

Schroder Absolute Return Income Fund

ARSN 092 060 172

**Condensed interim financial report
for the half-year ended 31 December 2024**

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This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made in respect of Schroder Absolute Return Income Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These financial statements cover Schroder Absolute Return Income Fund as a registered managed investment scheme.

The Responsible Entity of Schroder Absolute Return Income Fund is Schroder Investment Management Australia Limited.
The Responsible Entity's registered office is Level 20, 123 Pitt Street, Sydney NSW 2000.

Directors' report

The Directors of Schroder Investment Management Australia Limited ("Schroders"), the Responsible Entity of Schroder Absolute Return Income Fund (the "Fund"), present their report together with the financial report of the Fund, for the half-year ended 31 December 2024.

Directors

The following persons held office as Directors of Schroders during the half-year or since the end of the half-year and up to the date of this report:

S Doyle

R Mellor-Bessant

N Goldsmith

N Morcos

R Macken

This report is made in accordance with resolution of the Directors.

Review and results of operations

There were no significant changes to the Fund's investment strategy. The investment policy of the Fund continues to be in accordance with the provisions of the Fund Constitution and the Product Disclosure Statement ("PDS").

Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended	
	31 December 2024	31 December 2023
Operating profit (\$'000)	<u>25,288</u>	<u>25,212</u>
<i>Distributions - Professional Class</i>		
Distributions paid and payable (\$'000)	<u>2,616</u>	<u>2,281</u>
<i>Distributions - Wholesale Class</i>		
Distributions paid and payable (\$'000)	<u>12,416</u>	<u>12,032</u>

There were no distributions for Institutional class for the half-year ended 31 December 2024 (2023: Nil).

Significant changes in state of affairs

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect asset values and thus the performance of the Fund. Management is continuing to monitor this development and evaluate its impact on the Fund.

In the opinion of the Directors, there were no significant changes in the state of affairs of the Fund that occurred during the period under review.

Matters subsequent to the end of the half-year

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial periods; or
- (ii) the results of those operations in future financial periods; or
- (iii) the state of affairs of the Fund in future financial periods.

Directors' report (continued)

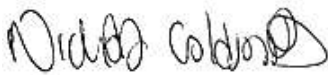
Rounding of amounts to the nearest thousand dollars


Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 3.

This report is made in accordance with a resolution of the Directors.

Director 
N Goldsmith

Director 
N Morcos

Sydney
13 March 2025



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Schorder Investment Management Australia Limited, the
Responsible Entity of Schroder Absolute Return Income Fund

I declare that, to the best of my knowledge and belief, in relation to the review of Schroder Absolute Return Income Fund for the half-year ended 31 December 2024 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG
KPMG

K Hopkins
Karen Hopkins

Partner

Sydney

13 March 2025

Schroder Absolute Return Income Fund
Condensed statement of comprehensive income
For the half-year ended 31 December 2024

Condensed statement of comprehensive income

		Half-year ended	
		31 December	31 December
		2024	2023
	Note	\$'000	\$'000
Investment income			
Interest income from financial assets at fair value through profit or loss		4,473	4,368
Dividend income		47	46
Distribution income		–	190
Net gains on financial instruments at fair value through profit or loss		22,335	22,184
Other operating income		–	3
Total net investment income		26,855	26,791
Expenses			
Responsible Entity's fees		1,555	1,576
Custody fees		2	–
Other operating expenses		10	3
Total operating expenses		1,567	1,579
Operating profit		25,288	25,212
Finance costs attributable to unitholders			
Distributions to unitholders	8	(15,032)	(14,313)
Increase in net assets attributable to unitholders	7	(10,256)	(10,899)
Total comprehensive income for the half-year		–	–

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

Schroder Absolute Return Income Fund
Condensed statement of financial position
As at 31 December 2024

