

Schroder Asian Growth Fund

Monthly Fund Update

Fund Performance

In SGD Terms	1 M (%)	3 M (%)	6 M (%)	YTD (%)	1 Y (%)	3 Y (% p.a.)	5 Y (% p.a.)	10 Y (% p.a.)	Since Inception (% p.a.)^
Fund (Bid-to- Bid)	-0.61	5.22	3.60	9.59	9.59	13.49	8.34	9.36	9.31
Fund (Offer-to-Bid)	-5.58	-0.04	-1.58	4.11	4.11	11.56	7.24	8.81	9.07
Benchmark*	-0.08	4.10	4.32	8.27	8.27	10.23	4.84	7.28	6.05

Source: Schroders, Morningstar, as at 31 Dec 2014. Please note that past performance is not indicative of future returns. Performance above reflects that of the Fund's SGD Share Class.

^ Since inception returns are measured from 31st May 1991; fund was inception on 8th May 1991.

* On 01/03/2013 the benchmark changed from MSCI AC Far East ex Japan (GDR) to MSCI AC Far East ex Japan (NDR). The full track record of the previous index has been kept and chain linked to the new one.

Market Commentary^

Asian equities were broadly unchanged in December as investor sentiment was muted on the back of slowing global growth concerns. Most Asian markets saw equity outflows amid a broad strengthening of the US dollar, with the continued slide in oil prices exacerbating declines in the energy-heavy Malaysian and Thailand index.

In contrast, the Chinese market continued its strong momentum on hopes of further monetary easing to support the slowing economy. The Hong Kong market however was dragged down by sharp falls in Macau gaming stocks, as the sector continued to come under pressure on concerns over slowing gaming revenue amid the ongoing anti-corruption drive by the Chinese authorities.

Performance Commentary

The portfolio was down -0.61% in December, compared to the benchmark which returned -0.08% over the period. Portfolio returns lagged the benchmark due mainly to the underweight exposure to Chinese banks, which extended their broad-based rally on hopes of further rate cuts and reduction in the Reserve Requirement Ratio (RRR) in 2015. In Hong Kong, conglomerate *Jardine Strategic* pared gains as the share price was weighed down by weakness in the Indonesian Rupiah on concerns over lower earnings contribution from its subsidiary Astra International.

Amongst the top contributors, Chinese insurance stocks continued their strong momentum led by *China Pacific Insurance* and *China Taiping Insurance*, while Indian bank *HDFC Bank* outperformed on hopes of acceleration in policy reforms to drive a sustained growth recovery in the domestic economy. Positive selection in the Korean market also contributed to gains, with *Hyundai Motor* rebounding on overall undemanding valuations.

Market outlook and portfolio strategy

Going forward, we maintain our view that Asia will continue to make up the majority of growth in the global economy, albeit at a lower level than in the past given the challenged outlook for global growth. We are cognizant of some of the macro-headwinds facing parts of Asia, though amid such challenges, opportunities arise as well.

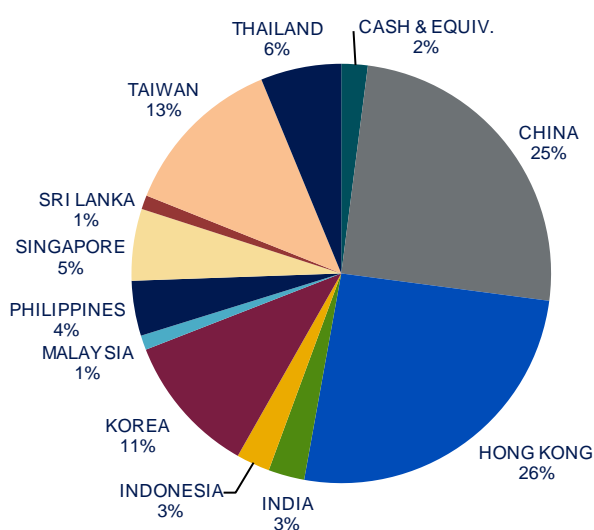
The rapid and massive decline in oil price is in general good news for Asian economies which are mostly net energy importers (with the exception of Malaysia), and will help reduce inflation pressure in months to come. More significantly for Asian markets, China's decision to cut interest rates once again puts a psychological floor to policy support that prioritizes growth. While risks in China's shadow banking system persists and the economy continues to suffer the hangover from years of credit excess and overinvestment, we do not expect

this to lead to a widespread systemic risk event. Recent measures by the Chinese government imply that the liquidity environment will be kept relatively supportive and selective policy action would be provided to steer a gradual deleveraging and adjustment away from the previous credit binge.

Against the backdrop of slowing global growth, a rising US dollar and high valuations for decent companies, we are cautious about the outlook for Asian markets in 2015. The long term structural trends of growing domestic consumption across the region remain a powerful backdrop, but we maintain a selective approach to invest only in quality companies with solid fundamentals and strong corporate governance. Our preferred areas for investment are globally competitive Asian industrial companies, select technology names, ASEAN and Indian retail banks, healthcare, as well as Hong Kong property and conglomerate names trading at attractive valuations.

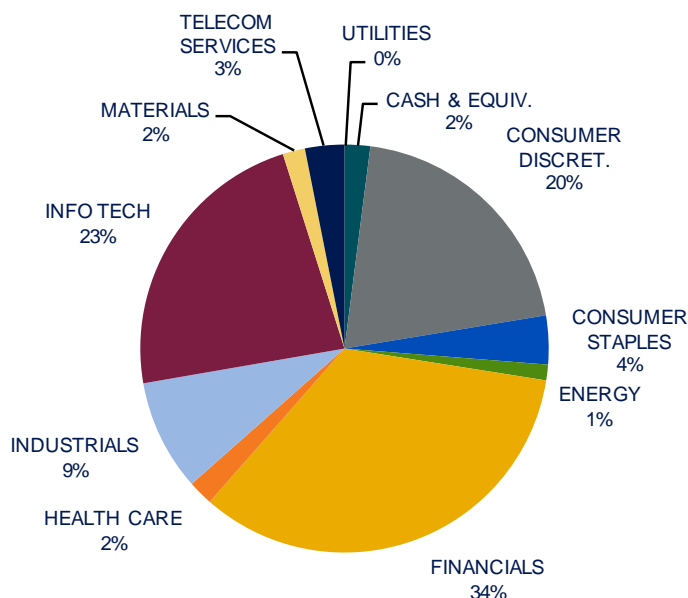
Asset Allocation

Country Breakdown of Fund*



*As at 31st Dec 2014

Sector Breakdown of Fund*



*As at 31st Dec 2014

*For illustrative purpose only. It does not represent any recommendation to invest or divest of the above mentioned countries/sectors.

This report includes some views on the specific underlying securities of the fund, but the views are not necessarily indicative of the future or likely performance of the underlying securities of the fund.

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The Fund is likely to have high volatility due to its investment policies or portfolio management techniques. The Fund may use or invest in derivatives.

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