group) 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, OTC options and swap arrangements). Engaging in trade activity of these types of products may give rise to other indirect costs
- The actual indirect costs that the Fund incurs may differ from the indirect costs disclosed in this PDS. 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.

### Expense recoveries

#### Normal expense recoveries

Schroders is entitled to separately recover expenses (such as fund accounting, unit registry, audit costs, postage, trade reporting and preparation of tax returns etc) from the assets of the Fund. 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.

As at the date of this PDS, Schroders has decided to pay normal expenses (including those incurred in the administration of the Fund other than market opening costs) out of its management fee.

The ordinary expenses of the Fund include fees charged by the Market Maker for providing liquidity for the fund's units on Cboe and facilitating settlement. While it

does not currently do so, Schroders may determine to recover these costs from the assets of the Fund in future.

### **Abnormal expense recoveries**

Schroders may also recover abnormal expenses (such as costs of unitholder meetings, changes to the Constitution, and defending or pursuing legal proceedings) from the Fund.

Abnormal expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year. In circumstances where such events do occur, we may decide not to recover these from the Fund.

The management fees and costs figure disclosed in the fees and costs summary in this PDS includes the estimated abnormal expense recoveries of the Fund, which is the amount actually incurred by the Fund for the previous financial year, including Schroders' reasonable estimates where Schroders was unable to determine the exact amount or information was unavailable at the date of the PDS.

### **Transaction costs**

Transaction costs are the costs incurred when assets are bought or sold by the Fund and include brokerage, buy-sell spreads, settlement costs (including custody costs), clearing costs and stamp duty. Transaction costs also include costs incurred by an interposed vehicle that would be transaction costs if they had been incurred by the Fund and certain costs in relation to derivative financial products.

Transaction costs are reflected in the Fund's unit price as and when incurred. As these costs are factored into the value of the Fund's assets and reflected in the unit price, they are an additional cost to you and are not a fee paid to Schroders as the Responsible Entity. The impact of transaction costs can be offset in part by the buy/sell spread charged by Schroders to Authorised Participants and transacting members (in the limited circumstances in which members can withdraw directly from the Fund). These costs can arise as a result of bid-offer spreads being applied by trading counterparties to securities traded by the Fund.

The Fund may charge a buy-sell spread to the Authorised Participant on the application or redemption amount where it applies for or redeems units in the Fund, and on the redemption amount for investors in the limited circumstances where investors are able to redeem units in the Fund directly from the Responsible Entity (please refer to the section 'Buy/sell spread (for off-market transactions)' below). The estimated transaction costs disclosed in the fees and costs summary in this PDS are shown net of any amount expected to be recovered by the buy-sell spread charged by Schroders, and reflects the amount actually incurred by the Fund for the previous financial year, including Schroders' reasonable estimates where Schroders was unable to determine the exact amount or information was unavailable at the date of this PDS.

The total gross transaction costs incurred by the Fund for the last financial year were 0.21% p.a. of the NAV of the Fund. The buy/sell spread recovery for the last financial year was 0.19% p.a. of the NAV of the Fund. As such, the net transaction costs of the Fund

(representing the total transaction costs minus the amount recovered through the buy/sell spread) incurred for the last financial year were 0.02% p.a. of the NAV of the Fund. The dollar value of these costs over a 1 year period based on an average account balance of \$50,000 is \$10.

The Fund's estimated and/or historical transaction costs may not be an accurate indicator of the actual transaction costs you may incur in the future. Details of any future changes to transaction costs will be provided by 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.

### **Buy/sell spreads**

A buy/sell spread will be charged to Authorised Participants when they apply for or redeem units in the Fund. A sell spread will also be charged in the exceptional circumstances investors who are not Authorised Participants may redeem units directly from the Responsible Entity (please refer to the section 'How to withdraw from the Fund'). A buy/sell spread is an amount deducted from the value of an investor's application money or redemption proceeds that represents the estimated costs incurred in transactions by the Fund as a result of the application or redemption.

