

# Schroder BRIC Fund

## Semi-Annual Report & Financial Statements

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June 2008



**Schroders**

## **SCHRODER BRIC FUND**

**(a sub-fund of Schroder International Opportunities Portfolio)**

Constituted under a Trust Deed in the Republic of Singapore on 3 January 2006

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### **Commentary**

The Schroder BRIC Fund returned -17.1% for the six months up to 30 Jun 2008, compared to its benchmark (a customised benchmark based on the relative weights of Brazil, Russia, India and China in the MSCI Emerging Markets Index) which returned -18.8% over the same period\*.

The key reason for investing in the BRIC markets (Brazil, Russia, India and China) is their excellent long-term growth potential. These economies are generally growing more rapidly than those in the developed world while their financial position has improved considerably in recent years. Their advantages include a large share of the world's natural resources such as oil, coal, gas and iron ore as well as agricultural goods such as wheat. This puts them in a strong position to supply the developed world, where many of these resources are becoming increasingly scarce, as well as the strongly growing emerging economies.

The BRIC markets also have large reserves of labour, while wage levels are relatively low, giving these economies a significant competitive advantage. Furthermore, the size of the middle class in these countries is growing rapidly, fuelling strong consumer spending growth. Our highly detailed 'on the ground' research in these countries and the depth of our investment resources enables us to access the best investment opportunities in these markets.

\*Source: Morningstar, S\$, bid to bid, net dividends reinvested.

June 2008

## STATEMENT OF TOTAL RETURN

For the financial period ended 30 June 2008 (Unaudited)

	Notes	30 Jun 2008	30 Jun 2007
		\$	\$
<b>Income</b>			
Interest on deposits with banks	10	2,072	8,357
<b>Less : Expenses</b>			
Registration fees		11,443	7,388
Trustee fees	10	110,486	72,683
Valuation fees	10	54,042	35,164
Audit fees		5,389	4,246
Others		15,588	25,259
		<b>196,948</b>	144,740
<b>Net loss</b>		<b>(194,876)</b>	(136,383)
<b>Net (loss)/gain on investments</b>			
Net realised gain on investments		1,356,103	27,221,794
Net change in fair value of investments		(82,709,344)	6,439,546
Net change in fair value of financial derivatives	5	(1,393)	-
Net foreign exchange loss		(64,969)	(71,777)
<b>Net (loss)/gain on investments</b>		<b>(81,419,603)</b>	33,589,563
<b>Total (deficit)/return for the period</b>		<b>(81,614,479)</b>	33,453,180

# BALANCE SHEET

As at 30 June 2008 (Unaudited)

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	Notes	30 Jun 2008	31 Dec 2007
		\$	\$
<b>ASSETS</b>			
Portfolio of investments		<b>430,524,522</b>	438,560,688
Bank balances	10	<b>2,049,808</b>	7,033,718
Receivables	4	<b>15,600,701</b>	16,140,224
Financial derivatives	5	-	4,665
<b>Total assets</b>		<b>448,175,031</b>	<u>461,739,295</u>
<b>LIABILITIES</b>			
Purchases awaiting settlement		<b>2,652,507</b>	5,251,424
Other payables	6	<b>7,728,549</b>	9,984,017
Financial derivatives	5	<b>1,393</b>	-
Net assets attributable to unitholders	7	<b>437,792,582</b>	446,503,854
<b>Total liabilities</b>		<b>448,175,031</b>	<u>461,739,295</u>

# PORTFOLIO STATEMENT

As at 30 June 2008 (Unaudited)

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## Primary - by Geography

	Holdings at 30 Jun 2008	Fair value at 30 Jun 2008 \$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %
<b>Quoted</b>			
<b>COLLECTIVE INVESTMENT SCHEME</b>			
<b>Luxembourg</b> (country of domicile) Schroder International Selection Fund - BRIC (Brazil, Russia, India, China) Class A Shares (Accumulation units)	<b>1,393,215</b>	<b>430,524,522</b>	<b>98.34</b>
<b>Portfolio of investments</b>		<b>430,524,522</b>	<b>98.34</b>
<b>Other net assets</b>		<b>7,268,060</b>	<b>1.66</b>
<b>Net assets attributable to unitholders</b>		<b>437,792,582</b>	<b>100.00</b>

# PORTFOLIO STATEMENT

As at 30 June 2008 (Unaudited)

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## Primary - by Geography (continued)

### Summary

	<b>Percentage of total net assets attributable to unitholders at 30 Jun 2008 %</b>	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
<b>Quoted</b>		
Luxembourg	<b>98.34</b>	98.22
<b>Portfolio of investments</b>	<b>98.34</b>	98.22
<b>Other net assets</b>	<b>1.66</b>	1.78
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	100.00

