

Schroders Fund Update

Schroder Alternative Solutions Gold & Precious Metals Fund*

Fund overview:

The fund aims to give investors diversified exposure to gold and precious metals via investments in gold and precious metals futures, swaps, ETFs and precious metal related equities.

For clients wishing to have an exposure to gold, the fund can be considered as a more attractive vehicle compared to single physically backed ETFs. In addition we would regard the fund as being complementary to gold mining funds, which have significant equity market risk and a lower correlation to the gold price. Although index-unconstrained, the fund is a beta or beta plus product with the return objective of outperforming with lower volatility a benchmark comprising of 75% Gold Spot price and 25% NYSE Arca Gold Bugs Equity Index.

Performance

US\$ A Shares Net %	July 2012	YTD 2012	*2011	Since Inception* Cumulative Total Return
Schroder AS Gold & Precious Metals	1.92	-2.87	-6.12	-8.82
75% Gold Spot/25% NYSE Arca Gold Bugs Equity Index	-0.04	-2.57	-0.36	-2.93

Source: Schroders

* Inception 3 May 2011

Metals Review

July has not brought any fresh news to the gold market, which meant it continued to trade in a range bound fashion, and finished slightly up on the period. With large investors remaining on the side-lines, physical demand and retail buyers are the ultimate purchasers of gold. On the physical side; Indian demand (around 25% of total demand) is still 30% down YoY given the weak rupee, and Chinese demand (25% of total demand) appears to have slowed down. Central banks are expected to continue to buy but they only represent around 10% of total demand. Retail demand is strong with ETFs reaching new record holdings but this is not enough to take the gold price higher.

We think more clarity on policy response is necessary. The last meetings from the Fed, Bank of England and the ECB brought a lot of anticipation and promise but ultimately under delivered. The reality is that all three have already recently delivered easing measures: the Fed's \$267 billion Operation Twist, the Bank of England's £50 billion and the ECB's rate cut to a record low. Logically, they would have to wait to see if these measures work before introducing new ones. Therefore, quantitative easing expectations seem premature.

During July gold equities were down by 4%. The divergence between gold stocks and the metal has been notable during the past 15 months: gold has risen 10% while stocks have fallen 34%. We interpret this as follows:

1. Missing guidance mostly in production and costs but also on capital expenditure figures. The main reasons for operational inconsistency are:
 - a. The need for the right people and culture to be in place, along with realistic production and cost targets, which are then in turn realised. One of the main problems in achieving this is the shortage of experienced workforce.
 - b. Obsessions with production growth, which then results in overstretched operations. Until recently, both the industry itself and investors (ourselves included) have been demanding growth but we have learned from experience that it can often accompany failure to meet operational guidance.
2. Consumption of cash in costly acquisitions and poor dividend distribution policy. The average dividend yield for gold producers is between 1% and 2%, about half the average of the S&P 500.

* Schroder Alternative Solutions is referred to as Schroder AS throughout this document



Is there hope? We can identify some positive catalysts for the future:

1. Strength in the gold price. We expect gold to resume its ascent later in the year when quantitative easing becomes more evident. Under such a scenario, we believe gold equities will outperform given the low valuations and sentiment.
2. On the subject of dividends, investors have realised that production growth at any cost is not the answer. Instead, there is now a desire for free cash flows to be distributed in the form of higher dividends, and consequently compel management to be more disciplined with cash balances. To give an idea, the pay-out ratio for gold equities is currently 10% as opposed to 20% for the S&P.
3. Recently we have seen changes made to the senior management positions of many large companies, which is increasing pressure on management to deliver.

We continue to identify the rare cases of companies that provide some growth with decent operational consistency, along with those companies with no operational risks such as royalties companies. No changes have been made to the portfolio during the month.

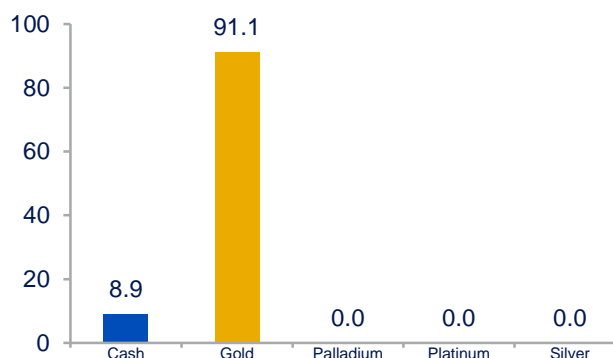
Asset Allocation as at 31 July 2012

Holdings as at 31 July 2012

Futures	29.8
Equities	24.0
ETFs	37.3
Cash	8.9

Source: Schroders

Sector Allocation as at 31 July 2012 %



Risk Warnings:

Indirect investment in commodities may cause the fund to face market risk from the value of the underlying asset together with geopolitical, supply, currency exchange rate and interest rate risks. Important Information: Schroder Alternative Solutions (the "Company") may not be sold in the United States nor to Citizens or residents of the United States.

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