

Schroders Singapore Fixed Income

Strategy Update

Investment Objective

The investment objective of the strategy is to provide investors with diversified exposure to the Singapore fixed income market through investment in Singapore dollar denominated bonds. The strategy will invest in a diversified portfolio of Singapore dollar denominated fixed income securities, including debt securities issued by the Singapore Government, Singapore statutory boards and corporates with issuer credit ratings of at least Baa by Moody's, BBB by Standard and Poor's or BBB by Fitch Inc (including sub-categories or gradations therein). The strategy may also invest in non-rated debt securities issued by Singapore-incorporated entities and Singapore statutory boards. However, to qualify for investments, these non-rated debt securities would have to be screened and researched thoroughly by our internal credit analyst team.

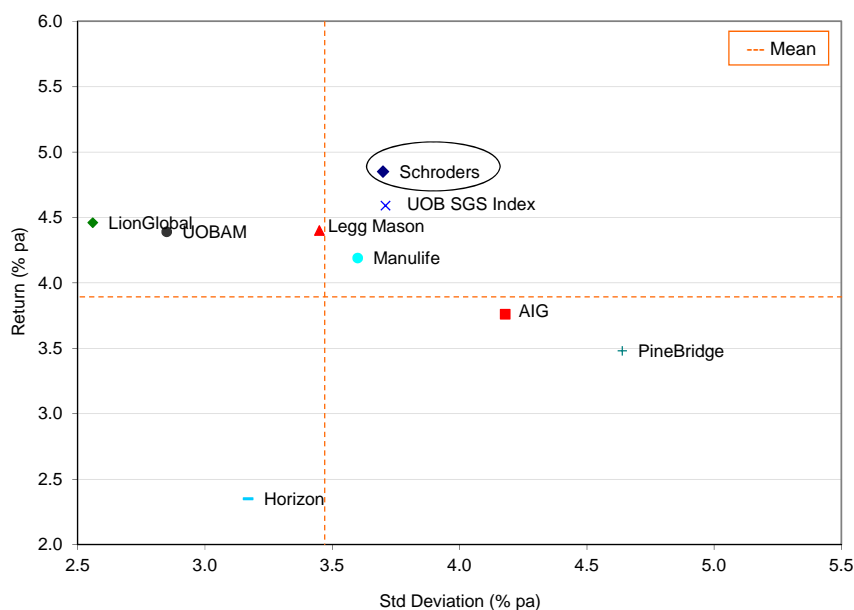
Performance as at 31 October 2011

	1 mth	3 mths	YTD	1 yr	3 yrs p.a.	5 yrs p.a.	Since Inception
Schroders' Singapore Fixed Income	-0.71%	1.26%	6.21%	3.80%	5.72%	4.85%	4.17%
UOB SGS All Series Index	-0.85%	1.38%	6.44%	3.64%	4.77%	4.59%	4.09%

Source: Schroders, Bloomberg, based on Schroder Singapore Fixed Income Fund, I class shares, NAV-to-NAV, net of management fees, dividends reinvested, in SGD. Inception: 4 October 2005. The above is for illustrative purposes only. Past performance is not indicative of future returns.

Peer Comparison

Schroders' Singapore Fixed Income strategy has delivered strong returns of 4.85% p.a. over the 5-year period ended October 2011 and is ranked top quartile amongst its industry peers in the Lipper universe (please see chart below).



Manager	Return (% pa)
Schroders	4.85
AIG	3.76
Horizon (DBSAM)	2.35
Legg Mason	4.40
LionGlobal	4.46
Manulife	4.19
PineBridge	3.48
UOBAM	4.39
Mean	3.86
UOB SGS All Series Index	4.59

Source: Lipper Hindsight as at 31 October 2011. Fund returns are net of management fees in SGD.

The above is for illustrative purposes only and does not constitute a recommendation to invest or divest in the above mentioned funds. Past performance is not indicative of future returns.

Performance Commentary

In October, the fund returned -0.71% but outperformed the benchmark by 14bps. The portfolio's underweight duration strategy at the long-end of the curve added significant value against the benchmark as the Singapore government bond curve steepened during the month.

The Market and the Drivers of Performance¹

Following a dismal third quarter, risk markets rebounded strongly in October on positioning unwinds, stabilisation of global economic data (which allayed fears of a US double-dip), and optimism over the outcome of the European Summit. The Euro-zone three pronged rescue plan which includes a 50% haircut on Greek debt, recapitalisation of banks and a planned 4-5 times leverage in the EFSF bail-out fund (to €1 trillion) assured markets of the EU authorities' resolve to address the root of their debt crisis. In Asia, most economies are exhibiting a typical growth slowdown with inflation stabilising but generally remaining at high levels. In Singapore, government bond yields increased (SGS 10-year: +13bps; SGS 20-year: +27bps) while corporate bonds outperformed government bonds over the month. The Singapore dollar appreciated by 4.2% supported by a return of risk appetite and the MAS's decision to maintain an appreciating bias for the Singapore dollar at its October Semi-Annual policy meeting.