As the Fund invests wholly into an underlying collective investment scheme, it is not meaningful to show any secondary segmentation analysis.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial period ended 30 June 2008 (Unaudited)

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These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. General

Schroder BRIC Fund (“the Fund”) is a sub-fund of Schroder International Opportunities Portfolio, a Singapore umbrella fund constituted by a Trust Deed dated 3 January 2006 between Schroder Investment Management (Singapore) Ltd and HSBC Institutional Trust Services (Singapore) Limited. The Trust Deed and all supplemental deeds are governed in accordance with the laws of the Republic of Singapore.

The Fund, which was launched on 9 January 2006, invests substantially into the Schroder International Selection Fund - BRIC (Brazil, Russia, India, China) (“the underlying fund”), whose investment objective is to provide capital growth primarily through investment in equity securities of Brazilian, Russian, Indian and Chinese companies and companies that have a significant exposure to these 4 countries.

## 2. Significant accounting policies

### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“RAP 7”) issued by the Institute of Certified Public Accountants of Singapore.

The Fund has adopted Financial Reporting Standard 107 (“FRS 107”) Financial Instruments: Disclosures and Amendment to Financial Reporting Standard 1 (“FRS 1”) Presentation of Financial Statements - Capital Disclosures on 1 January 2008. The Fund has assessed the impact of FRS 107 and the amendments to FRS 1 and concluded that the main additional disclosures will be the credit risk disclosures and sensitivity analysis to market risk required by FRS 107, as well as the capital disclosures required by the amendment to FRS 1. The Fund will be presenting these disclosures as at 31 December 2008.

The financial statements are prepared in Singapore dollars, which is the functional currency of the Fund.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial period ended 30 June 2008 (Unaudited)

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### 2. Significant accounting policies (continued)

(b) Recognition of income

Interest income on deposits is recognised on a time proportion basis using the effective interest method.

(c) Investments

Investments are classified as financial assets held at fair value through profit or loss. Purchase of investments are recognised on trade date. Investments are recorded at fair value on initial recognition, and subsequently carried at fair value. Fair value is based on the quoted net asset value of the underlying fund as at that date. Net changes in fair value of investments are included in the Statement of Total Return in the period in which they arise.

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are taken up in the Statement of Total Return.

(d) Foreign currency translation

Foreign currency transactions during the period are translated into Singapore dollars at the rates of exchange ruling on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of foreign currency monetary assets and liabilities, are taken to the Statement of Total Return.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial period ended 30 June 2008 (Unaudited)

### 2. Significant accounting policies (continued)

#### (e) Derivative financial instruments

Derivatives are recognised at fair value on the date in which a derivative contract is entered into and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. A derivative is carried as an asset when its fair value is positive, and as a liability when its fair value is negative. Subsequent changes in the fair value of any derivative instrument are recognised immediately in the Statement of Total Return.

Realised and unrealised gains and losses from changes in fair values of financial derivatives held for protection or enhancement of investments are taken to the Statement of Total Return as gains or losses on investments. Such gains or losses on financial derivatives held for generating or protecting income are taken to the Statement of Total Return as income gains or losses.

### 3. Income tax

The Fund is a designated unit trust and is approved under the CPF Investment Scheme and, therefore, the following income is exempted from tax in accordance with section 35(12) of the Income Tax Act:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act); and
- (c) dividends derived from outside Singapore and received in Singapore.

### 4. Receivables

	<b>30 Jun 2008</b>	31 Dec 2007
	\$	\$
Amount receivable for creation of units	<b>15,597,583</b>	16,135,151
Due from Manager	<b>3,118</b>	5,073
	<b>15,600,701</b>	16,140,224

## NOTES TO THE FINANCIAL STATEMENTS

For the financial period ended 30 June 2008 (Unaudited)

### 5. Financial derivatives

Financial derivative contracts comprise spot foreign exchange contracts. The contracted or underlying principal amounts of these financial derivatives and their corresponding gross fair values at the balance sheet date are analysed below.

	Notional amount \$	Fair value assets \$	Fair value liabilities \$
<u>30 Jun 2008</u>			
Foreign exchange contracts:			
Spot	<b>1,354,644</b>	-	<b>(1,393)</b>
<hr/>			
<u>31 Dec 2007</u>			
Foreign exchange contracts:			
Spot	3,458,048	4,665	-
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The spot foreign exchange contract's maturity date is 1 July 2008 (2007: 2 January 2008 and 4 January 2008).