An estimate of the buy/sell spread applicable to applications and redemptions from the Fund is set out in the fees and costs summary of this PDS. In estimating the buy-sell spread, Schroders has assumed that the applications or withdrawals are made during normal market conditions, as in times of stressed or dislocated market conditions (which are not possible for Schroders to predict) the buy-sell spread may increase significantly and it is not possible to reasonably estimate the buy-sell spread that may be applied in such situations.

The buy/sell spread is an additional cost to transacting investors and is additional to other costs incurred such as management fees and costs. The buy/sell spread is based on the transaction value. For example if you made an application to redeem \$50,000 from the Fund and the Fund had a buy-sell spread of 0.20% on withdrawal you would pay \$100 ( $\$50,000 \times 0.20\%$ ). This amount is retained by the Fund to cover certain transaction costs.

The buy/sell spread is not a service fee charged by Schroders and it is not subject to GST. No part of the buy/sell spread is paid to Schroders – the amount is retained in the assets of a Fund to protect ongoing investors from the transaction activity driven by applications and withdrawals.

Schroders will provide details of the buy/sell spread to Authorised Participants electronically, and to other investors on request by calling 1300 070 714.

The size of the buy/sell spread may, subject to law, be varied from time to time without prior notice to ensure that non-transacting investors are not adversely impacted by the application and redemption activities of the Authorised Participant. For example, in stressed and dislocated market conditions, the buy/sell spread may increase significantly.

## Differential fees

Schroders may charge, rebate or waive 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.

## In-specie transfers

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 Cboe, investors are likely to incur brokerage fees and charges from their stockbroker or share trading account operator. Investors should consult their stockbroker or share trading account operator for more information in relation to their fees and charges.

## Financial advisers

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 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 expense recoveries and the buy/sell spread at any time without your consent or advance 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).

## Maximum fees

### Management fee

The maximum management fee for the Fund under the Constitution is 5.13% of the NAV of the Fund (inclusive of GST and less any RITCs) per annum. The current management fee for the Fund is 0.54% 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.

### ASIC fee calculator

To calculate the effect of fees and costs on your account balance, you can use the calculator provided by ASIC at [www.moneysmart.gov.au](http://www.moneysmart.gov.au).

### 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.

## 8. How to invest in the Fund

### Cut-off times

The cut-off time for the Fund is normally 4pm Sydney time on a Dealing Day.

Where application instructions are received by the relevant cut-off time on a Dealing Day and accepted by Schroders, units will normally be allocated at the unit price calculated for that Dealing Day.

Where an application instruction is received after the relevant cut-off time on a Dealing Day, the instruction will normally be treated as being received on the following Dealing Day.

The cut-off times may be changed by Schroders at its discretion without notice. Typically an earlier cut-off time will be adopted on days when financial markets have shortened trading hours.

### Investment of application monies

Schroders may invest the application monies accompanying an application for units (**Application Amount**) immediately upon receipt and acceptance of the application, even though the payment for the units (**Investment**) is not cleared.

If Schroders has invested the Application Amount and cleared funds are not received by Schroders within such period from receipt of the application as Schroders determines, then:

- Any units that have been allocated to the applicant will be voided and treated as though they were never issued; and
- Schroders may take such steps as it considers necessary or desirable to unwind the Investment; and
- the Authorised Participant will be liable to Schroders on behalf of the Fund for all liability, loss, costs, charges and expenses arising from, or incurred by the Fund, as a result of:

- i. Schroders making and unwinding the Investment; and
- ii. Schroders not receiving the cleared funds from the Authorised Participant on the date that Schroders made the Investment.

### Direct Deposit

Where funds are electronically transferred or deposited directly to the bank account, details of the deposit should accompany the application form. Schroders will accept notice of electronic transfer of funds as if deposited and cleared.

**Physical cash will not be accepted at any time.**

### Authorised Participants

Applications for units in the Fund may only be made by an Authorised Participant. Authorised Participants must enter into an Authorised Participant Agreement with Schroders and will be required to comply with any additional requirements set out in that agreement.

