

Schroder Global Emerging Market Equity Product Overview

Strategy overview

Schroders Emerging Market Equity strategy provides exposure to a range of developing countries around the world. These countries are generally characterized by a stronger growth potential than mature economies which leads to the opportunity for premium returns but often with higher risk attached. The investable universe is commonly defined by the MSCI Emerging Markets Index, which covers 22 countries and over 700 stocks.

Firm highlights

- Schroders manages over \$186.5 billion in assets worldwide
 - Asset management is our sole business
 - Over 330 portfolio managers and analysts globally
 - Dedicated to proprietary research – fundamental and quantitative
 - Truly global reach: 33 offices in 26 countries
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Team highlights

- Team manages about \$16 billion in emerging market equities globally
 - Dedicated team of 32 investment professionals, average 14 years investment experience
 - Stock analysts based in regional offices around the world
 - Centralized asset allocation function – London-based team
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Key features

- Targets 50% added value added from country and 50% from stock decisions
- Proprietary quantitative country model drives country decisions and detailed fundamental research drives stock selection
- Rigorous active risk management including alpha-adjusted tracking error and stop-loss rule*

*This is not a guaranteed stop-loss and may be temporarily suspended during periods of market volatility.

Investment objective

MSCI Emerging Markets Index (Net TR) + 3.5% per annum (gross of fees) over 3-year rolling periods.

Investment philosophy

We believe that **emerging stock markets are inefficient** and provide strong potential for adding value through active fund management. This value can be extracted through both country and stock selection. We believe that it is **inappropriate to apply a systematic style bias** across so many countries at such different stages of development. However, given our strong analytical resources we would expect to generally have a **bias towards medium capitalisation stocks** which should provide extra return potential. We believe that as fund managers we should manage both return and risk. Our aim is to achieve returns with the minimum level of risk through a **pro-active approach to risk control**. We believe that applying **a systematic, disciplined approach**, with a **strong team culture** increases our ability to add value.

Team data and statistics as of June 30, 2009.

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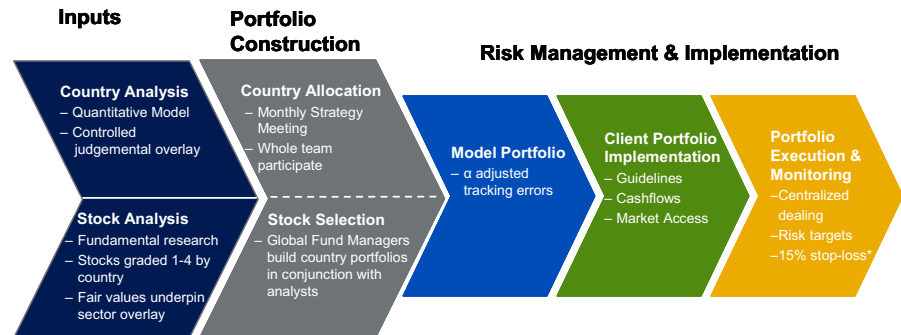


Schroders

Investment process – overview

Our investment process begins with the gathering and analysis of information on both countries and stocks. That information is then used to decide allocations for the portfolio. Country allocation is driven by a quantitative model, to which the team applies judgmental overlay in a controlled manner, while fundamental research forms the basis of the stock selection process. We have the resources to follow nearly all companies within our universe. It is this breadth of coverage, coupled with the local nature of our research that provides the means of generating unique investment ideas at the stock level.

