Schroders
Fund Update

Schroder International Selection Fund*
Emerging Markets Debt Absolute Return

Fund overview:

The Schroder ISF Emerging Markets Debt Absolute Return team manages global emerging market debt funds using a variety of instruments and techniques in an effort to enhance overall risk-adjusted returns. The funds' aim is to achieve high, long-term absolute returns while keeping volatility to a minimum. Specifically, the team aims to make positive absolute returns in any 12 month period. Schroders benefits from the consolidated experience and proven track-record of the Schroders Emerging Markets Debt team, led by Geoff Blanning since 1998, with a total of 4 professionals based in London and Buenos Aires. The team manages "absolute return" EMD funds of over **US$9.4** billion as at 30 July 2010 on behalf of private clients, institutional and retail investors worldwide.

% *	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
1997									0.82	-6.18	0.86	0.61	-4.01
1998	-2.03	2.08	2.65	0.39	-1.96	-1.61	-1.24	-12.17	6.31	3.31	5.06	0.01	2.01
1999	-0.75	0..50	5.33	8.84	-1.86	1.44	-0.54	0.06	3.52	3.94	2.71	3.18	29.19
2000	-0.44	3.40	2.51	-1.79	-1.41	4.77	3.67	2.46	-1.79	-0.28	1.47	4.08	17.62
2001	3.29	-0.66	-1.48	-2.49	1.34	1.78	0.23	4.42	-3.71	0.47	-0.11	0.36	3.21
2002	0.93	2.32	-0.03	4.48	3.31	3.05	-0.09	2.74	1.04	0.97	2.51	4.02	28.23
2003	1.95	0.38	-0.15	2.62	1.81	1.16	-0.53	0.05	1.57	-0.84	-0.45	2.93	10.91
2004	-0.99	0.77	1.21	-1.04	0.00	-0.39	0.83	0.00	2.31	2.32	4.12	2.75	12.41
2005	-1.57	1.77	-1.33	0.06	-0.24	0.46	0.96	-0.39	-0.20	0.86	0.35	0.05	0.72
2006	2.61	1.12	1.45	2.04	-1.01	-0.65	1.00	1.04	0.52	1.39	2.66	1.52	14.60
2007	-0.73	1.03	0.80	1.23	0.06	-0.07	0.75	-0.97	2.35	2.52	0.97	0.14	8.32
2008	1.49	1.92	1.25	-0.72	-0.65	-0.10	0.54	-2.73	-2.65	-3.27	1.58	3.32	-0.25
2009	-1.69	-2.02	1.18	3.99	6.49	1.14	3.13	1.03	3.75	1.52	1.22	-1.26	19.72
2010	0.41	0.07	0.42	0.49	-0.84	0.84	0.31						1.71

* Performance is presented on USD C NAV gross basis and does not take into consideration deduction of fees

Review

Despite the recent small increase in currency exposure for Schroder ISF EMD Absolute Return, the overall positioning remains very defensive. **The cash balance is at 28%** and the fund also continues to avoid the widely owned and low yielding **external debt sector, where exposure is maintained at a very low level of 3%. Positions in local currency debt (69%)** have been slightly increased in July, via a 3.5% investment in South African long dated local government bonds. Within the local debt sector, the currency exposure has also been raised slightly during the month after the purchase of 2% Chilean Peso, 1% Singapore Dollar and 1% Russian Ruble. Overall, the fund's currency position has been raised to 21% of NAV.

Recent developments in the US continue to support our prognosis that the economy has probably entered a period of economic slowdown, which should soon propagate to the rest of the world. The breakdown in relations between the IMF and Hungary also supports our view that reform fatigue is occurring in key Eastern European countries and this may soon negatively impact regional financial assets.

Against this challenging background, most developed and EM markets have experienced a decent bounce in July. As an example, the average EM external debt spread as measured by the EMBI+ spread tightened by 50bps ending the month at 287bps. This renewed tightening in credit spreads has clearly challenged our bearish investment stance. This is why we have - for money management reasons – purchased a few assets selectively, that either have resumed firmly their appreciation trend (e.g. Singapore Dollar) or have a good risk profile in terms of chart patterns.

* Schroder International Selection Fund is referred to as SISF throughout this document

Such a risk profile means assets which would have a decent recovery potential (if global markets were to enter a new phase of euphoria) and which are also still relatively close to their 2010 lows, implying that we should know very soon (and with limited downside) if the downtrend is still firmly in place. A number of currencies and a few local rates markets (e.g. South African local bonds) are particularly fit for this purpose. In other words, the positions we have been adding will be sold again should they resume their downtrend.