To apply for units in the Fund, Authorised Participants must complete the Application for Creation/Redemption Form and send it to Schroders by the relevant 'transaction cut-off time'. Please refer to the Creation and Redemption Procedures in the Authorised Participant Agreement for further instructions about sending an Application for Creation/Redemption Form to Schroders.

Please note that we may, without giving any reason, refuse or accept all or part of an application for units in our sole discretion.

An Authorised Participant must apply for units in cash. The minimum application amount is \$20,000. Only whole units in the Fund will be issued.

Accordingly, applications will be rounded up to the next whole unit. The Authorised Participant must transfer to the Fund the corresponding cash amount for the whole number of units, in return for which we will issue the Authorised Participant with that number of units.

A balancing cash amount will also be payable by the Authorised Participant to the Fund for unit creations. The balancing cash amount will be equal to the difference between the original cash application amount and the amount required for the issue of the whole number of units after rounding.

Units issued pursuant to an Application for Creation/Redemption Form will be quoted under the Cboe Operating Rules on the Cboe market with effect from the settlement of the issue of the relevant units. On a monthly basis we will announce to Cboe via the Cboe Fund Announcements Platform the Fund's total units on issue.

We may charge a buy/sell spread on applications for units. Please refer to the 'Additional explanation of fees and costs' section of this PDS for further information.

### Other investors

Other than Authorised Participants, investors are not able to apply directly to the Responsible Entity for units in the Fund. As the units are quoted on the Cboe market, the units are tradable on that market and can be sold 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 CHESS settlement service.

There is no minimum number of units that investors are required to purchase on the Cboe market. The cost of investing in the Fund will be the price at which you purchase units on the Cboe market 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 Cboe market through their stockbroker or share trading account.

Investors do not have cooling off rights in respect of units purchased on the Cboe market.

## 9. How to withdraw from the Fund

### Authorised Participants

Authorised Participants may apply directly to the Responsible Entity to redeem units in the Fund.

To redeem units in the Fund, Authorised Participants must complete the Application for Creation/Redemption Form and send it to Schroders by the relevant 'transaction cut-off time'. Please refer to the Creation and Redemption Procedures in the Authorised Participant Agreement for further instructions about sending an Application for Creation/Redemption Form to Schroders.

An Authorised Participant may only apply to redeem units in cash. The minimum redemption amount is \$20,000. Only whole units in the Fund will be redeemed. Accordingly, redemption amounts will be rounded down to the next whole unit. The Authorised Participant must transfer units being redeemed to us for cancellation in return for a corresponding cash amount from the Fund.

In certain circumstances we may be required or permitted by the Constitution or by law to deduct or withhold amounts relating to tax and other amounts from the redemption amount that would otherwise be payable. These amounts (if any) will be deducted from the cash amount that would otherwise be payable to the relevant unitholder in respect of the redemption.

We may determine that some or all of the redemption amount consists of income (which may include net capital gains), rather than capital of the Fund. We will advise the Authorised Participant when this is the case as soon as practicable after the end of the financial year in which the withdrawal occurred.

Whilst the Fund is 'liquid' for the purposes of the Corporations Act, we will satisfy a redemption request within 21 days of the date on which the redemption request is accepted in accordance with the Constitution. If the Fund is not liquid, units may only be withdrawn pursuant to a withdrawal offer made to all investors in accordance with the Constitution and Part 5C.6 of the Corporations Act. Schroders is not obligated to make such offers. As at the date of this PDS, Schroders expects that the Fund will be liquid.

We may charge a buy/sell spread on redemption for units. Please refer to the 'Additional explanation of fees and costs' section of this PDS for further information.

## Other investors

As the units are quoted on the Cboe market, the units are tradable on the Cboe market 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 CHES settlement service.

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

## Off-market withdrawal rights

Unitholders who are not Authorised Participants will not normally have a right to redeem their units directly with the Fund.

