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 years[1] of investment experience.

In-depth:

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

The Fund[2] outperformed its benchmark over the month of November. Outperformance stemmed primarily from positive stock selection in **Industrials** However, negative stock selection in **Financials** mitigated outperformance slightly.

Within Industrials, the underweight in *Noble Group* was a key contributor to performance, with the stock price slumping due to the company's disappointing results and its CEO's resignation. The overweight in defensive counter *Jardine Strategic* benefitted performance as well, with its stock price outperforming in a falling market. Another key contributor was the nil exposure to Hutchison Port Holdings Trust, as concerns over declining throughput due to softer economic conditions in Europe and US, as well as rising competition in the Pearl River Delta continued to be an overhang on the stock.

Within the Financial sector, the nil exposures to *Global Logistic Properties* and *Ascendas REIT* detracted from relative outperformance. Global Logistic Properties outperformed on a good set of 1H12 results, while Ascendas REIT's resilient and well-diversified property portfolio benefitted its share price.

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

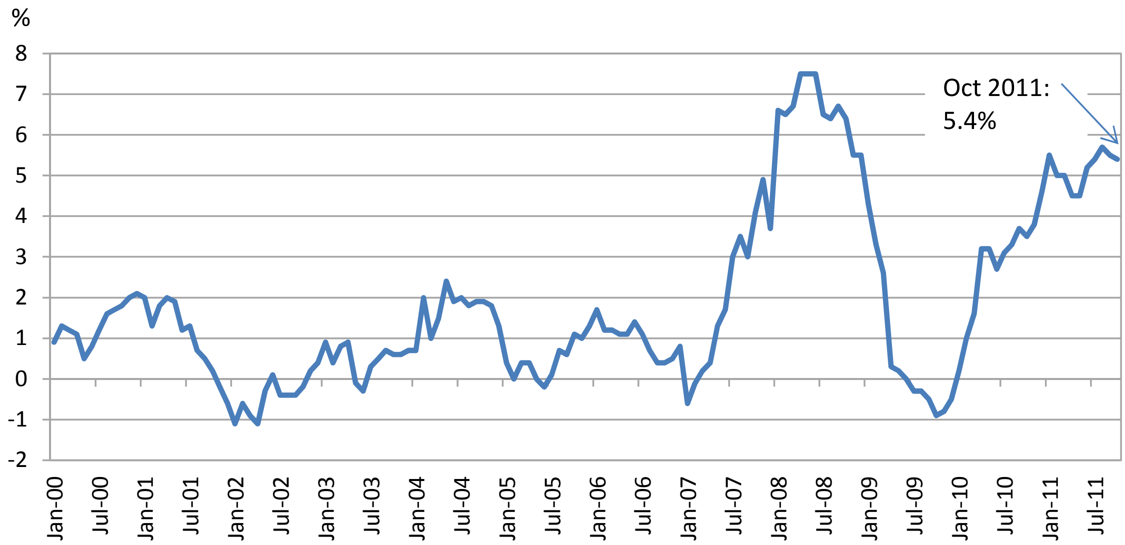
Following a short reprieve in October, Singapore equities continued its decline in November, falling by 5.97%[3] (in SGD terms, as represented by the MSCI Singapore Free Index, net dividends reinvested). Broader external macro factors were key determinants of market performance over the month - concerns over a hard landing in China, continued worries over the European sovereign debt crisis and the failure of the US "super committee" to agree on a plan to reduce deficit - all weighed on market sentiment. During the month, the Singapore government also announced that the

1 Source: Schroders, as at 30th September 2011
2 Source: Morningstar, Schroder Singapore Trust A share class
3 Source: Morningstar

economy was expected to grow by 5% in 2011 and slow to 1-3% in 2012[4], amidst subdued global economic conditions. At the company level, Q3 results for Singapore corporates were mixed, and earnings surprises were mostly negative. All MSCI sub-indices registered declines over the month, with the Industrial sector falling the most and the Telecoms sector performing the best.

Industrial Production (IP) in October climbed by 24.4%[5] on a Year-on-Year (YoY) basis, due to robust output growth from the volatile biomedical sector. Inflation, or the Consumer Price Index, rose 5.4% YoY in October (please refer to Chart 1 below), while Non-Oil Domestic Exports (NODX) registered a stronger than expected 1.6% YoY increase in November. The Purchasing Managers' Index (PMI) remained below 50, at 48.7 in November.

Chart 1 (Singapore YoY Consumer Price Index)



Source: Bloomberg, Singapore Department of Statistics, December 2011

Market Outlook & Strategy

Worries over the unresolved European debt crisis, coupled with the associated tension in the Eurozone bond markets and US dollar funding concerns continued to plague equity markets last month. Since our last report, authorities have tried to calm nervous markets by taking action via some of the ways outlined below:

(1) Key central banks across the globe banded together to make dollar loans cheaper for struggling European banks in a bid to avert a liquidity crisis.

(2) The majority of the countries in the European Union agreed to back a new fiscal union treaty, which would enforce strict limits on the debt and deficit levels of its signatories in order to shore up flagging confidence in the region.

While it is commendable that governments and central banks are stepping up their efforts to tackle the Eurozone crisis, doubts still linger over the efficacy of these actions and their ability to prevent more countries from seeking bailouts or to prevent the Eurozone crisis from morphing into a global one. Furthermore, tighter new Eurozone bank capital requirements may also have consequences on bank funding for certain industries e.g. ship building, ship financing, and to a lesser extent the offshore & marine sector.