Condensed statement of financial position

		As at	
		31 December	30 June
		2024	2024
	Note	\$'000	\$'000
Assets			
Cash and cash equivalents		7,966	5,169
Margin accounts		6,980	5,814
Receivables		482	4,381
Accrued income		1,360	1,088
Due from brokers - receivable for securities sold		2,266	18,600
Financial assets at fair value through profit or loss	4	<u>665,423</u>	<u>630,053</u>
Total assets		<u>684,477</u>	<u>665,105</u>
Liabilities			
Margin accounts		867	447
Distribution payable	8	2,455	2,258
Payables		1,041	1,900
Due to brokers - payable for securities purchased		960	17,000
Financial liabilities at fair value through profit or loss	5	<u>7,857</u>	<u>1,835</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>13,180</u>	<u>23,440</u>
Net assets attributable to unitholders - Liability	7	<u>671,297</u>	<u>641,665</u>

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

Condensed statement of changes in equity

	Note	Half-year ended	
		31 December 2024 \$'000	31 December 2023 \$'000
Total equity at the beginning of the half-year		—	—
Profit/(loss) for the half-year		—	—
Other comprehensive income		—	—
Total comprehensive income		—	—
Transaction with owners in their capacity as owners		—	—
Total equity at the end of the half-year		—	—

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the half-year.

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Schroder Absolute Return Income Fund
Condensed statement of cash flows
For the half-year ended 31 December 2024

Condensed statement of cash flows

	Half-year ended	
	31 December	31 December
	2024	2023
Note	\$'000	\$'000
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments at fair value through profit or loss	468,716	273,180
Purchase of financial instruments at fair value through profit or loss	(476,652)	(219,315)
Dividends received	47	46
Distributions received	–	188
Interest received	4,215	4,148
Other income received	–	4
Responsible Entity's fees paid	(1,534)	(1,582)
Payment of other expenses	(16)	(3)
	<u>(5,224)</u>	<u>56,666</u>
<i>Net cash (outflow)/inflow from operating activities</i>		
<i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	100,128	57,842
Payments for redemptions by unitholders	(78,297)	(101,085)
Distributions paid from operating activities	(14,270)	(13,546)
	<u>7,561</u>	<u>(56,789)</u>
<i>Net cash inflow/(outflow) from financing activities</i>		
<i>Net increase/(decrease) in cash and cash equivalents</i>	2,337	(123)
Cash and cash equivalents at the beginning of the half-year	5,169	4,291
Effects of foreign currency exchange rate changes on cash and cash equivalents	460	246
	<u>7,966</u>	<u>4,414</u>
<i>Cash and cash equivalents at the end of the half-year</i>		
Non-cash financing activities	<u>566</u>	<u>622</u>

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of interim report

These condensed interim financial statements cover Schroder Absolute Return Income Fund (the "Fund") as a registered managed investment scheme. The Fund was constituted on 15 March 2000. These condensed interim financial statements are general purpose financial reports for the half-year ended 31 December 2024 prepared in accordance with accounting standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2024 and any announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Responsible Entity of the Fund is Schroders. The Responsible Entity's registered office is Level 20, 123 Pitt Street, Sydney NSW 2000. The financial statements are presented in the Australian dollars.

Except for the impact of new and amended accounting standards adopted by the Fund, the accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

2 Summary of material accounting policies

(a) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial half-year beginning 1 July 2024 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the presence of multiple classes of units on issue by the Fund means it does not meet the criteria in AASB 132 *Financial Instruments: Presentation* for classification as equity.

The units can be put back to the Fund at any time for cash based on the redemption price. The units are carried at the redemption amount at balance sheet date if the holder exercises the right to put back to the Fund.

3 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities at fair value through profit or loss ("FVPL") (see note 4 and 5)

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

3 Fair value measurement (continued)

Recognised fair value measurements

The tables below set out the Fund's financial assets and financial liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2024 and 30 June 2024.

31 December 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss:				
Derivatives				
Forward currency contracts	–	195	–	195
Fixed interest futures	1,892	–	–	1,892
Swaps	–	502	–	502
Interest bearing securities	–	245,723	–	245,723
Unlisted unit trusts	–	403,803	13,308	417,111
Total	1,892	650,223	13,308	665,423

Financial liabilities

Financial liabilities at fair value through profit or loss:

Derivatives				
Forward currency contracts	–	5,189	–	5,189
Fixed interest futures	737	–	–	737
Swaps	–	1,931	–	1,931
Total	737	7,120	–	7,857

