

Schroders Global Blend Strategy Overview

Summary

Global Blend combines our Global Value and Global Quality equity strategies. The benefit of a blend is that it combines two strategies which seek to outperform over time but at different stages of the economic cycle: Value which offers higher long run returns and Quality which performs particularly strongly during periods of heightened risk aversion. Both strategies share a consistent philosophy of diversification while avoiding the long run return drag typically associated with benchmark constrained approaches. A 50:50 blend of Value and Quality seeks to produce a long run return of +3% per annum (gross of fees) above the MSCI World Index (net dividends reinvested).*

*The MSCI World Index (the benchmark) is an unmanaged portfolio of equity securities used as a point of comparison for the strategy. No strategy can guarantee that its performance will match the performance of its benchmark.

Firm highlights

- Schroders manages more than \$328.7 billion in assets worldwide
- Asset management is our sole business
- Over 340 portfolio managers and analysts globally
- Dedicated to proprietary research – fundamental and quantitative
- Truly global reach: 32 offices in 25 countries

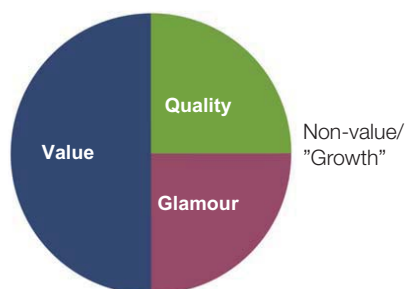
Team highlights

- Over 11 years record in managing global equity portfolios
- QEP Team manages approximately \$23 billion in assets
- Investment philosophy is based upon combining fundamental data and well-researched behavioral insights
- Considerable emphasis is placed on portfolio construction and genuine diversification of risk

Global Blend key features

- 1. Allocation to outperforming complementary styles**– Although Value has historically generated higher returns over time, it exhibits higher volatility and can suffer during cyclical downswings. The other side of Value is often mislabeled as “Growth” but a more complementary strategy is actually Quality. This strategy can be distinguished from traditional “Growth” by the avoidance of over-hyped glamour stocks, which are susceptible to underperformance. Quality companies are characterized by being profitable and financially strong with relatively stable businesses.
- 2. High return without concentrated stock risk** – Seeking higher returns can be associated with greater risk as this is often achieved through a very concentrated stock portfolio. We reduce stock risk by building a diversified portfolio but with high conviction. Diversification allows us to spread the stock risk but capture high returns by investing in over 500 stocks which, combined together, still produce high returns.
- 3. Stock weights determined by fundamentals, not market cap** – In market cap weighted indices, the very largest, so called ‘mega cap’ stocks crowd out other investment opportunities as too much of the portfolio gets allocated to them by virtue of their size. In some respects, very large company size reflects past success or can be a naive extrapolation of future prospects. over allocation to past success creates an inefficiency in the index, with momentum-like characteristics. Our approach is to weight stocks based upon their fundamentals and liquidity. This is more balanced and reduces the problem of the ‘mega-cap’ drag which is particularly acute for other value investors.
- 4. Bottom-up index unconstrained investing maximizes the opportunity** – Our approach maximizes the potential return opportunity by systematically analyzing over 15,000 global stocks every day; many of these stocks are outside mainstream indices. The more attractively-ranked stocks we find in a particular region or sector, the greater the allocation.

Defining Value and Quality



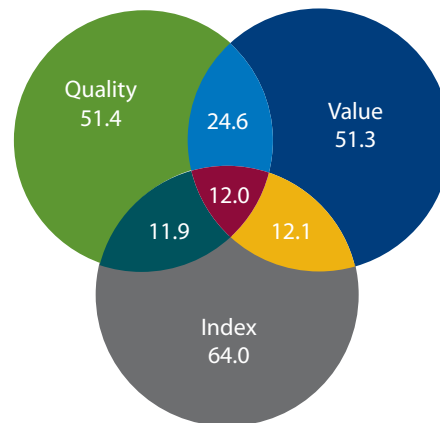
Team data and statistics as of June 30, 2011

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Schroders

Limited overlap between Value, Quality and the Index



Source: Schroders, MSCI, as of June 30, 2011. Overlap of stock weights in MSCI World, Global Value and Global Quality representative funds.

Despite sharing a consistent belief in the greater efficiency benefits of unconstrained investing and risk reduction of diversification, the strategies exhibit very little overlap at the stock level over time. This makes the strategies very attractive to combine with each other as a blend. They are also quite distinct from the index which is dominated by mega-cap companies with momentum-like characteristics (i.e. "glamour"). One can think of their shared dislike of glamour as a more subtle way of avoiding the very expensive stocks.

