

Schroders

Monthly Fund Update

Schroder Singapore Trust (the “Fund”)

Fund overview:

The investment objective of the Fund is to achieve long-term capital growth primarily through investment in securities of companies listed on the Singapore Exchange Securities Trading Limited.

The Fund adopts a bottom-up, growth-oriented investment approach, with no specific industry or sectoral emphasis.

The bottom-up investment process capitalises on Schroders’ strong investment research capability of our Asia Pacific ex Japan equity investment team to generate value-add. The investment team is made up of 9 fund managers and 29 career analysts, with an average of approximately 15 years¹ of investment experience.

In-depth:

What have been the main drivers of recent fund performance at the stock and/or sector level?

Over the month of October 2011, the Fund outperformed² its benchmark. This was primarily attributable to positive stock selection in the **Industrial** and **Financial** sectors, although the Fund’s cash exposure did offset slightly some of the outperformance.

Within the Industrial sector, the overweight position in the Offshore & Marine sector, via *Sembcorp Industries* and *Sembcorp Marine*, benefitted performance given the confidence in new rig order momentum, which so far has been unaffected by financing issues triggered by concerns over Eurozone growth. The nil exposure to *Hutchison Port Holdings Trust* also helped performance, with the stock underperforming on concerns over declining throughput due to softer economic conditions in Europe and US, rising competition and overcapacity from the Northern China region.

Within the Financial sector, performance was helped by the nil exposure to *Ascendas REIT*, which saw its share price underperform due to concerns over Business Park rents amidst the large supply of space coming onstream. The overweight in *City Developments* also helped performance, as take-up for new mass market launches continued to remain robust, which is expected to benefit the company’s large mass market landbank. Another key contributor was the overweight in *Hongkong Land Holdings*, which outperformed as the limited supply of prime HK office space and low vacancy rates are helping to hold up prime office rents.

What have been the key market events affecting the asset class recently?

Singapore equities saw a rebound in October, climbing by 6.21%³ (in SGD terms, as represented by the MSCI Singapore Free Index, net dividends reinvested). The market shrugged off recessionary fears and concerns over a deceleration in earnings, rallying in October on newfound optimism that the European sovereign debt crisis would soon be contained. Across sectors, the Industrial sector

¹ Source: Schroders, as at 30th September 2011

² Source: Morningstar, Schroder Singapore Trust A share class

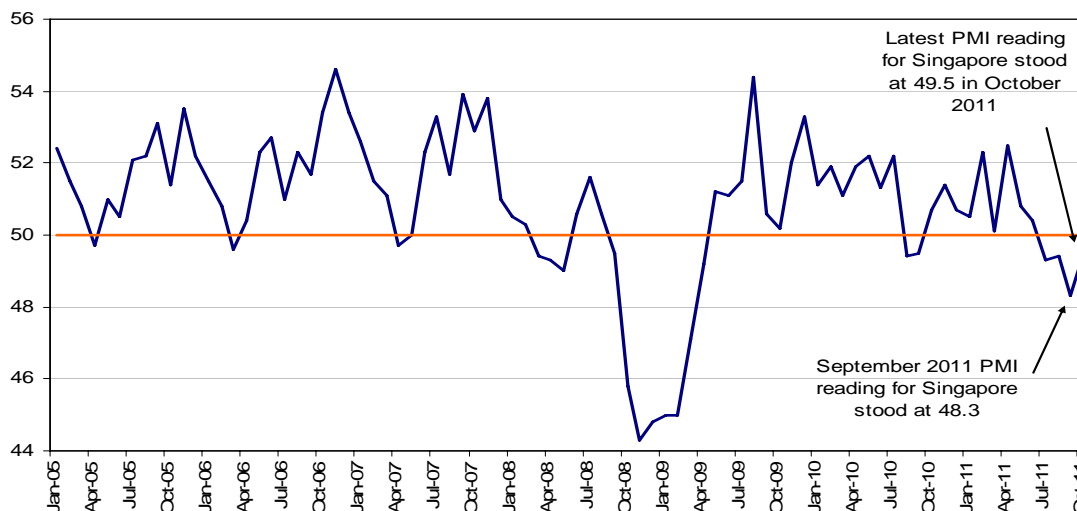
³ Source: Morningstar



performed the best, driven by the strength in Offshore & Marine names, while the defensive Telecoms sector underperformed.