However, in the event that trading in the units on Cboe 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, unless:

- The Fund has been terminated
- The Fund is not liquid as defined under the Corporations Act; or
- The Responsible Entity has suspended redemptions in accordance with the Constitution

In these circumstances investors can request a withdrawal form by contacting the Unit Registry. See 'Contacting Schroders'. No minimum redemption amount will apply.

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 Constitution and Part 5C.6 of the Corporations Act.

There may be other circumstances where off-market withdrawals from the Fund are suspended in accordance with the Constitution. 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

We may charge a buy/sell spread on redemption for units. Please refer to the 'Additional explanation of fees and costs' section of this PDS for further information.

## Staggered redemptions

Where Schroders believes it is in the best interests of unitholders, Schroders may stagger the withdrawal dates for off-market withdrawals. This means that the withdrawal may be processed progressively over a period of up to 21 days at the withdrawal price applicable for each day on which a partial withdrawal is processed.

## Compulsory withdrawals

Schroders may, in limited circumstances and having regard to the best interests of unitholders as a whole, cause a unitholder's units to be compulsorily withdrawn without further notice to the unitholder. For example, this may occur where units would otherwise be acquired or held in violation of the terms and conditions of the PDS, the Constitution, or in breach of law or requirements of any country or government or regulatory authority. Schroders may also exercise this right to prevent adverse consequences for the Fund, including a requirement to register under or otherwise comply with unfavourable laws and regulations of any country or authority.

In addition, where Schroders or the Fund incurs a liability in respect of a specific unitholder (for example, where the attribution of income results in a withholding tax liability for the Fund in respect of a particular unitholder that cannot reasonably be met using cash distributions payable to the unitholder), the relevant unitholder agrees that they will be deemed to have made a withdrawal request in respect of such units as are necessary for the liability to be met out of the withdrawal proceeds, and to have instructed Schroders to apply the proceeds of the withdrawal to satisfy the liability on behalf of the unitholder.

## 10. Distributions

Distributions are normally determined monthly but may occur more or less frequently at the discretion of the Responsible Entity.

Cash distributions are calculated at the end of the distribution period as determined by the Responsible Entity in accordance with its distribution policy and 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

Distributions will be paid directly into investors' accounts. Investors should contact their stockbroker to ask how they can provide bank account details. Please note that distribution payments will not be credited unless you provide valid bank account details.

## 11. 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.

Non-resident investors should seek their own advice on the taxation law implications of their investment in the relevant jurisdictions.

## General taxation

### Where the Fund is an AMIT

Under the taxation regime for managed investment trusts that qualify as an 'Attribution Managed Investment Trust' (the 'AMIT Rules') the Fund can make an election to apply the AMIT Rules subject to the Fund meeting the eligibility criteria. Schroders has made an election to apply the AMIT Rules to the Fund.

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.

### Where the Fund is not an AMIT

The following comments apply to the Fund only to the extent 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 the 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 the Fund is reduced to nil, any further tax deferred amounts received are assessable as capital gains to the unitholder. If any CGT concession amounts are paid by the Fund, these amounts 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.

## 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 the 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.

Under the GST regulations 'recognised trust schemes' (which includes the Fund) will only be eligible for an RITC of 55% of the GST it pays on acquisition of certain services (for example, audit fees) rather than the prevailing rate of 75% for other services.

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%).

## 12. Keeping you informed

Schroders is subject to regular reporting and disclosure obligations in its capacity as Responsible Entity of the Fund. The following information can be obtained from Schroders by visiting Schroders' website at [www.schroders.com.au/pays](http://www.schroders.com.au/pays) or contacting us

on 1300 070 714:

- Details of the NAV for the Fund – available monthly
- Details of the NAV price per unit for the Fund – available daily
- Adjusted iNAV
- Pricing Basket – available daily
- The latest copy of this PDS
- Details of any continuous disclosure notices given by Schroders to ASIC and/or Cboe
- Details of distribution announcements given by Schroders to Cboe via the Cboe Fund Announcements Platform
- Annual reports and financial statements for the Fund
- Half-yearly financial reports announced by Schroders via the Cboe Fund Announcements Platform
- Total number of units on issue – available monthly via the Cboe Fund Announcements Platform
- Details of the Distribution Reinvestment Plan
- Information about distributions for the Fund
- Schroders unit pricing discretions policy

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

Investors may access their accounts online through the Unit Registry. On acquiring units in the Fund, investors will be provided with their online account details by the Unit Registry.