### 6. Other payables

	<b>30 Jun 2008</b> \$	31 Dec 2007 \$
Amount payable for cancellation of units	<b>7,693,572</b>	9,943,311
Accrued expenses	<b>34,977</b>	40,706
	<hr/> <b>7,728,549</b>	<hr/> 9,984,017

## NOTES TO THE FINANCIAL STATEMENTS

For the financial period ended 30 June 2008 (Unaudited)

### 7. Net assets attributable to unitholders

	<b>30 Jun 2008</b>	31 Dec 2007
	\$	\$
<b>At the beginning of the financial period/year</b>	<b>446,503,854</b>	341,694,035
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>(81,614,479)</b>	98,949,823
<b>Unitholders' contributions/ (withdrawals)</b>		
Creation of units	<b>346,711,099</b>	519,196,772
Cancellation of units	<b>(273,807,892)</b>	(513,336,776)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>72,903,207</b>	5,859,996
Total (decrease)/increase in net assets attributable to unitholders	<b>(8,711,272)</b>	104,809,819
<b>At the end of the financial period/year</b>	<b>437,792,582</b>	446,503,854
<b>Units in issue (note 8)</b>	<b>295,832,515</b>	250,073,682
	\$	\$
<b>Net assets attributable to unitholders per unit</b>	<b>1.48</b>	1.79

## NOTES TO THE FINANCIAL STATEMENTS

For the financial period ended 30 June 2008 (Unaudited)

### 8. Units in issue

	<b>30 Jun 2008</b>	31 Dec 2007
	<b>Units</b>	Units
At 1 January	<b>250,073,682</b>	276,658,107
Created	<b>219,383,863</b>	319,685,276
Cancelled	<b>(173,625,030)</b>	(346,269,701)
At 30 June/31 December	<b>295,832,515</b>	250,073,682

### 9. Financial risk management

The Manager continually monitors the Fund's exposure to risk and appropriate procedures are in place to manage the risks.

#### Market risk

Market risk is the risk of potential adverse changes to the value of financial instruments because of changes in market conditions like interest and currency rate movements and volatility in commodity or security prices. The Manager manages the Fund's exposure to market risk through the use of risk management strategies that evaluate the effect of cash instruments and/or derivative contracts.

#### Liquidity risk

The Fund's liquidity risk arises mainly from redemptions of units. It may seek to invest its assets in investments that are traded in an active market and therefore easily realisable, and/or in investments where the issuer stands ready to unwind.

The Fund has the ability to borrow in the short term for the purposes of meeting redemptions and short term bridging requirements.

To ensure continuity of funding, dedicated personnel are responsible for ensuring that sufficient cash resources and liquid assets are available to meet liabilities as and when they fall due.

The Manager may from time to time employ derivatives to implement a portfolio strategy to reduce liquidity risk for the purpose of efficient portfolio management.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial period ended 30 June 2008 (Unaudited)

### 9. Financial risk management (continued)

#### Foreign currency risk

The Fund may hold assets and liabilities denominated in currencies other than Singapore dollars. Consequently, the Fund may be exposed to currency risk since the value of these assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Manager may manage the currency risks by hedging through forward currency contracts, currency futures, currency swap agreements or currency options.

The table below summarises the Fund's exposure to currency risk, denominated in the following currencies:

	As at 30 June 2008		
	SGD	USD	Total
	\$	\$	\$
<b>Assets</b>			
Portfolio of investments	-	430,524,522	430,524,522
Bank balances	2,049,808	-	2,049,808
Receivables	15,600,701	-	15,600,701
<b>Total assets</b>	<b>17,650,509</b>	<b>430,524,522</b>	<b>448,175,031</b>
<b>Liabilities</b>			
Purchases awaiting settlement	-	2,652,507	2,652,507
Other payables	7,728,549	-	7,728,549
Financial derivatives	-	1,393	1,393
Net assets attributable to unitholders	437,792,582	-	437,792,582
<b>Total liabilities</b>	<b>445,521,131</b>	<b>2,653,900</b>	<b>448,175,031</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial period ended 30 June 2008 (Unaudited)

### 9. Financial risk management (continued)

#### Foreign currency risk (continued)

	As at 31 December 2007		
	SGD	USD	Total
	\$	\$	\$
<b>Assets</b>			
Portfolio of investments	-	438,560,688	438,560,688
Bank balances	7,033,718	-	7,033,718
Receivables	16,140,224	-	16,140,224
Financial derivatives	-	4,665	4,665
<b>Total assets</b>	<b>23,173,942</b>	<b>438,565,353</b>	<b>461,739,295</b>

#### **Liabilities**

Purchases awaiting settlement	-	5,251,424	5,251,424
Other payables	9,984,017	-	9,984,017
Net assets attributable to unitholders	446,503,854	-	446,503,854
<b>Total liabilities</b>	<b>456,487,871</b>	<b>5,251,424</b>	<b>461,739,295</b>

#### Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, including transactions with counterparties such as issuers, brokers, custodians and banks.

