Schroders Asian Premium Bond Fund

Strategy Update

Investment Objective

The investment objective of the strategy is to provide a return of capital growth and income primarily through investment in a portfolio of investment grade (i.e. at or greater than BBB-) debt securities denominated in local and foreign currencies, issued by governments, government agencies, supra-national and corporate borrowers across Asia (ex Japan) debt markets. The Fund is also permitted to make tactical investments (up to 30% maximum including cash) in G7 Government bonds for diversification and capital preservation purposes.

Performance as at 31 October 2011

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	Since Inception
Schroders Asian Premium Bond Fund	1.24%	-1.21%	0.16%	0.79%	6.36%	1.26%
CPF-OA Rate + 1% p.a.	0.29%	0.86%	1.73%	3.50%	3.50%	3.50%

Source: Schroders, Morningstar, based on Schroder Asian Premium Bond Fund, NAV-to-NAV, net of management fees, dividends reinvested, in SGD. Inception: 9 February 2007. The above is for illustrative purposes only. Past performance is not indicative of future returns.

Performance Commentary

The portfolio returned 1.24% in October, helped by the strong rebound in risk markets. High grade corporate credit yield spreads were lower by 59bps over this period. The fund maintained a duration of 3-4 year and avoided active currency exposures. The fund continued to focus on investing in a well diversified portfolio of high quality credit securities in Asia.

The Market and the Drivers of Performance[1]

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 proposed 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. Asian central bank meetings during the month generally signalled an end to the rate hike cycle but the probability of a rate cut remains low for most markets (except Indonesia) in view of the growth-inflation trend. In this environment, Asian currencies performed well, led by the equity-sensitive KRW. The resumption of risk appetite was also positive for Asian credits which retraced most of its losses from the previous month. The JPM Asia Credit Index (JACI) High Grade sector rebound by 2.4% in October after a loss of 2.8% in September. JACI HG Corporate sector similarly gained by 2.7% after losing 3.1% in September.

The Market Outlook and Portfolio Strategy

Financials markets remain skeptical over successful implementation of the plan announced by European policymakers at the EU Summit and, and political uncertainties and rising bond yield in Italy suggest that systematic risks in Europe remain high. Asset markets tend to be highly correlated during periods of volatility, and we expect credit spreads in Asia to remain volatile in the near term. While the situation in Europe remains unpredictable, we expect any sell-off in the Asian credit

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

Schroders

market to be relatively short-lived, as evidenced from the strong recovery in Asian credit after the September sell off.

Looking forward, expectations for a prolonged low interest rate environment in the major developed economies, a long-term capital shift to Asia, together with easing concerns of a China hard landing and US recession, all suggest a constructive technical backdrop for Asian credits. Fundamentally, growth in Asia will be negatively affected by the sovereign crisis in Europe and European banks' deleveraging process suggests that they will scale down the loan business in Asia. That said, most Asian countries do have sufficient flexibility in both fiscal and monetary sides to support the economies, and Asia's financial systems have sufficient liquidity. Signs of targeted easing in China are also constructive to the Asian credit fundamentals. Our internal bottom-up credit trend analysis continues to suggest broadly stable credit fundamentals in Asia. In contrast to 2008, corporates in Asia are now much less vulnerable to large currency movements, and banks are less reliant on short-term wholesale funding.

In terms of investment grade strategy, the stance remains on focusing on high grade corporates and selective participating in the high grade sovereign and quasi-sovereign sectors. Credit spreads of bellwether corporates and selected quasi-sovereigns are relatively attractive and their bonds enjoy good trading liquidity. These bellwether corporates include diversified conglomerates, utilities and state-related oil & gas entities which are fundamentally more resilient in an environment of slower growth. Regarding investment opportunities, we are starting to see value emerging in Korean quasi-sovereigns. The preferred entry mode is via primary participation to capture new issue premium and outright wide absolute credit spreads. In addition, we see selective value in financials space, largely in Taiwan and selected Hong Kong / Chinese banks.

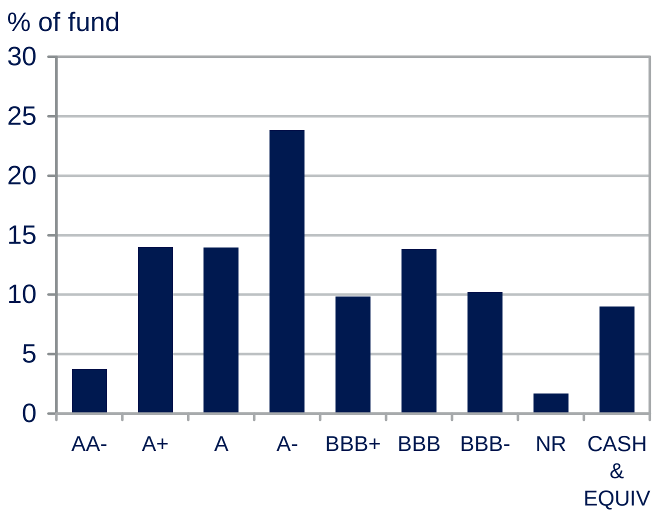
Key Portfolio Characteristics

	Portfolio
Average YTM	3.43%
Average Credit Rating	BBB+
Average Duration (incl. Futures, if any)	3.95 yrs