## Up-to-date information

The information in this PDS is up-to-date at the time of preparation. 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 of the Fund and the Fund's 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/pays](http://www.schroders.com.au/pays).

A paper copy or an electronic copy of the updated information will be available free of charge upon request by contacting Schroders (see 'Contacting Schroders' in section 18 of this PDS). Where a change is considered materially adverse, we will issue a supplementary PDS or a replacement 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 comply with the continuous disclosure obligations of the Corporations Act as if the Fund is an unlisted disclosing entity at all times. 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 Responsible Entity after lodgement of the annual report and before the date of this PDS

Pursuant to the terms of the ASIC relief (see ASIC relief in section 6 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.

## 13. 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. We will provide a copy of the Constitution on request at no charge. To request a copy please contact us using the details specified in the 'Contacting Schroders' section of this PDS.

## 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, and except in the case of its own fraud, gross negligence, or wilful default, Schroders is not liable to Unitholders for any loss or damage suffered in any way relating to a Fund. Schroders is not liable to any person except to the extent that it is in fact able to be indemnified out of the assets of a Fund. To the extent permitted by law, Schroders is indemnified out of the assets of each Fund for any liability incurred by it in relation to the proper performance of its duties in relation to the Fund.

## Retirement and removal of Schroders as the Responsible Entity

Schroders may be removed as Responsible Entity of 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.

## 14. Dealing with complaints

Schroders has procedures in place for dealing with complaints. Unitholders with enquiries should contact Schroders. You can make a complaint by contacting us by email, phone, through our website (details can be found on page 1), or by writing to us at:

### 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 1 Business Day from receipt, and address your complaint within 30 days. If Schroders has not addressed your complaint, or if you are not satisfied with our resolution of your complaint, or if your complaint remains unresolved, you can refer your complaint to the independent complaints resolution body, the Australian Financial Complaints Authority (AFCA) at [info@afca.org.au](mailto:info@afca.org.au) or 1800 931 678. Claims determined by AFCA are subject to maximum limits on the total value of the remedy that can be awarded. Please see the terms of reference for AFCA found at [www.afca.org.au](http://www.afca.org.au). AFCA is only available to retail clients. AFCA is not available to New Zealand unitholders. If you are a New Zealand unitholder, please see the 'Warning Statement for New Zealand investors' in this document for further details on how you may complain.

## 15. Terms and conditions

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

### Conditions and acknowledgements

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

#### 1. Facsimile, email or online instructions terms and conditions

By sending an electronic communication (such as an email) the investor accepts the following terms and conditions:

- The investor authorises Schroders and any of its authorised agents to act upon instructions given electronically with respect to Units subscribed for (and any further Units purchased) or any matter in connection with them without any liability in respect of any transfer, payment or any other act done in accordance with such instructions, including payment of proceeds from sales of Units.
  - The investor bears the risk that someone who knows their account details may send Schroders an instruction to apply or withdraw electronically. 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 such methods of instruction.
  - Schroders will only act on a properly completed communication that has been received by Schroders. For example, a facsimile transmission certificate from the investor's facsimile machine is not evidence that the investor's facsimile was received by Schroders. Similarly, a record on the investor's email software showing that an email has been sent is not evidence that the email 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.
  - Initial application, instructions to change payment details or signatories sent electronically will not be accepted without prior agreement by Schroders.
  - The investor bears the risk of delays in processing instructions if an electronic communication is incorrectly sent (for example, 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
  - 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
  - Each individual investor confirms that they are 18 years of age or over.
  - Where a document received by Schroders bears a signature of an investor that has been applied electronically, or includes a scanned or other form of electronic copy of a signature of an investor, and the signature appears to be authentic, Schroders will be entitled to assume (without making any further enquiries) that the investor has applied, or has authorised the application of, the signature and to act on the document as if it had been signed by the investor, and 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 as a result of the above. Please note that physical signatures may still be required for certain documents.
  - By acquiring and holding Units each investor:
    - Agrees to be bound by the provisions of this PDS and the Fund's Constitution (which may be amended from time to time).
    - Acknowledges that Schroders reserves the right to refuse an application for units at its discretion.
    - Declares that they have read the current PDS at the time of acquisition.
    - Acknowledges that neither Schroders nor any other person guarantees the return of capital, or the performance of the Fund.
    - Acknowledges that telephone conversations with Schroders may be recorded.
    - Authorises Schroders to apply the Tax File Number or Australian Business Number quoted to all investments in the name of the investor (if applicable).
    - Authorises Schroders to collect, hold, use and disclose personal information about the investor in accordance with Schroders' Privacy Statement and the privacy statement in this PDS, including for direct marketing.