Impairment provisions are made for losses that have been incurred by the balance sheet date, if any. The Manager has in place procedures for proper credit screening and monitoring of credit risk.

#### Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial period ended 30 June 2008 (Unaudited)

### 10. Related party disclosure

The Manager of the Fund is Schroder Investment Management (Singapore) Ltd. The Trustee is HSBC Institutional Trust Services (Singapore) Limited, a subsidiary of the HSBC Group. The management fees payable by the Fund to the Manager is currently waived by the Manager. The trustee fees and valuation fees charged by, and interest earned on deposits with, the HSBC Group are shown in the Statement of Total Return.

As at 30 June 2008, the Fund maintained with the HSBC Group, the following bank balances:

	<b>30 Jun 2008</b>	31 Dec 2007
	\$	\$
Current accounts	<b>2,049,808</b>	7,033,718

### 11. Financial ratios

	<b>30 Jun 2008</b>	30 Jun 2007
Expense ratio <sup>1</sup> (excluding underlying fund's unaudited expense ratio)	<b>0.10%</b>	0.10%
Expense ratio <sup>2</sup> (including underlying fund's unaudited expense ratio)	<b>2.07%</b>	2.08%
Turnover ratio <sup>3</sup>	<b>1.79%</b>	2.22%

<sup>1</sup> The expense ratio is computed in accordance with the revised IMAS guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio. The Fund does not pay performance fees.

<sup>2</sup> The expense ratio is the sum of the feeder fund's expense ratio and the underlying fund's unaudited expense ratio. The unaudited expense ratio of the underlying fund, a Luxembourg registered fund, is provided by the Administrator of the underlying fund, Schroder Investment Management (Luxembourg) S.A. There is no requirement for the expense ratio of this Luxembourg registered fund to be published or audited.

<sup>3</sup> The turnover ratio is calculated in accordance with the formulae stated in the "Code on Collective Investment Schemes".

# REPORT TO UNITHOLDERS

30 June 2008

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The following is a report on the Schroder BRIC Fund ("the Fund"):

1. For the composition of investments of the Fund as at 30 June 2008, refer to the Portfolio Statement on pages 4 and 5.
2. The Fund did not have any exposure to derivatives as at 30 June 2008.
3. The Fund was not invested in other unit trusts, mutual funds or collective investment schemes as at 30 June 2008 other than as stated in the Portfolio Statement on pages 4 and 5.
4. The Fund did not have any borrowings as at 30 June 2008.
5. The amount of subscriptions and redemptions during the period 1 January 2008 to 30 June 2008 were as follows:

	<b>\$</b>
Subscriptions	346,711,099
Redemptions	273,807,892

6. The only security holding of the Fund as at 30 June 2008:

	<b>Fair Value \$</b>	<b>% of Total Net Assets Attributable to Unitholders</b>
Schroder International Selection Fund - BRIC (Brazil, Russia, India, China) Class A Shares (Accumulation units)	430,524,522	98.34

# REPORT TO UNITHOLDERS

30 June 2008

The only security holding of the Fund as at 30 June 2007:

	<b>Fair Value \$</b>	<b>% of Total Net Assets Attributable to Unitholders</b>
Schroder International Selection Fund - BRIC (Brazil, Russia, India, China) Class A Shares (Accumulation units)	241,003,847	98.41

7. The Fund invests substantially into the Schroder International Selection Fund BRIC (Brazil, Russia, India, China) ("underlying fund"). The underlying fund is a sub-fund within the Schroder International Selection Fund ("Schroder ISF"), an open-ended investment company in Luxembourg. At a general meeting of shareholders of the Schroder ISF in Luxembourg on 26 April 2005, the Schroder ISF was converted from a fund under the UCITS I regime into a fund under the UCITS III regime. Briefly, UCITS III permits a fund to invest in a wider range of asset classes and also requires its investment manager to implement proper risk management procedures and control. Presently, notwithstanding the said conversion, there is no significant change to the underlying fund and its investment objective, policy and/or restrictions remain unaffected.

8. Turnover of Portfolio

1 January 2008 to 30 June 2008	1.79%
1 January 2007 to 30 June 2007	2.22%

9. Soft Dollar arrangements and other fees received:

Softing arrangements have been undertaken in respect of the Schroder International Selection Fund - BRIC (Brazil, Russia, India, China) ("underlying fund").

