

# Schroder International Selection Fund\* European Equity Yield

## Why invest for dividends?

**Stable income:** Equity dividends provide a regular income stream with lower volatility than the returns on cash.

**Superior earnings growth:** There is strong empirical evidence that a high dividend payout ratio signals above average future earnings growth. The logic for the observed link is that a willingness to pay out a high level of earnings as dividends can indicate a belief by management in a positive outlook, an improving attitude towards shareholder interests or prudent capital/balance sheet management. All are potentially positive for growth in earnings per share.

**Superior share price performance:** High yield stocks, where the yield is backed by secure dividends, have significantly outperformed the market over the longer-term.

## Why invest in this fund?

**Beneficial exposure to dividends:** We seek the highest, sustainable yield stocks across Europe and build a diversified portfolio that should reap the benefits of high yield wherever it is to be found.

**In-depth research:** Management of Schroder ISF European Equity Yield combines the power of quantitative screening techniques with the strength of Schroders' extensive fundamental research and investment capabilities.

**Risk-controlled investment process:** Our European Equity Yield investment process leverages these inputs in an efficient, disciplined and risk controlled manner.

Standard & Poor's has recognised this fund with an 'A' rating for **management and quality**<sup>1</sup>.



<sup>1</sup> Source: Standard & Poor's, as at 28 February 2009.

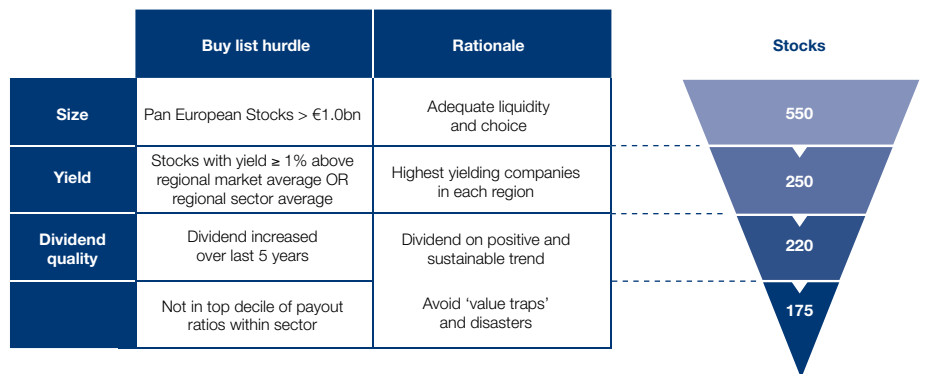
## Our investment approach

When investing for high yield we seek to build a diversified portfolio of high yield stocks that we believe are attractive on two levels: firstly, because of the quality, sustainability and growth potential of their dividend and secondly, because the fundamental outlook for the companies are favourable.

## Our investment process

Our team-based investment process can be divided into two phases:

- 1) our high yield screens narrow the investment universe to a 'buy' list. The screen criteria are set to ensure that the companies on the list are liquid and have a high yield backed by sustainable dividends that have the potential to grow.
- 2) each stock on the list is assessed based on Schroders fundamental research-based views by equity analysts and portfolio managers. Supported by the European equity team, the fund manager combines these inputs within a benchmark 'unaware' high yield portfolio that is maintained with strict buy/sell disciplines based on our screens and on changes to our fundamental-based views. Based on this we build a portfolio of approximately 50-70 stocks.

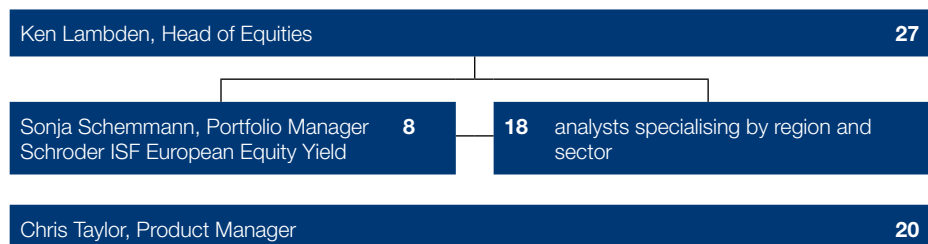


**Schroders**

\*Schroder International Selection Fund is referred to as Schroder ISF throughout this document.

## Our investment team

Drawing on the strength and experience of Schroders' European equity research and portfolio management capabilities, portfolio manager Sonja Schemmann is responsible for constructing the Schroder ISF European Equity Yield. She is directly supported by Melinda White, a dedicated analyst who is a yield specialist. In addition, we have 18 analysts who are organised by region and sector.



Numbers relate to years of investment experience.  
Source: Schroders, as at 28 February 2009.

## How does the fund fit into an investor's portfolio?

The fund is ideal for investors with a medium to long-term horizon who value a stable income stream and longer-term capital growth through investing in a regional equity portfolio.

## Fund terms

<b>Fund Aim</b>	To provide a total return primarily through investment in equity and equity related securities of European companies which offer attractive yields and sustainable dividend payments
<b>Structure</b>	A sub-fund of Schroder International Selection Fund (the "Company"). The Company is a Luxembourg registered UCITS recognised in the UK under Section 264 of the Financial Services and Markets Act 2000
<b>Fund Manager</b>	Sonja Schemmann
<b>Launch Date</b>	02 August 1993
<b>Benchmark</b>	MSCI Europe Net Return
<b>Base Currency</b>	EUR. Also available in USD share classes
<b>Minimum Investment A Shares</b>	EUR 1,000 or USD 1,000 or their near equivalent in any other freely convertible currency
<b>ISIN A Shares</b>	LU0106236267
<b>Reuters A Shares</b>	LU0106236267.LUF
<b>Bloomberg A Shares</b>	SCHEUEA LX
<b>Investment Manager</b>	Schroder Investment Management Limited

**Risk warning:** Past performance is not a guide to future performance and may not be repeated. Investors may not get back the full amount invested, as prices of shares and the income from them may fall as well as rise. Investments in equities are subject to market risk and potentially, to currency exchange rate risk. This fund may use financial derivative instruments as a part of the investment process. This may increase the fund's price volatility by amplifying market events.

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