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

If the adviser/consultant/broker or authorised signatories section of the application form has been completed, 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/broker or authorised signatory as if the investor had personally exercised those powers. An investor cannot claim that their adviser/consultant/broker 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/broker or the authorised personnel of the adviser/consultant/broker
- The investor's adviser/consultant/broker 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/broker or authorised signatory
- If the payment is made in accordance with the request or instructions of the adviser/consultant/broker 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/broker or authorised signatory, in accordance with the requests or instructions of the adviser/consultant/broker or authorised signatory, shall be to the complete satisfaction of the obligation of Schroders, notwithstanding whether 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
- A person who gives another person access to the application form must at the same time and by the same means give the other person access to the

PDS and any supplementary document. While the PDS is current, Schroders will send paper copies of the PDS, any supplementary document and the application form on request without charge

- Schroders may cancel this arrangement or vary these conditions without notice

### 4. AML/CTF acknowledgement

By applying to invest in a Fund you warrant that:

- You comply and will continue to comply with applicable AML and 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:
  - The monies used to fund your investment in a 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
  - The proceeds of your investment in a 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; and
- You have disclosed to us if you are 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.

## 6. Common Reporting Standard (CRS)

Australian financial institutions ('AFIs') are required to comply with the Common Reporting Standard ('CRS'). CRS provides a global standard for the collection of financial account information on account holders who are foreign tax residents. The Fund as an AFI must comply with the reporting requirements. As investors in the Fund, 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. US Persons

Neither Schroders nor the Units in the Fund have been registered under the United States Investment Company Act of 1940, the United States Securities Act of 1933 (**US Securities Act**) or any other US law or regulation. Investment in the Fund is not available to US Persons (as that term is defined in the US Securities Act), and Schroders will generally cause the compulsory withdrawal of any Units held by a US Person if to do otherwise may cause adverse consequences for the Fund, including requirements to register under or otherwise comply with US laws and regulations.

By acquiring and holding Units, each investor:

- Confirms that they are not a US Person (or a person covered under any similar definition under any other applicable US law), unless otherwise notified to Schroders in writing; and
- Undertakes to inform Schroders in writing if, after units are issued to them, they later become a US Person (or a person covered under any similar definition under any other applicable US law).

## 8. 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, the AML/CTF Act and the DDO Regime require Schroders to collect certain 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 broker, 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 broker/adviser/consultant/dealer group's behalf such as external service providers who supply administrative, financial or other services to assist Schroders and/or the broker/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 or its external service providers may be required to transfer your personal information to entities located outside of Australia including London, Luxembourg, India 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). A copy of this Privacy Statement may be obtained free of charge upon request.

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. Schroders is subject to mandatory data breach reporting obligations. If an eligible data breach occurs, we will notify the Office of Australian Information Commissioner and any affected individuals of the event where required under these obligations.

## 16. 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

- 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.
- 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.
- 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.
- 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.
- 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.
- The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
- If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

### Currency exchange risk

- 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.
- 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.

