

# Schroder **BRIC Fund**

An opportunity to profit from the world's future powerhouses



# Schroders

Emerging markets are one of the world's most exciting investment opportunities. In these markets, economies are growing at astounding rates, while businesses are developing rapidly. Indeed, these markets represent the world's future growth engine.

And amongst these markets, there is a group of emerging giants - **Brazil, Russia, India** and **China**, or **BRIC** – that stand out, because of their impressive growth rates and their ability to impact the global economy most in the next 50 years.

Representing more than 40% of the world's population, the BRIC economies' influence on the global economy is set to grow thanks to a pro-business political climate, economic liberalisation, opening capital markets and an improving legal framework. And by 2040, it is estimated that the four BRIC economies will be larger than those of the G6 countries.

Looking to tap into the potential of these four future powerhouses? The **Schroder BRIC Fund** now presents investors with the exciting opportunity to tap into this massive potential.

## Tap into BRIC's Massive Potential

Five reasons why you should invest in the BRIC markets

### 1. High Growth Potential

While the BRIC economies have enjoyed massive growth rates in recent years, they are all still in the early stages of their development, hence there is still potential for explosive economic growth. In fact, the BRIC economies could potentially account for more than 70% of global growth by 2040. This trend of strong economic growth, if eventually realised, could translate into positive stock market performance.

Projected Real GDP Growth of BRIC economies vs G7<sup>1</sup>  
2005 – 2040

Average %, year-on-year	BRIC				G7 Countries		
	Brazil	Russia	India	China	Japan	UK	US
2005-2010	4.0	4.5	6.2	7.6	1.2	2.1	2.8
2010-2020	7.7	6.3	11.2	11.0	2.4	4.1	4.3
2020-2030	7.5	5.8	11.1	8.5	2.2	3.0	4.7
2030-2040	7.7	4.8	11.5	7.6	0.8	3.8	5.4

## 2. Vast Human Capital and Natural Resources

The building blocks of increased productivity and growth are present in BRIC economies, in the form of abundant human and natural resources, which few other regions in the world enjoy.

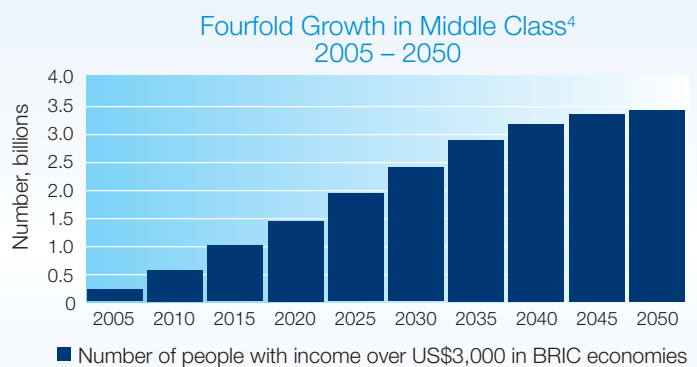
BRIC economies currently account for more than 40% of the world's population, which, when coupled with a cheap but well-educated labour force, makes BRIC countries a preferred choice of the world's production factories, even for goods higher up the value added chain.

The BRIC economies are also significant producers of natural commodities, comprising, for example, 9% of the world's oil reserves, 41% of the world's coal reserves, 55% of the world's iron production and 35% of the world's wheat production<sup>2</sup>.



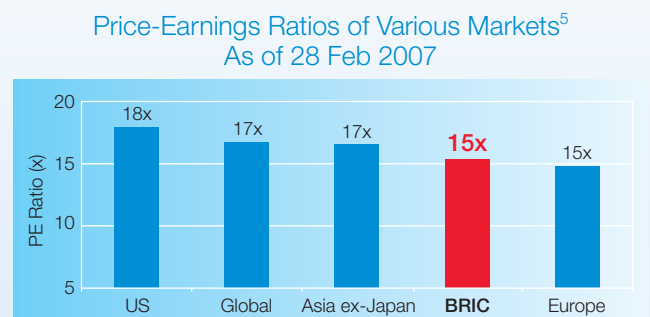
## 3. Rise in the Middle Class

The emerging 'middle class' in BRIC economies is expected to grow fourfold by 2050<sup>4</sup>. Their potential strong buying power represents an important driver of domestic consumption growth and another propeller of BRIC economies' long-term economic growth.



## 4. Attractive Valuations

Yet, given their strong growth prospects, BRIC equities are trading at attractive valuations relative to other markets, with a Price-Earnings Ratio of 15 times as at Feb 2007.