Inflation in Singapore remained relatively unchanged, with the Year-on-Year (YoY) Consumer Price Index in September up +5.5%⁴, versus a figure of +5.7% in August. The Purchasing Managers' Index (PMI) remained below 50 in October, standing at 49.5 (versus the figure of 48.3 in September) (please refer to Chart 1 below). Industrial Production was up by 12.8% in September from a year ago, led by Biomedicals, which expanded by +88.4%. YoY Non-Oil Domestic Exports (NODX) contracted by 4.6% in September, led by both Electronics and Non-Electronics.

Chart 1 (Singapore Purchasing Managers' Index)



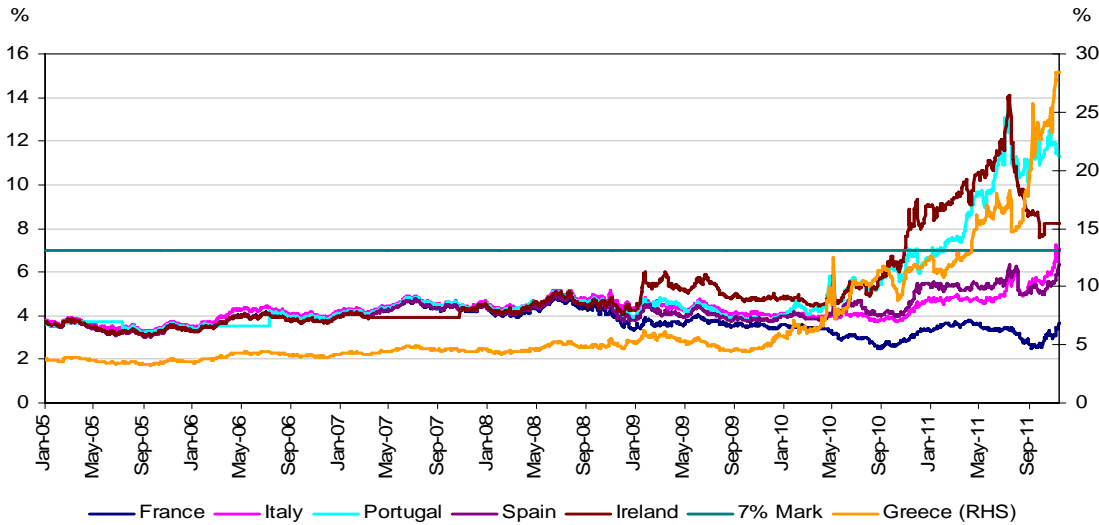
Source: Bloomberg, Singapore Institute of Purchasing & Materials Management, November 2011

Market Outlook & Strategy

Despite a brief respite in the markets over the month of October, broad underlying global macroeconomic uncertainties still remain. The European sovereign debt crisis has come under the spotlight once again following a slight reprieve last month. Worries over Italy's ability to borrow in the public markets heightened recently when Italian 10 year bond yields surpassed the crucial 7% mark (please refer to Chart 2 below), which was the level that eventually forced Greece, Portugal and Ireland to seek bailouts. This was followed by Fitch Ratings' warning that US banks could be affected if Europe's debt crisis spreads beyond the affected countries, compounding fears of a contagion effect and potentially turning the Eurozone crisis into a global one. Pressure on European policy makers to take further action to mitigate any further damage to the European economy is now reaching a critical level, with a recession looking likely next year, this would undoubtedly have knock-on effects on growth in Asia as well.

⁴ Source (for all economic indicators in this paragraph): Bloomberg, November 2011

Chart 2 (10 Year Government Bond Yields in Europe)