Indeed, we cannot aggressively and confidently accumulate positions given that all four pillars of our analysis (Fundamental, Quant, Sentiment and Chart) continue to support a bearish investment stance. The recent dovish comments from the Fed and the signals from China that the policy tightening may soon be aborted are clearly helping to reinvigorate some assets. This should be viewed as a temporary interruption to the market downturn rather than the beginning of a major long-term uptrend.

Asset Allocation as at 30 July 2010

Holdings as at 30 July 2010

	Exposure	Duration
China	0.4	3.8
Malaysia	0.6	1.1
Mexico	0.8	1.7
Poland	1.1	1.9
External Debt	**2.9**	
China	5.5	3.9
Chile	2.0	0.5
Czech Republic†	3.9	0.7
Indonesia†	4.8	4.6
Korea†	3.1	4.6
Malaysia†	2.9	3.0
Mexico^	6.6	3.5
Poland†	5.1	3.1
Russia	1.0	1.7
Singapore^	7.2	1.1
South Africa†	3.6	7.1
Taiwan†	0.8	0.9
Turkey†	2.0	0.5
Ukraine	0.1	0.1
Local Debt	**48.3**	
US Treasury Bonds	12.1	14.0
US Treasury Bonds	**12.1**	
Cash	36.7	
Cash	**36.7**	

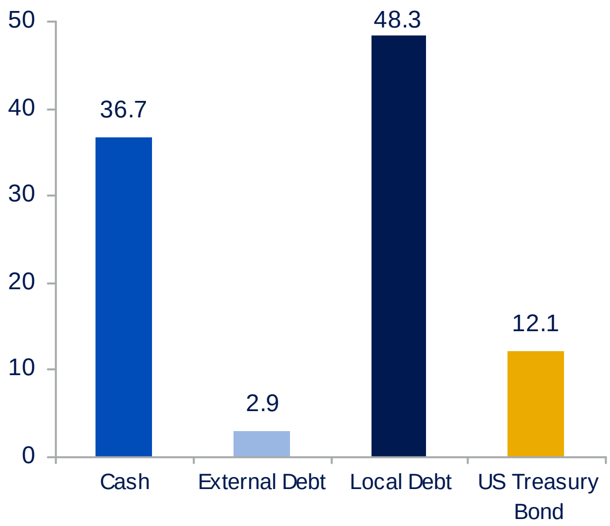
†Hedged
^Partially Hedged
Source: Schroders

Performance Overview

Since Dec 1998*	Fund	EMBI+	ELMI+**
Annual Rate of Return %	12.24	12.47	8.75
Annual Volatility %	6.73	10.95	7.09
Sharpe Ratio	1.39	0.91	0.85
Sortino Ratio	2.87	1.14	0.97
Correlation	1	0.63	0.61
Positive Quarters %	89.13	76.09	71.74
Maximum Drawdown %	-9.26	-19.71	-19.93
Best Month %	8.84	8.52	5.52
Worst Month %	-3.71	-13.79	-8.73
Max 12M Rolling Return %	33.35	40.19	20.29
Min 12M Rolling Return %	-7.19	-18.15	-13.87

* Since inception of current fund manager
** ELMI to 31.01.02 (Index discontinued)

Sector Allocation as at 30 July 2010 %



Fund Summary	%
Yield to Maturity	1.16
USD Exposure	78.7
EM Currency Exposure	12.5
Duration (years)	3.20
Average Credit Rating	AA
Corporate Exposure	0.61

Schroders

Investments in emerging markets are subject to market risk and, potentially, liquidity and currency exchange rate risk. Investments in debt securities are primarily subject to interest rate, credit and default risks and, potentially, to currency exchange rate risk.

This fund may use financial derivative instruments as a part of the investment process. This may increase the fund's price volatility by amplifying market events. Investments in absolute return funds are primarily subject to interest rate, market, liquidity, credit and default risks and, potentially, to currency exchange rate risk.

Important Information: This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the "Company"). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares.

Subscriptions for shares of the Company can only be made on the basis of its latest prospectus together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Luxembourg) S.A.

An investment in the Company entails risks, which are fully described in the prospectus.

Past performance is not a guide to future performance and may not be repeated. Investors may not get back the full amount invested, as prices of shares and the income from them may fall as well as rise.

Schroders has expressed its own views and opinions in this document and these may change.

This document is issued by Schroder Investment Management Limited, 31 Gresham Street, EC2V 7QA, authorised and regulated by the Financial Services Authority.

For your security, all telephone calls are recorded.