Global Value and Quality Ranks

The stock universe for the Quality Fund includes more than 5,000 stocks globally with market caps greater than US\$1bn whilst the investible universe for the Value fund is even broader, covering more than 15,000 stocks of all sizes across over 40 countries. Both strategies maximize the investment opportunity by incorporating emerging market stocks. Depending on the strategy, each stock is then assigned a 'Global Value Rank' (determined by characteristics such as dividends, cashflow, earnings, sales and assets) or a 'Global Quality Rank' (determined by characteristics such as profitability, stability, and financial strength). We have also developed specific metrics to measure leverage, liquidity and funding risk for financial companies.

Stock selection

There are a number of aspects to the stock selection process but the most significant are:

Market impact weighting – to maximize both portfolio liquidity and investment breadth, thereby avoiding the return drag associated with less efficient index based cap-weighting approaches.

Value: Probability of value being realized – a model of each stock's fundamentals used by the Value strategy. Stocks with better fundamentals and a higher probability receive a higher weight, while we spread our risk around in stocks with more uncertainty by holding much smaller positions.

Quality: Torpedo model – this helps avoid over-hyped glamour stocks in the Quality strategy that are more likely to experience significant relative underperformance. Stocks with a low torpedo probability receive a higher weight, while we progressively reduce exposure to stocks with increasing torpedo risk and avoid the very high torpedo risk stocks.

Portfolio construction

Bottom-up region and sector weightings – we only invest where we find value or quality opportunities. The region, sector and market cap weights will be determined by where we find value and quality stocks.

Systematic re-balancing – we will systematically re-balance the portfolio back to the strategic starting weight of 50:50 with a tolerance of +/-5%.

Key Features	
Return target	+3% p.a. (gross of fees) above global indices such as MSCI World Index
Tracking error	Not targeted, typically over 3%
Active share	Typically +75%
Beta/Volatility	Close to index
Stock weights	Non cap weighted
Number of stocks	+500
Region/Sector Selection	Bottom-up

Experienced global team

Quantitative Equity Products (QEP) is a well-established team of investment professionals based in London and Sydney led by Justin Abercrombie who was a founding member of the team in 1996. The team now manages approximately \$23 billion across a range of global equity products.

1996	Investment team established to research risk models and strategy
2000	Global and US Core Equities launched
2002	Assets reached USD 1 billion
2004	Global Value launched
2006	Japanese Core launched
2007	Global Quality and Blend launched
2011	Assets reached USD 23 billion

Source: Schroders, as of June 30, 2011

QEP Product Range

QEP Product Range*	
Global Value	Global Value is an index unconstrained, value-based investment strategy designed to deliver higher long run returns. A focus upon stock weighting, diversification and trading costs means we can capture the long term premium to value investing efficiently. Targets a gross return of 3-4% per annum above global indices such as MSCI World Index.
Global Quality	Global Quality invests in quality companies that offer stable growth, are profitable and are financially strong while avoiding the disappointment associated with glamour stocks. Targets a gross return of 2-3% per annum above global indices such as MSCI World Index.
Global Blend	A combination of Global Value and Global Quality to offer the best of both worlds. A 50/50 allocation would target a gross return of 3% per annum above global indices such as MSCI World Index in the medium term. The allocation can also be tailored to match specific investor time horizons, risk attitudes and return targets. We can also dynamically blend the strategy to take advantage of current market conditions.
Global Value Extension	A highly flexible approach which can go up to 150% long of Value opportunities and up to 50% short Low Quality, this strategy has been designed to avoid some of the problems of the rigidly-defined 130/30 funds. In addition, we look to manage important collateral bets such as currency and beta exposure which are produced from the unconstrained long portfolio. Targets a gross return of +4% per annum above global indices such as MSCI World Index.
Core Equity	Global, US and Japanese enhanced indexation strategies targeting gross outperformance of 1% per annum for Global & Japan and 0.75% for US that has the benefits of index-based investing in terms of risk and cost but provides the opportunity to achieve consistent outperformance.

*Certain strategies are only available via separately managed accounts which carry higher minimums than pooled funds. Portfolios have, in certain years, underperformed against their respective indices in the past.

Why Schroders for Global Blend?

- *Blend of two complementary styles* – Value which offers higher long run returns and Quality which performs particularly strongly during periods of heightened risk aversion.
- *Embracing breadth* – exploiting opportunities from more than 15,000 stocks globally from both developed and emerging markets.
- *Stock weights are determined by fundamentals not market cap* – higher weights to stocks with better fundamentals rather than a stock's size with the objective of reducing the performance drag from over allocating to mega cap stocks
- *Bottom-up, index unconstrained investing* – minimal sector, region or size constraints maximizes the potential return and minimizes dead money allocated to expensive stocks simply to satisfy inefficient index constraints.
- *Focus on risk management and portfolio construction* – a highly diversified portfolio minimizes stock specific risk whilst retaining a high degree of conviction.

Risk

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.

Schroders plc

Schroders is a global asset management company with \$328.7 billion under management as of June 30, 2011. 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 340 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.

Diversification does not assure a profit or protect against loss in a declining market.

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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