30 June 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss:				
Derivatives				
Forward currency contracts	–	1,303	–	1,303
Fixed interest futures	1,248	–	–	1,248
Options	–	464	–	464
Interest bearing securities	–	182,591	–	182,591
Unlisted unit trusts	–	431,730	12,717	444,447
Total	1,248	616,088	12,717	630,053

Financial liabilities

Financial liabilities at fair value through profit or loss:

Derivatives				
Forward currency contracts	–	517	–	517
Fixed interest futures	538	–	–	538
Options	–	170	–	170
Swaps	–	610	–	610
Total	538	1,297	–	1,835

The level 3 investment of \$13,308,469 (30 June 2024: \$12,717,447) relates to units in Schroder Real Estate Debt Fund which primarily invests in commercial real estate loans secured by mortgages over real property. The significant unobservable input used in the fair value measurement of this investment is the unit price. An increase/(decrease) in the unit price by 0.10% would increase/(decrease) the fair value by \$13,308 (30 June 2024: \$12,717).

(i) Transfers between levels

There were no transfers between the levels of the fair value hierarchy during the half-year ended 31 December 2024 and year ended 30 June 2024.

3 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The following table present the movement in level 3 instruments by class of financial instrument.

	Equity securities \$'000
31 December 2024	
Opening balance	12,717
Purchases	—
Sales	—
Gain recognized in the statement of comprehensive income	591
Closing balance 31 December 2024	13,308
Total unrealised gains or losses for the year included in the Statement of comprehensive income for financial assets and liabilities at the end of the Year	591
30 June 2024	
Opening balance	13,417
Purchases	—
Sales	(1,778)
Gain recognised in the statement of comprehensive income	1,078
Closing balance 30 June 2024	12,717
Total unrealised gains or losses for the year included in the statement of comprehensive income for financial assets and liabilities at the end of the year	882

4 Financial assets at fair value through profit or loss

	As at 31 December 2024 Fair value \$'000	30 June 2024 Fair value \$'000
Financial assets at fair value through profit or loss		
Derivatives	2,589	3,015
Interest bearing securities	245,723	182,591
Unlisted unit trusts	417,111	444,447
Total financial assets at fair value through profit or loss	665,423	630,053
Comprising:		
Derivatives		
Forward currency contracts	195	1,303
Australian fixed interest futures	437	689
International fixed interest futures	1,454	559
International fixed interest options	—	317
International currency options	—	147
International credit index swaps	503	—
Total derivatives	2,589	3,015

4 Financial assets at fair value through profit or loss (continued)

	As at	
	31 December 2024	30 June 2024
	Fair value \$'000	Fair value \$'000
Comprising:		
Fixed / Floating interest securities		
International government bonds	26,861	36,380
Australian other public sector bonds	26,910	12,585
Australian corporate bonds	27,327	26,952
Australian commercial mortgages	81,600	49,733
Australian floating rate notes	78,575	52,899
International floating rate notes	4,450	4,042
Total fixed / floating interest securities	245,723	182,591
Unlisted unit trusts		
Australian unlisted equity trusts	13,308	12,717
International unlisted equity trusts	84,686	31,878
Australian unlisted fixed interest trusts	266,156	304,101
International unlisted fixed interest trusts	52,961	95,751
Total unlisted unit trusts	417,111	444,447
Total financial assets at fair value through profit or loss	665,423	630,053

5 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2024	30 June 2024
	Fair value \$'000	Fair value \$'000
Financial liabilities at fair value through profit or loss		
Derivatives	7,857	1,835
Total financial liabilities at fair value through profit or loss	7,857	1,835
Comprising:		
Derivatives		
Forward currency contracts	5,189	517
Australian fixed interest futures	293	–
International fixed interest futures	444	538
International fixed interest options	–	170
International credit index swaps	1,931	610
Total derivatives	7,857	1,835
Total financial liabilities at fair value through profit or loss	7,857	1,835

6 Financial assets and financial liabilities at amortised cost

The following financial assets and financial liabilities disclosed in the condensed statement of financial position are measured at amortised cost: cash and cash equivalents; receivables; due from brokers - receivable for securities sold; accrued income; margin accounts; distribution payable; payables; and due to brokers - payable for securities purchased.