The Market Outlook and Portfolio Strategy

Recent economic data in Asia is consistent with slowing growth as external sectors roll-over on slowing demand from Europe and US. While most Asian countries have no monetary or fiscal constraints, we expect policy makers in the region to be more calibrated in their responses ahead to insure against growth risks, given that the reactionary policies implemented during the global financial crisis spurred asset price inflation and uneven growth. While markets have rebounded, we remain wary of macro risks particularly in relation to the still anaemic US economic growth, contagion from the far-from-resolved European sovereign crisis and China growth slowdown.

In Singapore, the MAS reduced the slope of the SGD NEER policy band at its October Semi-Annual policy meeting in light of downside risks to global growth momentum but maintained an appreciating bias for the SGD to counter inflationary pressures. Singapore's CPI remained high at 5.5% yoy in September but eased slightly from 5.7% yoy in August given some stabilization of food and fuel prices. Manufacturing growth slowed to 12.8% yoy (vs. 22.8% in August), with only the volatile pharmaceuticals sector holding up the growth (92% yoy in September) as core manufacturing sectors begin to feel the weight of the slowdown in external demand. Retail sales data slowed more than expected to 3.3% yoy in August (vs. 10.7% in July) driven by a slump in car sales and other big-ticket items in response to global economic uncertainties.

Singapore's current yield curvature has priced in a high possibility of a US double-dip recession and hence further flattening will need to be vindicated by weaker than expected economic data. Given an average inflation in Singapore of 1.9% over the past decade with an average 10-year nominal yield of 2.9%, this translates to an average real yield of 1.0%. With 10 year SGS currently yielding 1.6%, this means the market is pricing in a 0.6% average inflation for the next decade which is too low in our view, given our structural constraints. Based on valuations and growth-inflation trajectory, the portfolio would like to be underweight government bonds but is cognizant that market positioning and the year-end effect may create volatile curvature changes. The portfolio has selectively added new corporate issues in the month as current market volatility presents opportunities for the fund to add quality issues at attractive spreads.

¹ For illustrative purposes and does not constitute to any recommendation to invest or divest in the above mentioned securities.

Key Portfolio Characteristics

Characteristics	Portfolio	Benchmark
Yield	1.72%	1.13%
Duration	5.77 years	6 years
Average Maturity	7.10 years	n/a
Average Credit Rating	A+	AAA

Source: Schroders, UOB, as at 31 October 2011.

The Schroders' Advantage

- **Well-resourced and dedicated Asian/Singapore Fixed Income team** with an average investment experience of 14 years (as of 30 September 2011) and strong stability.
- **Pioneer investor in the Asian/Singapore Fixed Income markets.** We have been invested in Asia for 13 years since the Asian Crisis in 1998. Our investment process is robust, having stood the test of time.
- **Benefit of strong integration with Schroders' global resources,** with seamless access to proprietary inputs from professionals worldwide offering significant depth and resource.
- **Proven, repeatable track record & long-term commitment** to the Singapore fixed income market, having managed Singapore fixed income strategies since 1984 for local institutions.
- **Strong focus on risk management: fiduciary duty mentality** – we are lending our client's money which means that we are prudent in our approach to investment and focus on generating strong *risk-adjusted* returns.

The Portfolio Managers

The Asian/Singapore Fixed Income strategy is managed via a team approach under the stewardship of Rajeev De Mello as illustrated in the chart below. The lead portfolio manager for Singapore Fixed Income is Ang Chow Yang working closely with Kevin Foo. Within the Asian fixed income team, there are five dedicated credit analysts who are members of the Global Credit Research Team responsible for Asian (including Singapore) credit analysis.