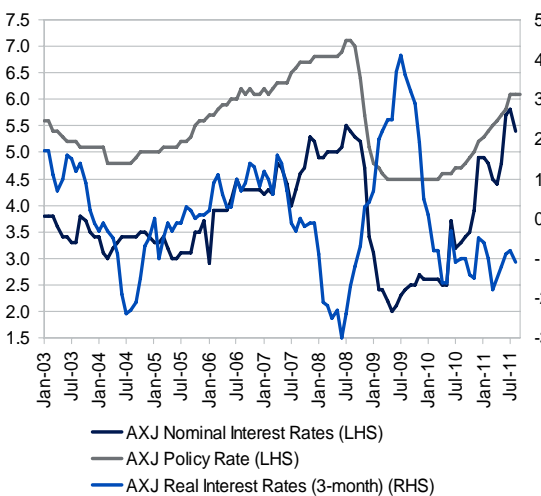
Source: Bloomberg, November 2011

Within Asia, impact of the Thai floods is becoming more significant, with ripples already felt on computer and automotive supply chains. Toyota, which has component production facilities located in Thailand, has reduced output at its factories across several ASEAN countries, due to the disruption in the supply of car parts caused by the Thai floods. Other companies such as hard disk drive makers Seagate Technology and Western Digital Corp, have also reported difficulties in producing hard disk drives, due to the severe shortage of component parts from Thailand. Such disruptions to supply chains could potentially impact growth in Asia over the next few quarters.

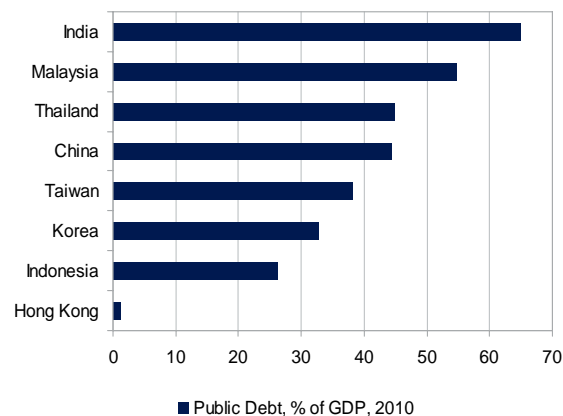
However, should Asian growth slow, policy makers here have on hand ready tools to spur growth. Asian governments have the ability to cut interest rates as monetary policy in Asia is generally tight (please refer to Chart 3 below). Indonesia, for example, cut rates by 50bps in early November. A number of Asian countries also have low debt levels, which leaves their governments with spare spending capacity should the need to stimulate growth arise (please refer to Chart 3 below).

Chart 3 (Monetary Policy & Debt Levels in Asia)

Monetary policy is tight in most Asian countries



Some countries have fiscal room to respond



Source: CEIC, Morgan Stanley Research, October 2011

Although recent US macroeconomic data has been a bright spot, should the Eurozone debt crisis spread, this could derail any potential recovery in the US economy.

All in all, it would seem that the risk of a global recession has risen given recent macroeconomic developments. Although Asia is unlikely to escape unscathed, its governments have the capacity to introduce stimulus measures. Given the market's bounce in October, valuations are no longer looking as cheap, so stock selection is key.

What are the main themes running through the portfolio in view of the outlook for the market?

Amidst the current market volatility, the Fund continues to hold a higher cash buffer. We seek to employ a barbell strategy, being positioned in stocks with revenues more resilient even in the face of a slowdown, and also selectively in companies that may be early beneficiaries of future policy stimulus.

Could you explain the investment process/strategy?

Portfolio construction is driven by a bottom up research process; this combines our proprietary model to carefully construct portfolios and ensures that returns are delivered with appropriate levels of risk. We believe that equity markets are not fully efficient - our team of fund managers and investment analysts work together to exploit market inefficiencies through the application of extensive, rigorous proprietary research aimed at identifying mis-priced opportunities. We believe that in the long term, the inherent value of companies will be recognised by the market, thus eliminating this mis-pricing and enabling Schroders to deliver superior returns.

18 November 2011

Important Information:

This document is prepared by Schroder Investment Management (Singapore) Ltd and the opinions expressed are subject to change without notice. This document is published for information and general circulation only and does not have any regard to the specific investment objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from a financial adviser before purchasing units of the Fund. In the event that the investor chooses not to do so, he should consider whether the Fund is suitable for him. Past performance of the Fund or the manager, and any economic and market trends or forecast, are not necessarily indicative of the future or likely performance of the Fund or the manager. The value of units in the Fund, and any income accruing to the units from the Fund, may fall as well as rise. Investors should read the prospectus, available from Schroders or its distributors, before deciding to subscribe for or purchase units in the Fund.

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