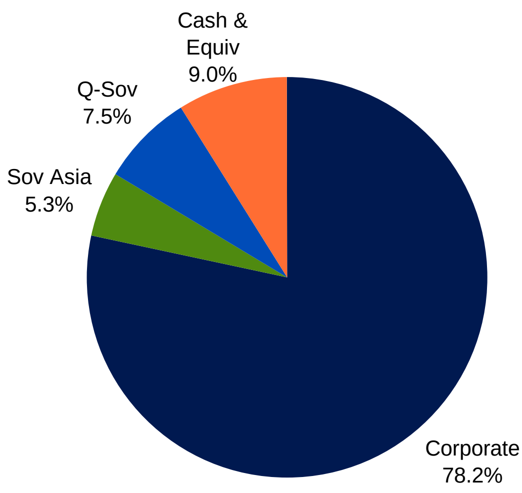
Source: Schroders, as at 31 October 2011

Fund Features	
Inception Date	9 February 2007
Benchmark	CPFIS-OA Rate + 1.0% p.a.
Distribution	3.5% p.a. paid semi-annually
TER	1.03% (as at 30 June 2011)

Ratings Allocation

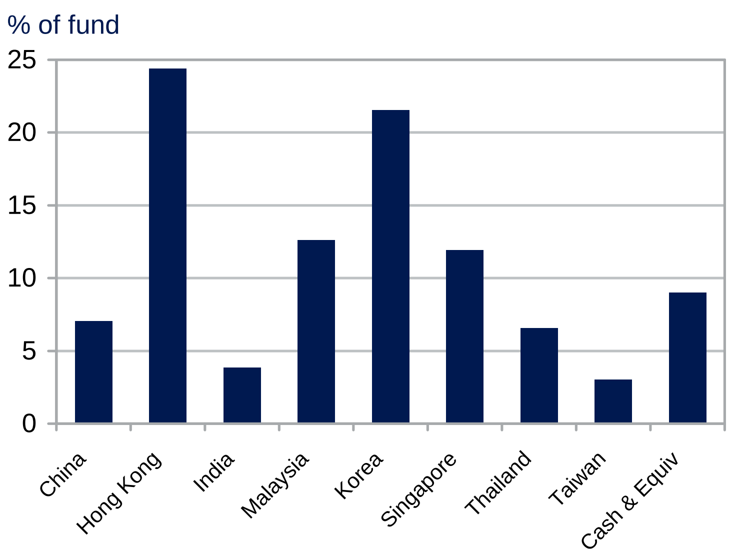


Sector Allocation

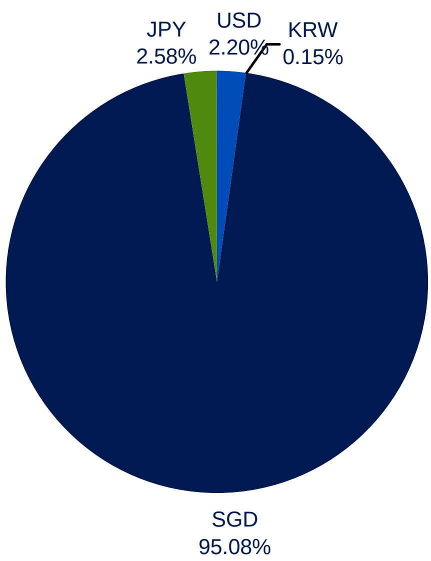


Source: Schroders, as at 31 October 2011

Country Allocation



Currency Allocation



Source: Schroders, as at 31 October 2011

The Schroders' Advantage

- **Well-resourced and dedicated Asian/Singapore Fixed Income team** with an average investment experience of 13 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.
- **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 Premium Bond 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 Asian Premium Bond is Angus Hui working closely with Ng Peng Fong. Within the Asian fixed income team, there are four 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 Brown[1]** 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 Foo[5] Credit Analyst / Portfolio Manager (5.5 yrs / 5.5 yrs)	**Ng Peng Fong[4]** Credit Analyst / Portfolio Manager (5.5 yrs / 3.5 yrs)	**Yeo Li Ping[2]** 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 Wong[3] 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 30 September 2011

The biographies of Rajeev De Mello, Angus Hui and Ng Peng Fong 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.

Angus Hui is the lead portfolio manager for our Asian Premium Bond strategy.

Based in Hong Kong, Angus is responsible for credit investments in Asia (ex Japan) fixed income portfolios, including the formulation of credit strategies and credit security selection. He is also the lead portfolio manager for RMB fixed income.

Angus joined Schroders in 2000 as a credit analyst researching Asian high yield and high grade credits with portfolio management responsibilities for Hong Kong and global bond portfolios. His investment career commenced in 1997 with Standard & Poor's in Australia.

Angus is a CFA Charterholder and holds a Bachelor of Commerce and Master of Commerce with First Class Honors, University of Melbourne.

Ng Peng Fong is the portfolio manager for our Asian Premium Bond strategy.

Based in Singapore, Peng Fong is responsible for credit research of Asian Financials. Additionally, Peng Fong is a portfolio manager for Asian credits strategies.

Peng Fong joined Schroders in 2008. His investment career commenced in 2006 as an investment analyst in Aberdeen Asset Management Asia where he was responsible for credit analysis and assisted in the formulation/ implementation of Asian credit investment strategy.

Peng Fong is a CFA Charterholder and he graduated summa cum laude with a Bachelor of Business Management (Finance) from Singapore Management University.

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