

# Schroders

## Monthly Fund Update

### Schroder Multi-Asset Revolution

#### Market Summary and Portfolio Performance:

	1 month	3 months	6 months	1 Year	2 Years (annualised)	3 Years (annualised)	Since Inception (annualised)^
Fund Performance	-3.03%	0.27%	0.72%	10.46%	-2.95%	-2.73%	1.82%
Reference Benchmark*	-4.15%	-3.85%	-4.79%	5.50%	-5.69%	-6.19%	-1.93%

Source: Schroders, as at 31 May 2010. Please note that past performance is not indicative of future returns. Performance of the fund is provided for Class A Acc shares, net dividends reinvested, bid-to-bid in SGD.

^ Since Inception: 7 July 2006. Fund was restructured using a Multi-Asset approach in July 2006 and was originally incepted in May 1998.

\* 60% MSCI World NR + 40% Citi WGBI. Please note that the static benchmark is provided as a reference only. The Fund is managed with a dynamic approach to asset allocation and is not managed against a benchmark.

Global equity markets sank in May as persistent fears of the European debt crisis and its contagion risk could slow the global recovery sent investors out of riskier assets. Investors' confidence was also impacted by the Fitch downgrading of Spanish sovereign debt while concerns about policy tightening in China contributed to the fall of commodity prices. Over the month, the MSCI World finished 9.5% lower while the MSCI AC Asia ex Japan was down 8.4% in USD terms. Gold in contrast hit a record high at US\$1,238.93 in mid-May on flight to safety before ending the month lower at US\$1,216.2 on profit-taking, posting a return of 3% from April close.

On the fixed income side, corporate bonds fell slightly lower but outperformed global government bonds with Citi WGBI returning -1.0% (in USD terms) despite high levels of risk aversion in the market. On currencies, the dollar strengthened sharply over the month of May as investors flocked to the greenback as a safe-haven asset. The Euro however tumbled to a four-year low against the dollar on German short selling ban of various securities.

The portfolio fell 3% over a challenging month of May which saw most asset classes bleeding into a sea of red on heightened concerns about the Euro-debt crisis. Portfolio performance was negatively impacted by the holdings in riskier assets although this was mitigated by the reduced exposure to global credit in the middle of the month as we raised cash to protect the downside of the portfolio. The timely move in lowering the beta risk from the portfolio in April by trimming the positions in Global equities and Global Credit had also added value to performance. During these volatile times, diversification has benefited performance with portfolio holdings in Asian bonds, Singapore bonds and Gold delivering positive returns. Meanwhile, the hedged positions in SGD continued to help mitigate losses as the EUR and GBP fell on euro-zone debt concerns.



## Portfolio Positioning

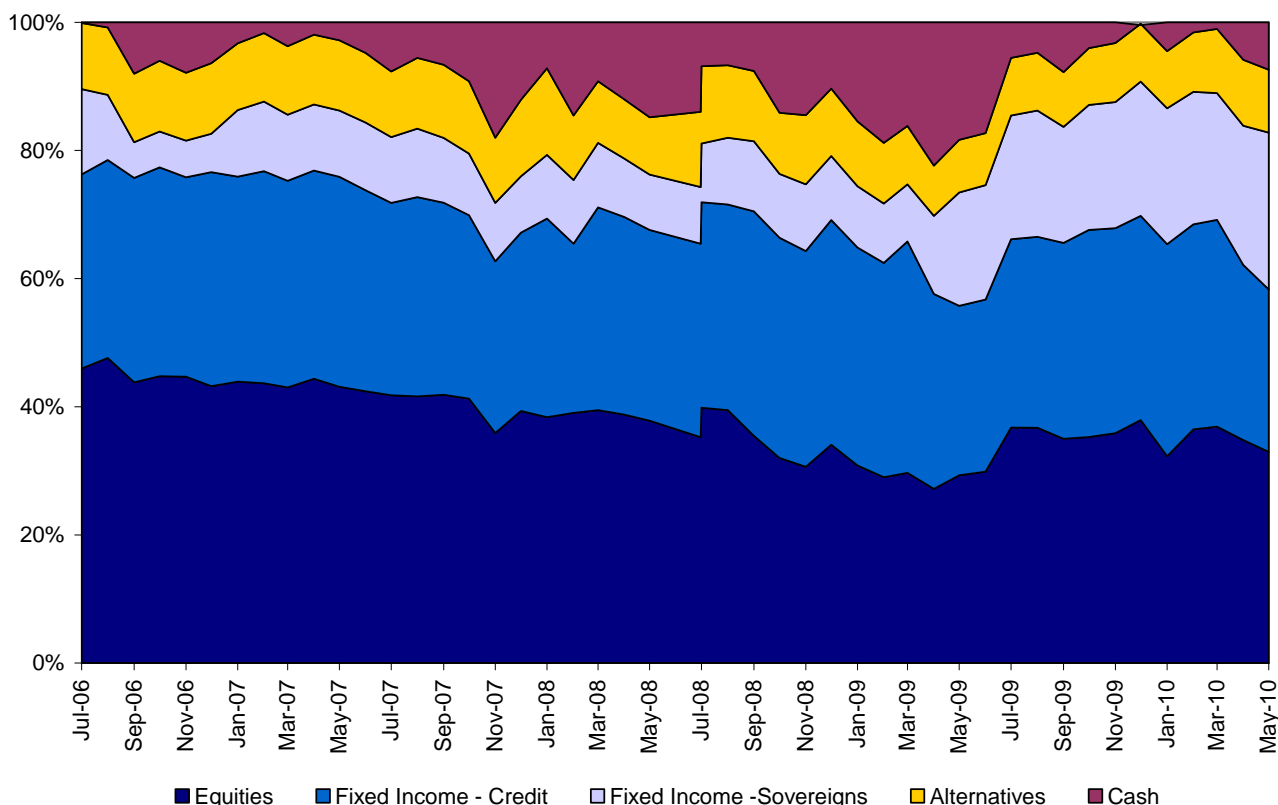
Markets appear to be approaching on important cross roads. Economic data and equity earnings have remained supportive to date, but concern is growing that as the many government stimulus packages roll off, growth will again falter. The debt crisis in Europe highlights the difficulty governments may face in trying to allay concerns by simply declaring another stimulus package. The markets require more meaningful, long-term solutions. Given the high degree of uncertainty around earnings growth for equities, we are still cautious and underweight as our outlook remains for growth to disappoint in 2010.

We have trimmed our credit position but still remain overweight. With corporates having aggressively managed costs early in the crisis, balanced sheets are in good health and defaults are falling. Credit spreads have narrowed considerably but still reward investors for risk, particularly when compared to low cash rates.

Deflationary forces remain strong in the market, evidenced by the strong performance of government bonds. We remain concerned of the level of government bond issuance going forward and have subsequently allocated cautiously to this sector.

The forces of private sector de-leveraging and public sector reflation remain in opposition to each other, generating volatile price action in markets. In this environment, we are careful to diversify the risk across a number of return sources to reduce the impact of potentially adverse market reactions to the removal of the favorable liquidity environment that has been in place over 2009.

### Monthly asset allocation since inception:



Source: Schroders, as at 31 May 2010

**June 2010****Important Information:**

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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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