

Schroder Credit Securities Fund - Wholesale Class

PDS Roll Communication

The Schroder Credit Securities Fund (Fund) is an absolute return focused strategy that invests in Australian and International corporate and government debt securities. With a focus on managing downside risks it aims to deliver regular income to investors and outperform the RBA Cash Rate by 2.5% p.a. gross of fees over the medium term.

The purpose of this letter is to announce some changes to product features that will be incorporated into the next PDS roll effective 1 August 2017. These changes can be summarised as follows:

1. Fee reduction on the Schroder Credit Securities Fund Wholesale Class from 75bp to 54bp
2. Payment of monthly distributions instead of the current quarterly timetable
3. Amendments to portfolio constraints to better reflect fund characteristics

In order to provide more certainty around distributions we intend to predetermine a distribution rate in cents per unit at the beginning of each financial year which will be paid monthly to investors. For the financial year commencing 1 July 2017 our intention is to pay distributions at a rate of 0.3 cents per unit per month (approx. annual distribution yield of 3.4% pa). This will allow investors and advisors to more easily determine the investment amount required to target a specific dollar amount of monthly income.

The amendments to the portfolio constraints are part of incremental enhancements to the investment strategy in order to achieve greater consistency of returns, better manage downside risks and lower the correlation with equities. We are clarifying our downside risk objective by seeking to avoid negative returns over rolling 12 month periods.

Our investment universe is already quite broad comprising both Australian and international government, investment grade corporate, high yield, emerging, securitised and subordinated credit. However this breadth and our wide investment ranges disguises the fact that we run our Fund conservatively in order to ensure that our income, return and risk objectives can be met.

As a result we will be revising our portfolio constraints to better reflect how we run the fund:

Detailed Strategy	Current Ranges	New Ranges
Duration	+ / - 5 years	-2 / + 4 years
Australian and Global Investment Grade	0-100%	0-100%
Australian High Yield	0-70%	0-40%
Global High Yield	0-50%	0-30%
Aggregate exposure to International and Australian High Yield	0-70%	0-50%
Cash and equivalents	0-50%	0-100%
FX	Typically hedged	Max 10% active exposure in foreign currencies

Our Fund has always been predominantly investment grade so the new ranges should provide comfort to investors that this will continue to be the case going forward.

In terms of duration, we have never fully used the flexibility to adjust the Fund's duration exposure between a range of -5 / +5 years. The new duration constraints are a more realistic reflection of the range we are likely to use. For reference our historical duration range since 1 July 2009 has been between -0.5 years to approx. 1.4 years. Some structural duration is desirable as it provides carry and diversification to our credit exposures.

We have also allowed for greater breadth through the introduction of active currency positions and additional absolute return focussed interest rate strategies. The lead portfolio manager, Mihkel Kase, the investment team and the core process have not changed.

In summary, we believe these changes to product features will enable us to deliver a better outcome for our clients: more consistency in returns, predictable monthly income and at significantly lower cost.

Investment in the Schroder **Credit Securities** Fund ("the Fund") may be made on an application form in the latest Product Disclosure Statement available from Schroder Investment Management Australia Limited (ABN 22 000 443 274, AFSL 226473) ("Schroders"). This communication is intended solely for the information of the person to whom it is provided by Schroders. It should not be relied on by any person for the purposes of making investment decisions. This communication does not contain and is not to be taken as containing any financial product advice or financial product recommendation.