Rajeev De Mello Head of Asian Fixed Income (24.5 yrs / <1 yr)					
Ang Chow Yang Portfolio Manager (Rates / Currencies) (12.5 yrs / 10 yrs)	Angus Hui Portfolio Manager (Credits/ RMB Bonds) (14 yrs / 11 yrs)	Richard Brown¹ Head of Credit Research (27 yrs / 11 yrs)	Willy Lee Fixed Income Dealer/ Technical Analyst (17 yrs / 17 yrs)	Corin Su Fund Manager's Assistant (18.5 yrs / 4 yrs)	Dianna Enlund Product Manager (13.5 yrs / 8 yrs)
Kevin Foo⁵ Credit Analyst / Portfolio Manager (5.5 yrs / 5.5 yrs)	Ng Peng Fong⁴ Credit Analyst / Portfolio Manager (5.5 yrs / 3.5 yrs)	Yeo Li Ping² Credit Analyst (16.5 yrs / 5 yrs)	Kell Ow Fixed Income Dealer (8.5 yrs / 5.5 yrs)	Becky Khoo Fund Manager's Assistant (15.5 yrs / 2.5 yr)	
		Marcus Wong³ Credit Analyst (4 yrs / 4 yrs)			

Notes:

1. Covers Telecom-Media-Telco, Real Estate, Food & Consumer Goods sectors
2. Covers Industrials, Natural Resources & Conglomerate sectors.
3. Covers Oil & Gas and Utilities sectors
4. Covers Asian Financial sector.
5. Covers Singapore Corporate credit research.

Source: Schroders as at 31 October 2011

The biographies of Rajeev De Mello, Ang Chow Yang and Kevin Foo are appended below.



Rajeev De Mello is the Head of Asian Fixed Income.

Rajeev is responsible for investment strategy for Asian fixed income markets and day-to-day management of Asian fixed income portfolios.

Rajeev joined Schroders in July 2011 and is based in Singapore. Previously, he was with Western Asset Management as Senior Investment Officer, Country Head of Singapore, and member of the Global Investment Strategy Committee.

Rajeev holds a MBA from Georgetown University and a Bachelor of Science in Economics (Honors) from London School of Economics.



Ang Chow Yang is the lead portfolio manager for our Singapore Fixed Income strategy.

Based in Singapore, Chow Yang is responsible for the Asian interest rate and currency strategy formulation for pan-Asian bond portfolios. He is also the lead manager for HKD fixed income portfolios.

Chow Yang joined Schroders in 2001 as an equity fund manager's assistant and was appointed to the Schroders Asian fixed income team in August 2004. His investment career commenced in 1999 as a treasury product control analyst with JP Morgan.

Chow Yang is a CFA Charterholder and holds a Degree in Business from Nanyang Technological University.



Kevin Foo is a credit analyst / portfolio manager for our Singapore Fixed Income strategy.

Based in Singapore, Kevin is responsible for credit research of Singapore corporates. Additionally, Kevin is a portfolio manager for Singapore fixed income portfolios.

Kevin joined Schroders in 2006. His investment career commenced in 2003 as an Investment Executive with Nomura Asset Management assisting fund managers in the Equity Investment Team with various investment-related activities.

Kevin holds a Bachelor of Commerce degree from University of Melbourne.

Disclaimer

This document is prepared exclusively for the benefit and internal use of the named investor in order to indicate, on a preliminary basis, the feasibility of a possible transaction or transactions and does not carry any right of publication or disclosure to any other party.

The information in this document is based on management forecasts and reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this document, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was provided to us by or on behalf of the potential investor or which was otherwise reviewed by us.

Past performance and any forecasts are not necessarily a guide to the future or likely performance. You should remember that the value of investments and income from them can go down as well as up and is not guaranteed. Exchange rate changes may cause the value of the overseas investments to rise or fall.

Potential investors should be aware that such investments involve market risk and should be regarded as long-term investments.

Derivatives carry a high degree of risk and should only be considered by sophisticated investors.

The content of this document and all confidential information relating to any Schroders plc group company must be treated by you in the strictest confidence. It may only be used for the purposes of assessing this proposal. Confidential information includes (but is not limited to):

- Schroders' proposed investment strategies, processes, know-how and details of the proposed investment mandate;
- fee and commission arrangements;
- information about other Schroders' clients;
- any third party information which are subject to confidentiality restrictions;
- fund holdings data; and
- our staff details.

Confidential information should not be disclosed to any third party and should only be disclosed to those of your employees, agents and professional advisers who are required to see such information for the purposes of assessing the proposal. You should ensure that these persons are made aware of the confidential nature of such information and treat it accordingly.

You acknowledge and agree that unauthorized disclosure or use of confidential information would cause irreparable harm, damages would not be an adequate remedy and we shall be entitled to all forms of equitable relief.

You shall return and/ or destroy all confidential information at our written request.

Neither party shall disclose any information or make any announcement relating to this document or its subject matter without the prior written approval of the other party except as required by law or by any legal or regulatory authority.

This document contains indicative terms for discussion purposes only and is not intended to provide the sole basis for evaluation of the model proposed/investment.

Schroder Investment Management (Singapore) Ltd

65 Chulia Street #46-00 OCBC Centre

Singapore 049513

Co. Reg. No. 199201080H

Telephone: +65 6535-3411

Fax: +65 6535-3486