7 Net assets attributable to unitholders

Movement in number of units and net assets attributable to unitholders during the half-year were as follows:

	As at			
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	No.'000	No.'000	\$'000	\$'000
Institutional Class				
Opening balance	42,688	47,634	51,162	53,372
Applications	9,237	612	11,382	700
Redemptions	(1,997)	(2,734)	(2,445)	(3,101)
Increase in net assets attributable to unitholders	–	–	2,034	2,175
Closing balance	<u>49,928</u>	<u>45,512</u>	<u>62,133</u>	<u>53,146</u>
Professional Class				
Opening balance	109,396	104,548	102,949	96,829
Applications	14,332	10,124	13,669	9,447
Redemptions	(14,541)	(12,963)	(13,845)	(12,054)
Units issued upon reinvestment of distributions	515	488	491	454
Increase in net assets attributable to unitholders	–	–	1,524	1,464
Closing balance	<u>109,702</u>	<u>102,197</u>	<u>104,788</u>	<u>96,140</u>
Wholesale Class				
Opening balance	497,698	537,834	487,554	519,349
Applications	71,711	49,012	71,177	47,685
Redemptions	(61,768)	(88,260)	(61,128)	(85,627)
Units issued upon reinvestment of distributions	75	173	75	168
Increase in net assets attributable to unitholders	–	–	6,698	7,260
Closing balance	<u>507,716</u>	<u>498,759</u>	<u>504,376</u>	<u>488,835</u>

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund. There are three classes of unitholders in the Fund being Institutional Class, Professional Class and Wholesale Class.

8 Distributions to unitholders

The distributions during the half-year were as follows:

	Half-year ended			
	31 December 2024		31 December 2023	
	\$'000	CPU	\$'000	CPU
Professional Class				
Distributions paid				
- 31 July	440	0.40	380	0.37
- 31 August	445	0.40	382	0.37
- 30 September	428	0.40	379	0.37
- 31 October	431	0.32	379	0.37
- 30 November	434	0.40	379	0.37
- 31 December*	82	0.40	80	0.37
Distributions payable				
- 31 December*	356	0.40	303	0.37
	<u>2,616</u>		<u>2,282</u>	
Wholesale Class				
Distributions paid				
- 31 July	2,060	0.41	2,068	0.39
- 31 August	2,058	0.41	2,056	0.39
- 30 September	2,055	0.41	2,025	0.38
- 31 October	2,055	0.41	1,967	0.38
- 30 November	2,077	0.41	1,971	0.39
- 31 December*	12	0.42	14	0.39
Distributions payable				
- 31 December*	2,099	0.42	1,930	0.39
	<u>12,416</u>		<u>12,031</u>	
Total distributions	<u>15,032</u>		<u>14,313</u>	

*CPU shown is the rate applicable to the sum of distributions paid and payable.

9 Events occurring after the reporting period

No significant events have occurred since the end of the reporting date which would impact on the financial position of the Fund disclosed in the condensed statement of financial position as at 31 December 2024 or on the results and cash flows of the Fund for the half-year ended on that date.

10 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2024 and 30 June 2024.


Directors' declaration

In the opinion of the Directors of Schroder Investment Management Australia Limited:

- (a) the financial statements and notes set out on pages 4 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2024 and of its performance for the financial half-year ended on that date;
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Director 
N Goldsmith

Director 
N Morcos

Sydney
13 March 2025



Independent Auditor's Review Report

To the unitholders of Schroder Absolute Return Income Fund

Conclusion

We have reviewed the accompanying **Condensed Interim Financial Report** of Schroder Absolute Return Income Fund (the Fund).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Financial Report of Schroder Absolute Return Income Fund does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Fund's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Interim Financial Report** comprises:

- Condensed statement of financial position as at 31 December 2024;
- Condensed statement of comprehensive income, Condensed statement of changes in equity and Condensed statement of cash flows for the half-year ended on that date;
- Notes 1 to 10 comprising a summary of material accounting policies and other explanatory information; and
- Directors' Declaration.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of the Directors for the Condensed Interim Financial Report

The Directors of the Schroder Investment Management Australia Limited (the Responsible Entity) are responsible for:

- the preparation of the Condensed Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Condensed Interim Financial Report

Our responsibility is to express a conclusion on the Condensed Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2024 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Condensed Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Karen Hopkins

Partner

Sydney

13 March 2025