Our investment process is summarised in the following diagram:



* This is not a guaranteed stop-loss and during periods of market volatility may be temporarily suspended.
Source: Schroders

Investment process – country analysis

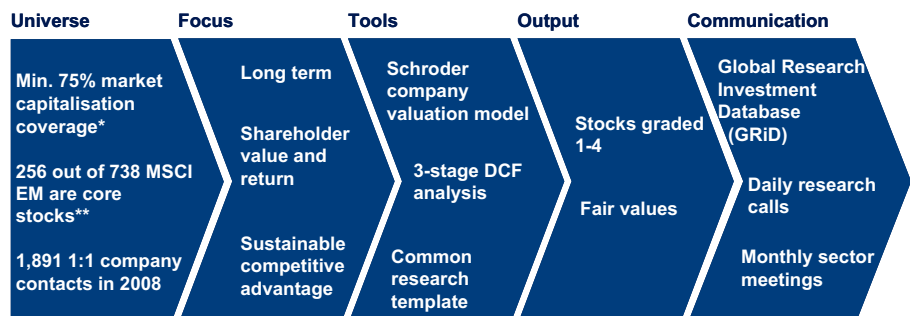
Decision-making at the level of country allocation is driven by a proprietary quantitative model which processes relevant information on the countries in our universe. This model uses five groups of factors, which are scored to produce a ranking of the countries in the global emerging market universe on a monthly basis. The data inputs to the model are independent of Schroders' views as they are sourced from third parties. The factors and their relative weights in the model are as shown:

Valuation 38%		Growth 25%		Currency / Risk 18%		Momentum 13%		Interest rates 6%	
Price/book	9%	Earning growth	6%	Real exchange rate	5%	Price momentum 36m	9%	Real interest rate	6%
P/E trailing	10%	GDP growth revisions	6%	Current account/GDP	8%	Consensus			
P/E forecast	10%	Earnings revisions	9%	Dividend cover	5%	Weighting deviation	4%		
Real earning yield gap	9%	ROE	4%						

Source: Schroders

Investment process – stock analysis

The stock selection process is driven by fundamental research conducted by our 23 in-house analysts, based across the world and thus in direct contact with the companies and markets which they are analysing.



Source: Schroders
*except 70% Turkey, 70% South Africa
**as of May 31, 2009

Our primary investment universe consists of all stocks in the MSCI Emerging Markets Index, although we also aim to find good investments from the wider emerging markets universe, both countries and stocks. The analysts' core focus is on the first 75% of market cap in

Schroder Global Emerging Market Equity

Investment process – stock analysis (continued...)

each MSCI country index and as an indication, as at 31 May 2009, 256 out of 738 stocks in the index were defined as core. Stocks in our core coverage are generally modelled and graded at all times. Stocks below the 75% of market cap cut-off and non-index stocks are defined as non-core and, although followed, will only be modelled and graded on an opportunistic basis, i.e. if they are likely to be given the highest grade.

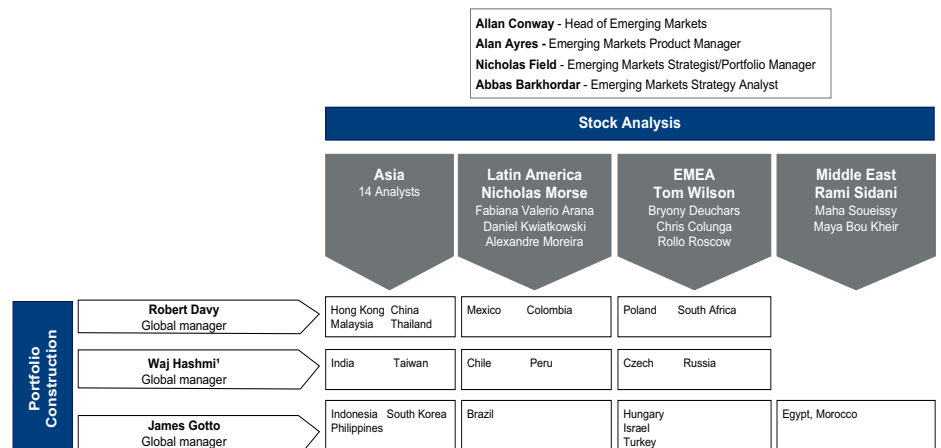
Our research process is based on company contacts, of which there were over 3,500 in emerging markets in 2008. Through the extensive program of company visits we evaluate a company's management team, obtain key inputs for earnings models, assess the company's strategy and review their operations. Analysts then use Schroders' proprietary company valuation model (CVM) to generate three-year earnings and cashflow forecasts, and a range of valuation measures that include Price / Net Asset Value, Price / Book and Price / Cashflow ratios. A major input to the stock decision is our estimate of the fair value or, simply, what we believe a stock is worth in today's terms. These fair values are primarily based on Schroders' three-stage Discounted Cashflow (DCF) Model.