## 17. Glossary

<b>Absolute Return</b>	means the return that an asset or strategy achieves over a period of time without reference to any other measure or benchmark.
<b>ADI</b>	means an Authorised Deposit-taking Institution.
<b>Adjusted iNAV</b>	means an indicative calculation of NAV that will be calculated using the Pricing Basket and published throughout trading hours on each Business Day.
<b>AMIT</b>	means Attribution Managed Investment Trust.
<b>AML/CTF Law</b>	means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and the associated rules.
<b>AMMA Statement</b>	means Attribution Managed Investment Trust Member Annual statement.
<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, as the context requires, ASX Limited ABN 98 008 624 691 or the financial market that it operates.
<b>Authorised Participant</b>	means a person who is, or who has engaged to act on its behalf, an authorised trading participant with Cboe or who is otherwise authorised by Cboe to access the Cboe market through a trading participant and has executed an Authorised Participant Agreement with Schroders.
<b>Authorised Participant Agreement</b>	means an agreement between the Responsible Entity and an Authorised Participant under which the Authorised Participant may apply for and redeem units directly from the Responsible Entity.
<b>Business Day</b>	means any day excluding a Saturday or Sunday on which banks are open for business in Sydney.
<b>Cboe</b>	means Cboe Australia Pty Ltd (ABN 47 129 584 667).
<b>Cboe Market</b>	means the financial market operated by Cboe.
<b>Cboe Operating Rules</b>	means the operating rules for the Cboe market made by Cboe.
<b>CHES</b>	means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited.
<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).
<b>DDO Regime</b>	means the requirements of Part 7.8A of the Corporations Act (including as interpreted by ASIC in its published guidance).
<b>Dealing Day</b>	means a Business Day that has not been designated a 'non-dealing day' in accordance with section 7.
<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>FATCA</b>	means the Foreign Account Tax Compliance Act enacted by the United States that imposes obligations including the collection and reporting of certain information about US and US-owned investors to the US tax authorities.
<b>Frontier Markets</b>	means frontier countries that are defined by, but not limited to, the MSCI Frontier Markets Index.
<b>Fund</b>	means the Schroder Absolute Return Income (Managed 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 which is or may be levied or becomes payable in connection with the supply of goods or services.
<b>ISDA Agreement</b>	means the standard form of agreement issued by the International Swaps and Derivatives Association regularly used to govern over-the-counter derivatives transactions.
<b>JPMorgan</b>	means JPMorgan Chase Bank N.A. (Sydney Branch), the Fund's custodian and administrator.
<b>Market Maker</b>	means an Authorised Participant that is appointed to make a market in the units of the Fund on the Cboe market by the Responsible Entity.

<b>Market Maker Agreement</b>	means an agreement between the Responsible Entity and an Authorised Participant under which the Authorised Participant is appointed as the Fund's Market Maker.
<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>Pricing Basket</b>	means the basket of securities that is created to track the movements in the prices of the Fund's assets to assist with intra-day pricing. The Pricing Basket is published by Schroders in its daily Material Portfolio Information Report.
<b>Privacy Act</b>	means the Privacy Act 1988 (Cth).
<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).
<b>Schroders Group</b>	means Schroders plc and its subsidiaries.
<b>TMD</b>	means the target market determination prepared for the Fund in accordance with the DDO Regime. A copy of the current TMD for the Fund is available on the Schroders website <a href="http://www.schroders.com.au">www.schroders.com.au</a> .
<b>Unit</b>	means a unit in the Fund.
<b>Unit Registry</b>	means Computershare Investor Services Pty Limited (ACN 078 279 277).



## 18. Contacting Schroders

### **Schroder Investment Management Australia Limited**

(ABN 22 000 443 274)

(AFSL No. 226 473)

### **Registered office**

Level 20, Angel Place

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Sydney NSW 2000

### **Schroders unit registry**

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Rhodes NSW 2138

### **Website**

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### **Email**

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### **Client services telephone**

(+61) 1300 136 471