Issued in July 2015

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)	-3.45	-1.21	4.10	4.10	7.85	12.05	9.78	8.85	9.29
Fund (Offer-to-Bid)	-8.28	-6.15	-1.10	-1.10	2.46	10.16	8.66	8.30	9.06
Benchmark*	-4.27	-0.92	7.53	7.53	12.18	11.67	7.45	7.11	6.24

Source: Schroders, Morningstar, as at 30 Jun 2015. 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 incepted 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 ended the month broadly lower as Chinese equities saw a sharp reversal after reaching a multi-year high in mid-June. Concerns over high valuations and a clamp down on margin trading weighed on investor sentiment, sending the market down 5.8% (in SGD terms) as investors rushed to unwind their leveraged positions. In a bid to stabilize the market, the government announced a slew of measures, including rate cuts and relaxation of margin financing rules, though this failed to shore up investor confidence with selling pressure intensifying to Hong Kong and US-listed shares.

Fears over China's stock market rout and a potential Greek exit fuelled a sell-off in regional equities, with most markets tracking losses amid an overall risk-off environment. Indonesia was the biggest laggard, erasing 7.4% on the back of weak economic numbers, while concerns of the MERS impacting domestic consumption led to Korea equities falling 4.4%. India rebounded from its June-low to end the month flat as better-than expected monsoons eased concerns about the RBI's ability to lower rates.

Performance Commentary

The portfolio outperformed the benchmark over the month. The correction in Chinese equities over the latter half of the month helped the portfolio retrace much of its underperformance in April, with holdings in more quality private-sector names holding up better against a broader fall in cyclical stocks and SOE names. Stock selection in China was also supported by holdings in US-listed Chinese stocks which benefitted from speculation of privatisation activity.

Across other markets, ASEAN stocks were mostly down amid sluggish economic data and corporate earnings downgrades, with Thailand domestic names Kasikornbank and Land and Houses down on concerns over a weaker economic backdrop. Hong Kong conglomerate Jardine Strategic was dragged down by a sharp fall in the share price of Indonesian subsidiary Astra International after the company reported a larger-than-expected decline in 1Q profits. Overall weak sentiment and worries over the Greek crisis also weighed on export names in Korea and Taiwan, with Hyundai Motor and technology stocks declining on concerns over a weaker global demand backdrop.

Market outlook and portfolio strategy

After many months of fairly low volatility for the regional indices, Q2 saw a marked increase in action with a sharp surge in April, followed by a retracement of all the gains in May and June. Underlying these sharp swings in sentiment has been the violent price action in the on-shore China A-share market, where the Shanghai index surged 40% from end-March to its peak in mid-June before returning to its starting point in the first week in July. The buoyant China market sentiment initially overflowed into HK and other North Asian markets, dragging most indices higher as global investors rushed to chase momentum, justified on hopes for SOE reform in China, fund flows through the HK-Shanghai Connect ahead of possible MSCI inclusion for the A-shares, and other such thematic stories. Meanwhile, the Indian and most S.E.Asian markets lagged this rally as local economic data disappointed and, in marked contrast to the confidence shown regarding China, scepticism increased over the likelihood of meaningful economic reforms from new Governments in places like Indonesia, Thailand and India.

Unfortunately as the A-share market has rolled over in recent weeks, the extreme levels of margin finance being employed and the massive participation by inexperienced retail investors has revealed the vulnerability of this essentially momentum driven market. Falling prices have triggered widespread margin calls, and created a very nasty downward spiral, especially in the smaller cap names that rose most sharply in the earlier bull market phase. With valuations starting from extreme levels for many of these smaller names, there has been little sign of any fundamental support as prices have corrected. The Chinese authorities have tried to prop up the equity market through cuts to interest rates and reserve requirements, the easing of margin finance rules and the coercion of brokers and other parties to buy the large cap indices; however, so far these actions have had little impact on the broader market which has continued to sell-off violently, which in turn has severely undermined confidence in what was earlier considered a ‘Beijing endorsed/encouraged’ bull market.

Given the vested interests in avoiding a further A-share market rout, it is likely we could see even larger direct interventions in the market or more aggressive easing of monetary policy. This would eventually trigger a bounce in the broader HK/China market, from what are quite oversold levels for many stocks. Although we remain cautious about the outlook for the PRC economy, and sceptical of most of the recent optimism around SOE reform, “one belt one road” regional infrastructure investment etc., after the recent correction almost all of the earlier hype has come out of the valuations for H-Shares, and we are looking to add selectively to preferred China names that are currently oversold.

In the rest of the region we remain comfortable with our significant exposures to HK names – both domestic blue-chips in the property and banking sectors, regional insurance and conglomerate names and also the globally competitive export names. Although the domestic HK economy is soft on the back of falling high-end Chinese tourist spending, the local property market remains fairly buoyant with an active primary residential market achieving healthy volumes and prices and also increasing evidence of a renewed upcycle in the office market - something that we have long been expecting as vacancy levels hit historical lows in the absence of any new supply. Against a tough macro backdrop for most regional economies and sectors, the conservative balance sheets and above average levels of corporate governance at many HK names that we know well is reassuring and the regional/global exposure offers options for growth.