Portfolio construction, risk management & implementation

At the country level, allocation decisions are driven by the quantitative model with controlled judgmental overlay. The monthly strategy meeting, where the country allocation is discussed, is attended by all members of the global emerging markets team. Therefore all of the fund managers and analysts contribute to the policy decisions affecting their areas of expertise. However the final allocation decision is owned by five key investment professionals: Allan Conway, the Head of Emerging Market Equities, the three global fund managers (Robert Davy, James Gotto and Waj Hashmi), and Nicholas Field, Emerging Markets Strategist / Fund Manager. They cannot take an opposite view to a country decision from the model's recommendation but could be one move away, for example neutral rather than overweight, or underweight rather than neutral. It is intended that policy country weightings will only be altered once every quarter, as this helps control turnover and has been shown to improve performance, although if circumstances dictate, changes can be made at off-quarter monthly strategy meetings.

At the stock level the three global fund managers, in conjunction with the analysts, construct a country portfolio for each country they are responsible for. They focus on the analysts' highest conviction ideas, using 1- and 2-rated stocks where possible, and only use 3- or 4-rated stocks for risk control purposes to ensure that each country portfolio is within its risk budget (stock tracking error target for each country of 8%, within a range of 2% to 12%). If 3- or 4-rated stocks are included in the portfolio they must be underweight. This is a dynamic process, with fund managers free to make changes to their country portfolios at any time. Global fund managers can also discuss their portfolio positions with the relevant regional fund manager, this means that there are three sources of input for every stock in the portfolio.

Globally integrated team



Source: Schroders as of June 30, 2009
¹Deputy Head of GEMs

Risk management

A detailed information pack is reviewed at the weekly emerging market equities team meeting to ensure the investment process is being adhered to and the strategy correctly implemented. This is a means of monitoring all aspects of the process including risk management. This allows fund managers to monitor country and stock target weights and both country and stock level tracking error targets, using risk reports from our Portfolio Risk Investment Strategy Manager (PRISM), and also provides an opportunity to review the implementation of our stop-loss policy with any overrides having to be fully justified (see above for further details.). The team also looks at the relative performance contribution from the quantitative model and from our judgemental overlay and examines the reasons behind whether the model and judgement have added or subtracted value.

Risks

All investments, domestic and foreign, involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including adverse economic and market conditions, prospects of stocks in the portfolio, changing interest rates, and real or perceived adverse competitive industry conditions. Investing overseas involves special risks including among others, risks related to political or economic instability, foreign currency (such as exchange, valuation, and fluctuation) risk, market entry or exit restrictions, illiquidity and taxation. Emerging markets pose greater risks than investments in developed markets.

Why Schroders for Global Emerging Market Equity?

- Local expertise throughout emerging markets
- Strong centralized asset allocation function
- Proprietary quantitative model drives country allocation
- Detailed fundamental research drives stock selection
- Proactive and rigorous risk management

Schroders plc

Schroders is a global asset management company with \$186.5 billion under management as of June 30, 2009. Our clients are major financial institutions including banks and insurance companies, public and private pension funds, endowments and foundations, high net worth individuals, financial intermediaries and retail investors. Our aim is to apply our specialist asset management skills in serving the needs of our clients worldwide and in delivering value to our shareholders. With one of the largest networks of offices of any dedicated asset management company and over 330 portfolio managers and analysts covering the world's investment markets, we offer our clients a comprehensive range of products and services.

Further information about Schroders can be found at www.schroders.com/us

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Countries mentioned are shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Past performance is not necessarily a guide to future performance. The value of investments can go down as well as up and is not guaranteed.

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