## 5. Portfolio Diversification Benefits

Given the low correlation amongst the BRIC countries, investors in BRIC economies enjoy excellent diversification benefits when investing between the four countries. The correlation between BRIC and global emerging markets equities also suggest potential risk/return enhancing opportunities for investors with global emerging markets funds.

Correlation between BRIC economies<sup>6</sup>  
As of 31 Dec 2006

Correlation Coefficients	Brazil	Russia	India	China
Brazil		0.57	0.39	0.47
Russia	0.57		0.20	0.33
India	0.39	0.20		0.27
China	0.47	0.33	0.27	

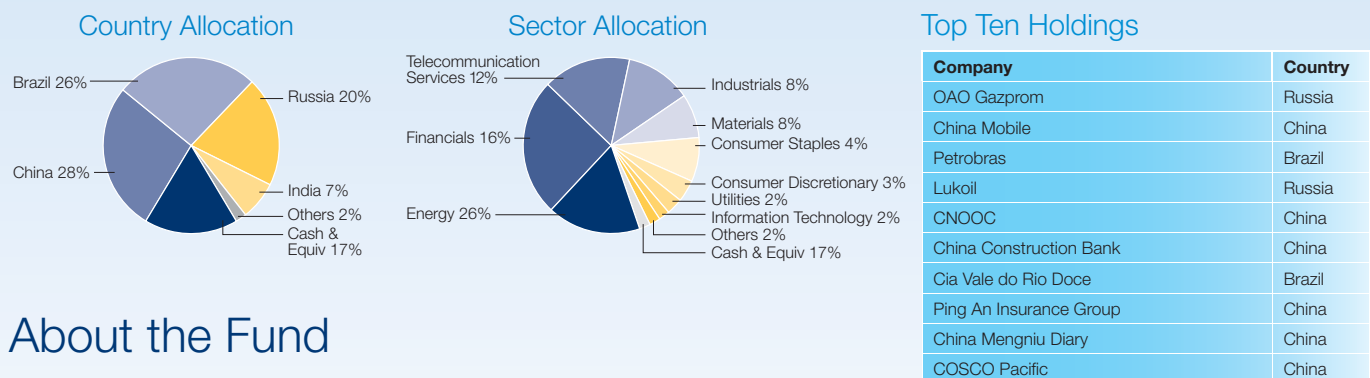
# Schroders for Emerging Markets

With an experienced team of 30 investment professionals with an average of 13 years' experience managing more than S\$14 billion in emerging markets equities<sup>7</sup>, we have one of the largest and best-resourced teams for emerging markets, backed by Schroders' local presence in many of these markets and our in-house capabilities as a global asset manager.

We have the resources to follow companies that may be rarely covered by other analysts. It is this breadth of coverage, coupled with the local nature of our research, that provides us the means to generate unique stock investment ideas.

## Where the Fund is Invested

Schroder ISF BRIC as of 28 Feb 2007



## About the Fund

### Investment Objective

The Schroder BRIC Fund will invest substantially into the Schroder ISF BRIC (Brazil, Russia, India, China), whose investment objective is to provide capital growth primarily through investment in equity securities of Brazilian, Russian, Indian and Chinese companies.

### Fund Details

Inception Date	17 February 2006
Currency	SGD
Minimum Initial Investment	S\$1,000 (Cash / CPFIS OA / SRS)
Sales Charge	5%
Management Fee	1.5% p.a. (Underlying Fund level) / Nil (Fund level)
Trustee Fee	0.075% p.a.
Performance Fee	Nil
Dealing Frequency	Daily

### Notes

1. Source: Goldman Sachs, as of Dec 2005
2. Source: BP Statistical Review of World Energy Jun 2004, International Iron and Steel Institute May 2005, US Dept of Agriculture Jun 2005, Geohive.com. Data for oil and coal as at Dec 2004, data for iron is based on 40 countries analysed which accounted for 99% of world production in 2004, data for wheat as at Dec 2003.
3. Source: EIU, as of Dec 2006
4. Source: Goldman Sachs, as of Oct 2003
5. Source: Datastream, as of 28 Feb 2007. MSCI indices were used to represent each market.
6. Source: Bloomberg, as of 31 Dec 2006
7. As of 31 Dec 2006

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The Central Provident Fund Board currently pays a legislated minimum annual interest rate of 2.5% on the Ordinary Account and a guaranteed minimum annual rate of 4% on the Special Account. The CPF interest rate is based on the 12-month fixed deposit and month-end savings rates of the major local banks and is revised quarterly. The interest is computed monthly, and is credited and compounded annually.