From a bottom up perspective we continue to find very few interesting ideas in Korea or Taiwan, outside of a fairly small group of Taiwan IT names. As the Smart Phone upgrade cycle matures after the launch of the new I-Phone last year, momentum in Asian tech more generally has faded as await the ‘next big thing’, so we remain focused on those companies with stronger attention to shareholder value creation and a willingness to distribute free cash flow in the form of dividends. This inevitably leaves us less interested in most Korean names, where intra-Chaebol manoeuvring and family succession planning seems to take precedence over minorities’ interests, and more invested in Taiwan.

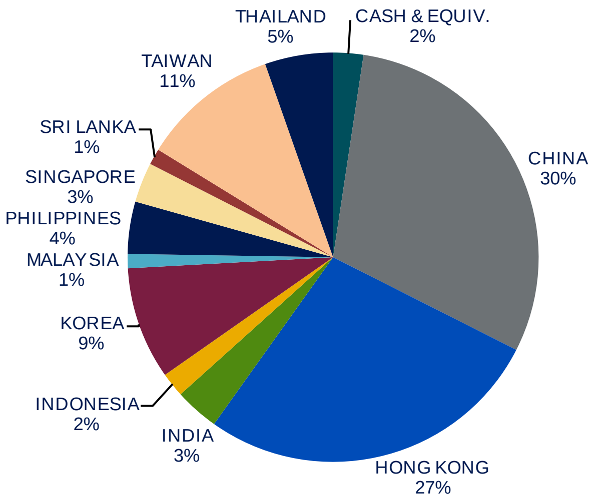
Most S.E.Asian domestic economies continue to slow as exports are moribund and local credit cycles mature after several years of above trend growth, in turn putting downward pressure on domestic consumption. Although valuations in Thailand, Indonesia and Singapore are reasonable, the earnings revision cycle is against them and we remain very selective in our exposures and wary of the risks posed to these smaller emerging markets in the face of rising US rates and lower risk appetite globally. Malaysia is also unattractive given a very negative political backdrop and rich valuations versus regional peers. The exception to this fairly gloomy S.E.Asian picture remains the Philippines, where growth and liquidity conditions are more favourable. We remain fairly positive on the outlook here, but the main issue is valuations which are stretched for our preferred names after a very strong run in the last year or more, so we have been trimming positions at the margin recently.

After its sharp underperformance in April versus the China market, India has recently regained its footing and outperformed as the rest of the region has more recently corrected. Excessive post-election hype in 2014 swung to excessive pessimism about Modi’s reform prospects in April and May this year, while the reality, inevitably, is somewhere in between. India possesses the potential for above average long term growth given its favourable demographics and low levels of credit penetration, and presents enormous scope for reform if the political will can be channelled effectively; but, in a massive country with a democracy of 1 billion+ people, this reform is painful and time consuming relative to the time-horizon of most investors. Meanwhile the economy remains in a cyclical slump as corporate spending is depressed and interest rates have been slow to adjust to the falling inflationary outlook. We remain optimistic about the longer term prospects and scope for a cyclical recovery on a 1-2 year view, and continue to look for opportunities to increase our exposure to the market when value presents itself.

.

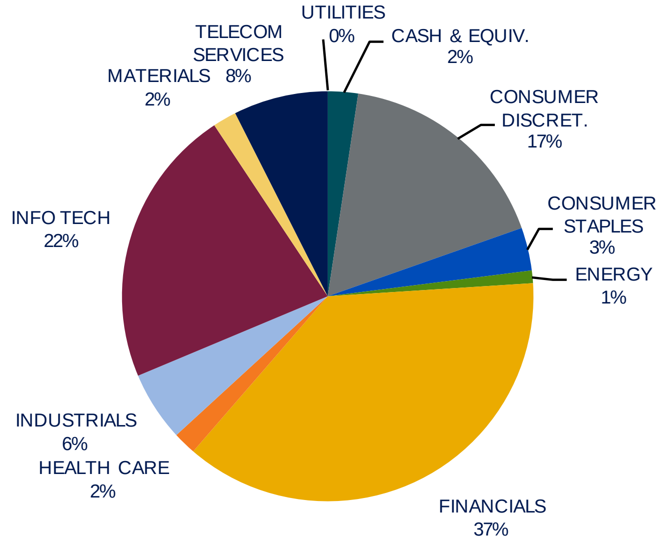
Asset Allocation

Country Breakdown of Fund*



*As at 30th Jun 2015

Sector Breakdown of Fund*



*As at 30th Jun 2015

*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.
Important Information: This is prepared by Schroders for information and general circulation only and the opinions expressed are subject to change without notice. It does not constitute an offer or solicitation to deal in units of any fund and does not have any regard to specific investment objectives, financial situation or particular needs of any specific person who may receive it. Investors may wish to seek advice from a financial adviser before purchasing units of any fund. In the event that he chooses not to seek advice from a financial adviser, he should consider carefully whether the fund in question is suitable for him. Past performance of any 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 any fund, and the income accruing to the units, if any, may fall as well as rise. Investment in units of any fund involves risks, including the possible loss of the principal amount invested. 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 Fund is likely to have high volatility due to its investment policies or portfolio management techniques. The Fund may use or invest in derivatives.

Schroder Investment Management (Singapore) Ltd
Co. Reg. No. 199201080H
65 Chulia Street
#46-00 OCBC Centre
Singapore 049513
Tel: +65 6535 3411
Fax: +65 6535 3486

Schroders