

2 February 2021

Notice to investors

Important information about your investment in Schroders' real return multi-asset funds

Investors affected by this notice

This notice contains important information for investors in the following funds, for which Schroder Investment Management Australia Limited (ABN 22 000 443 274, AFSL 226473) (**Schroders**) is responsible entity:

- Schroder Real Return CPI Plus 3.5% Fund (ARSN 163 314 305, APIR SCH0096AU);
- Schroder Real Return CPI Plus 5% Fund (ARSN 132 446 103, APIR SCH0047AU); and
- Schroder Real Return Fund (Managed Fund) (ARSN 612 309 332, ASX: GROW),

(collectively, the **Real Return Funds or Funds**).

This notice contains information relevant to investors in all classes of units in these Funds, including the Institutional, Wholesale, Professional and Client classes (where applicable). Importantly, there are no changes to the investment strategy or process as a result of these changes.

Background

At Schroders, we regularly review the investment objectives of our funds and the investment strategies we employ to achieve them. Market conditions have progressively made it more difficult to consistently achieve both the return and risk objectives of our Real Return Funds. Until recently we believed these were reasonable targets to pursue, however the COVID-19 pandemic has now tipped the balance. The pandemic is impacting economies and markets around the world to such an extent that we believe investors need to recalibrate their return expectations.

Current market conditions

Real cash rates and bond yields have fallen substantially across the globe, partly due to national governments' and central banks' policy responses to the COVID-19 pandemic. The after inflation (known as "Real") return that can be achieved from 'low risk' investments, such as Government bonds, are now at historically low levels. In the current market environment, investors seeking above inflation returns are being significantly challenged.

As a result, Schroders will change the return objectives of the Real Return Funds from 1 March 2021 to better reflect the return outcomes achievable in the current market. Full details of the changes are provided on the following page.

Additionally, with more investors seeking regular income from their investments, Schroders has taken the opportunity to change some of the features of the Schroder Real Return CPI Plus 3.5% Fund to better meet investors' needs. The distribution frequency will change from quarterly to monthly income payments and the

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maximum exposure to growth assets will decrease to minimise the volatility of returns. Full details of the proposed changes are set out below.

We will also separately update the names of our funds to better reflect the revised objectives.

Fund changes

The table below sets out the full details of the changes for each of the Funds affected by this notice. All changes will take effect on and from **1 March 2021** unless otherwise stated.

Changes	Schroder Real Return CPI Plus 3.5% Fund (ARSN 163 314 305) (APIR: SCH0096AU)	Schroder Real Return CPI Plus 5% Fund (ARSN 132 446 103) (APIR: SCH0047AU)	Schroder Real Return Fund (Managed Fund) (ARSN 612 309 332, ASX: GROW)
Name change¹	New name: Schroder Multi-Asset Income Fund	New name: Schroder Real Return Fund	New name: Schroder Real Return (Managed Fund)
Objective change	Existing objective: To achieve a return of CPI ² plus 3.5% p.a. before fees over rolling 3-year periods while minimising the risk of a negative return over a 12-month period. New objective: To achieve a return of 3% to 4% above the RBA's target cash rate before fees over rolling 3-year periods while minimising the risk of a negative return over a 12-month period.	Existing objective: To achieve a return of CPI ² plus 5% p.a. before fees over rolling 3-year periods while minimising the incidence and size of negative returns in doing so. New objective: To achieve a return of CPI ² plus 4% to 5% p.a. before fees over rolling 3-year periods while minimising the incidence and size of negative returns in doing so.	Existing objective: To achieve a return of CPI ² plus 5% p.a. before fees over rolling 3-year periods while minimising the incidence and size of negative returns in doing so. New objective: To achieve a return of CPI ² plus 4% to 5% p.a. before fees over rolling 3-year periods while minimising the incidence and size of negative returns in doing so.
Asset classes and investment ranges³	Existing asset classes and investment ranges: Growth assets – 0% to 50% Diversifying assets – 0% to 75% Defensive assets – 0% to 100% New asset classes and investment ranges: Growth assets – 0% to 30% Diversifying assets – 0% to 75% Defensive assets – 0% to 100%	No changes	No changes
Distribution frequency	Existing distribution frequency: Normally determined quarterly (in September, December,	No changes	No changes

	<p>March and June), and calculated at the end of the quarter.</p> <p>New distribution frequency: Normally determined monthly and calculated at the end of each month.</p>		
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¹ Fund name changes may occur separately and at separate times to the other changes described in this notice.

² CPI is defined as the RBA's Trimmed Mean, as published by the Australian Bureau of Statistics.

³ *Growth assets*, typically shares and property securities, offer potentially the highest return but also the highest volatility. *Diversifying assets*, typically higher yielding debt and alternatives, offer higher potential returns usually with an income-generating focus which assists in diversifying the portfolio's sources of return. *Defensive assets*, typically investment grade debt securities and cash and cash equivalents, are relatively secure with lower volatility.

Regulatory matters

This notice is given in accordance with sections 675, 1012J (as modified by *ASIC Corporations (Updated Product Disclosure Statements) Instrument 2016/1055*) and/or 1017B of the *Corporations Act 2001* (Cth) (as applicable). To the extent that it is required to do so, Schroders will issue supplementary or replacement product disclosure statements to reflect the changes set out in this notice as and when required after those changes take effect.

Further information

Please contact Client Services on (+61) 1300 136 471 or by email to info.au@schroders.com if you have any questions about this notice.

Schroder Investment Management Australia Limited

as responsible entity for the Schroder Real Return CPI Plus 3.5% Fund, the Schroder Real Return CPI Plus 5% Fund and the Schroder Real Return Fund (Managed Fund).