Softing services relate essentially to research and price information, performance measurement, portfolio valuations and market analyses, all of which are believed to be helpful in the overall discharge of Schroders' duties to clients. As such services generally benefit all of Schroders' clients in terms of input into the investment decision making process, the soft credits utilised are not allocated on a specific client basis. Schroders further confirms that trades were executed on the best available terms and there was no churning of trades.

## REPORT TO UNITHOLDERS

30 June 2008

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### 10. Expense Ratio (including underlying fund)

1 July 2007 to 30 June 2008	2.07%
1 July 2006 to 30 June 2007	2.08%

The expense ratio does not include brokerage and other transaction costs, interest expense, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received.

### 11. Related Party Transactions

<b>Party</b>	<b>Services Rendered</b>	<b>Terms</b>
Schroder Investment Management Limited	As Investment Manager of Schroder International Selection Fund (SISF) - BRIC (Brazil, Russia, India, China)	1.50% per annum of the NAV of the SISF - BRIC (Brazil, Russia, India, China)

### 12. Performance of Fund for periods ended 30 June 2008

	<b>3 mths</b>	<b>6 mths</b>	<b>1 yr</b>	<b>Since Inception**</b>
Fund	2.6%	-17.1%	4.2%	18.0%
Benchmark**	1.8%	-18.8%	3.5%	16.3%

\* Returns of more than 1 year are annualised

# Since inception figures from 17 February 2006

\*\* Benchmark: a customised benchmark based on the relative weights of Brazil, Russia, India and China in the MSCI Emerging Markets Index

Source: Morningstar, S\$, bid to bid, net dividends reinvested.

## REPORT TO UNITHOLDERS

30 June 2008

13. The Fund invests more than 30% of its assets in Schroder International Selection Fund - BRIC (Brazil, Russia, India, China) Class A Shares (Accumulation units). The following are the key information on the underlying fund:

i. Top 10 holdings as at 30 June 2008:

	<b>Market Value US\$</b>	<b>% of Total Net Assets</b>
OAO Gazprom	269,108,810	8.58
Petrobras SA	267,854,223	8.54
China Mobile (Hong Kong) Ltd	166,232,715	5.30
MSCI Daily TR Net Brazil Warrant	143,963,804	4.59
Cia Vale do Rio Doce	116,049,254	3.70
Industrial & Commercial Bank of China	107,894,441	3.44
MSCI Daily TR Net Emerging Markets		
China Warrant	98,485,042	3.14
Lukoil	90,957,523	2.90
CNOOC Ltd	90,957,523	2.90
MSCI Daily TR Net Emerging Markets		
Russia Warrant	88,448,350	2.82

Top 10 holdings as at 30 June 2007:

	<b>Market Value US\$</b>	<b>% of Total Net Assets</b>
OAO Gazprom	97,611,031	5.70
CNOOC Ltd	87,678,680	5.12
Petrobras SA	82,712,505	4.83
China Mobile (Hong Kong) Ltd	81,342,526	4.75
China Construction Bank	72,437,660	4.23
Lukoil	70,211,443	4.10
Cia Vale do Rio Doce	54,456,680	3.18
MSCI Daily TR Net Emerging Markets		
Russia Warrant	53,257,948	3.11
Sberbank	52,915,454	3.09
Ping An Insurance Group Co of China Ltd	52,915,454	3.09

# REPORT TO UNITHOLDERS

30 June 2008

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ii. Expense Ratio

1 July 2007 to 30 June 2008	2.01%
1 July 2006 to 30 June 2007	2.00%

The expense ratio does not include brokerage and other transaction costs, interest expense, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received.

iii. Turnover of Portfolio

1 July 2007 to 30 June 2008	83.42%
1 July 2006 to 30 June 2007	86.44%

*Manager*  
Schroder Investment  
Management (Singapore) Ltd  
65 Chulia Street #46-00  
OCBC Centre  
Singapore 049513  
Reg. No. 199201080H

*Trustee*  
HSBC Institutional Trust Services  
(Singapore) Limited  
21 Collyer Quay #14-01  
HSBC Building  
Singapore 049320

*Auditors*  
PricewaterhouseCoopers  
8 Cross Street #17-00  
PWC Building  
Singapore 048424

*Solicitors to the Manager*  
Chan & Goh  
3 Philip Street  
#15-03 Commerce Point  
Singapore 048693

*Solicitors to the Trustee*  
Allen & Gledhill  
One Marina Boulevard  
#28-00  
Singapore 018989