[4] Source: Ministry of Trade and Industry, Singapore, 21 November 2011
[5] Source (for all economic indicators in this paragraph): Bloomberg, December 2011

Within Asia, the impact of the Thai floods on regional supply chains continue to play out, with earnings disappointments possibly manifesting in 4Q2011 results and potentially stretching through to 1H2012. This may also have an impact on Singapore companies involved in related industries (e.g. electronics), as companies affected by the Thai floods scramble to look for alternative sources of component parts within the region.

In early December, the Singapore government introduced more property cooling measures, which took the market by surprise (please refer Chart 2 below, which summarises the cooling measures that have been introduced by the Singapore government in the recent property upcycle).

Chart 2: Cooling measures imposed by the Singapore government in the recent property upcycle

Date	Policy Change
14 Sep 09	Reinstate confirmed list for Government Land Sales (GLS) program in 1H10.
14 Sep 09	Removal of the Interest Absorption Scheme (IAS) and Interest Only Loan (IOL).
19 Feb 10	Introduced Sellers' Stamp Duty (SSD) sold within 1 year from purchase date. 1% levied on the first $180,000 of the consideration, 2% for the next $180,000 and 3% for the balance.
19 Feb 10	Lowered the loan to value (LTV) limit for the financing of residential properties to 80% from 90%.
30 Aug 10	Disallowance of concurrent ownership of both HDB flats and private residential properties within a minimum occupation period (MOP) of 5 years.
30 Aug 10	Minimum occupation period for non-subsidised HDB flats has been extended to 5 years (from 3 years previously).
30 Aug 10	Seller stamp duty has been extended from one year to three years (graduated scale). The full SSD rate will be imposed for sales made within first year of purchase while two-thirds and one-third of the full SSD rate will be imposed on sales made within the second and third year respectively.
30 Aug 10	Increase in minimum cash payment from 5% to 10% & decrease in LTV from 80% to 70% for property buyers with outstanding housing loans at time of purchase.
30 Aug 10	Allowing households with income of between $8,000 to $10,000 to buy subsidised HDB flats (previously restricted to Executive Condominiums); ii) increasing supply of new flats from 16,000 new units in 2010 to 22,000 new units in 2011 and iii) shorten the completion time of Build-to-Order flats (reduction from 3 years to 2.5 years).
14 Jan 11	Increase in sellers' stamp duty (SSD) rates to 16%, 12%, 8% and 4% for residential properties sold in the first, second, third and fourth year of purchase respectively.
14 Jan 11	Lowering of the loan-to-value (LTV) limit to 60% for 2nd home. An additional regulation on LTV limit of 50% will also be implemented on purchasers who are not individuals.
8 Dec 11	Additional buyers' stamp duty (ABSD) imposed. 10% for foreigners/companies, 3% for PRs buying 2nd homes, 3% for citizens buying 3rd homes.

Source: URA, BofA Merrill Lynch Global Research estimates, 7 December 2011

These new measures may impact the Singapore property market in the following ways:

(1) Divert speculative activity from the Singapore residential property sector and

(2) Raise earnings and margin risks for Singapore property developers.

With different sectors sequentially impacted by negative newsflow, the question is what conditions are necessary and sufficient for a meaningful change to this pattern. For a durable trough to materialise, markets will need to be presented with:

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(1) Further evidence of governments' abilities to effect meaningful monetary and fiscal stimulus;

(2) In some countries, the governments' willingness to pursue stimulus in spite of heightened inflation pass-through effects and widening income disparity impacts and

(3) Global synchronised policy stimulus.

In conclusion, it looks increasingly likely that many Western economies will slip into recession next year. However, we maintain that Asian countries are in a better position to navigate these challenging times ahead, with relatively stronger domestic consumption trends coupled with the ability to cushion the effects of the external slowdown using various stimulus measures available.

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.

21 December 2011

Important Information:

This document is prepared by Schroders 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 the particular needs of any specific person who may receive this document. Investors may wish to seek advice from a financial adviser before purchasing units of any Schroders Fund (the "Fund"). In the event that the investor chooses not to seek advice from a financial adviser, he should consider whether the Fund in question 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 the income accruing to the units, if any, from the Fund, may fall as well as rise. Investors should read the prospectus, available from Schroder Investment Management (Singapore) Ltd or its distributors, before deciding to subscribe for or purchase units in any Fund. Funds may carry a sales charge of up to 5%.

The CPF interest rate for the Ordinary Account (OA) is based on the 12-month fixed deposit and month-end savings rates of the major local banks. Under the CPF Act, the Board pays a minimum interest of 2.5% per annum when this interest formula yields a lower rate.

The interest rate for the CPF Special, Medisave and Retirement Accounts (SMRA) will be pegged to the 12-month average yield of 10-year Singapore government securities plus 1%. For 2010, the minimum interest rate for the SMRA is 4.0% per annum. After 31 December 2010, the 2.5% per annum minimum interest rate, as prescribed by the CPF Act, will apply to the SMRA.

In addition, the CPF Board pays an extra interest rate of 1% per annum on the first $60,000 of a CPF member's combined balances, including up to $20,000 in the OA. The first $20,000 in the Ordinary Account

and the first $30,000 in the Special Account are not allowed to be invested under the CPF Investment Scheme (CPFIS). With effect from 31 July 2010, the first $40,000 in the Special Account will not be allowed to be invested under the CPFIS

Investors should note that the applicable interest rate for each of the CPF accounts may be varied by the CPF Board from time to time.

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