

Schroder Global Climate Change Strategy Overview

Summary

Schroders Global Climate Change invests in companies that create products or offer services which help to mitigate or adapt to the effects of climate change.

Mitigation: Things we can do to prevent the worst of future climate change. For example, companies developing new technologies to reduce greenhouse gas emissions.

Adaptation: The changes we will have to make to accommodate the effects of climate change. For example, companies that construct buildings designed to withstand more extreme weather.

What will the strategy **not invest in**?

- Companies where the investment case is not significantly affected by climate change
- Companies whose products decrease in demand due to climate change
- Companies that do not recognize and embrace the importance and impact of climate change

Schroders Global Climate Change comprises five main themes: **Energy efficiency; Low carbon fossil fuels; Clean energy; Sustainable transport; Environmental resources.** We think that these areas will benefit most from efforts to mitigate or adapt to climate change, representing the greatest opportunities for investors.

Firm highlights

- Schroders manages over \$322.8 billion in assets worldwide
- Asset management is our sole business
- Dedicated to proprietary research – fundamental and quantitative
- Over 335 portfolio managers and analysts globally
- Truly global reach: 32 offices in 25 countries

Team highlights

- Lead portfolio managers have specific expertise in the industrial, materials, auto and utilities sectors, sectors that are heavily impacted by climate change
- Our experienced Climate Change Specialists and Global Sector Specialists work closely with over 70 local fundamental equity analysts
- The team is centrally located in London and averages 10 years investment experience
- Proprietary climate change database of companies positively affected by climate change trends

Key features

- Invests in companies involved in efforts to mitigate or adapt to climate change
- Aims to outperform the MSCI World index, net of fees, not limiting the fund to a single sector
- Unconstrained, our “best ideas” portfolio of 50–100 stocks
- Truly global portfolio covers a vast array of business sectors and a diverse range of company sizes

Investment objective

To provide capital growth primarily through investment in equity securities which will benefit from efforts to accommodate the impact of climate change. The portfolio is unconstrained but we believe that over time companies well positioned with regard to climate change will significantly outperform broad world indices.

All data and statistics as of March 31, 2011

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Schroders

Investment philosophy

Schroders Global Climate Change is a thematic global equity strategy which seeks to maximize excess returns by investing in companies which are beneficiaries of efforts to mitigate and adapt to the impact of climate change.

The strategy recognizes that climate change will have huge consequences for companies across a broad range of industries. What is distinctive about our philosophy is that the effects of climate change would be broad, and affect a great many more companies than those purely involved in renewable energy, energy efficiency and environmental resources.

Investment process — overview

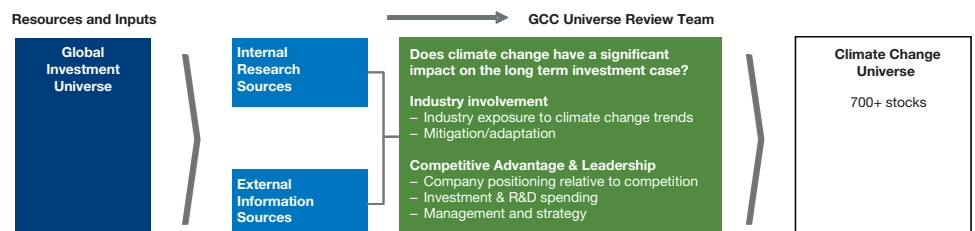
Our Global Climate Change Equity product utilizes a bottom-up, fundamental research driven approach, and aims to outperform the MSCI World Index over the investment cycle. Stock selection is the primary driver of performance, with proprietary company research key to our investment process.

The first task in the process of stock selection is to determine the universe of stocks which we believe are potential beneficiaries of climate change, and therefore potentially eligible for admission to the portfolio. To do this we have built a team process and supporting systems that draw on a range of inputs to identify companies where climate change is meaningful to the investment case. The universe review team consists of Matthew Franklin, Simon Webber, Giles Morey (Portfolio Managers), Richard Stathers and Karen Shaw (specialists covering climate change impact and legislation).

Given rapidly changing business impacts, it is not possible to have simple percentage rules for the amount that a company is positively or negatively impacted by climate change. Therefore the team assesses relevance based on the factors below. The overarching principle is that climate change must have a significant impact on the long term investment outlook for a stock to be included. A company's management and strategy is assessed on the following basis:

- Is there significant direct industry exposure to climate change trends?
- What proportion of business segments potentially are exposed to climate change trends?
- Is investment and R&D spending in the relevant area significant?
- How does the product portfolio position the company for the future effects of climate change?
- What is the position relative to competitors with regard to climate change factors?

When assessing the significance of climate change on an investment case, we consider the impact of all these factors on expected revenue growth, operating margin and capital intensity of the company. Stocks in the universe are then classified as beneficiaries of either **adaptation** to or **mitigation** of the effects of climate change.



Source: Schroders

Investment process — overview (cont'd)

From the climate change database, existing best ideas from the global sector specialist team and regional small cap teams are automatically selected as best ideas for the fund. Additional stock ideas, either generated by the team or by other sector funds, are researched from the universe by the portfolio managers. This produces a pool of 50-100 best ideas from which the portfolio is constructed.

The funds' investment criteria and philosophy are then applied and used to filter the combined best ideas list. Every one of our investments is thoroughly researched and supported by a GSS (Global Sector Specialist) or portfolio manager, irrespective of the climate change angle relating to the company. We will not compromise on the integrity of the Schroders Global and International Equity Team investment approach, which is grounded in finding reasonably priced growth companies that demonstrate a sustainable competitive advantage.

Experienced global team

The Climate Change management team combine materials, utilities, industrial and auto sector expertise. In addition, the managers call upon the expertise of another 6 London-based Global Sector Specialists to provide more detailed insight into specific companies/industries under their respective coverage.

The team also includes two Climate Change Specialists who provide legislative and technical insight around climate change and its potential impact on companies within affected industries. The Climate Change research generated by these specialists is available to all investors in the firm through Schroders' research database, the GRID, as well as through active engagement.



Source: Schroders. Data as of March 31, 2011

Risk management

Stock-specific risk is, to a large degree, addressed as **an integral part of our investment process**, namely the rigorous research and due diligence process to which investments are subjected before inclusion in our portfolios. We have also developed in-house a powerful on-line tool for monitoring risk, called Portfolio Risk Investment Strategy Manager, or 'PRISM', which enables the portfolio manager to analyse risk at various levels and from different perspectives.

For Global Climate Change, adherence to the risk parameters agreed with the portfolio managers are reviewed formally once a month by the Global and International Equities Team Product Manager, and quarterly (within a broader performance review) by Schroders' Global Head of Equities, Ken Lambden. The group uses the Charles River compliance engine to ensure that trades proposed for a portfolio pass the investment criteria specified by that portfolio before execution. Trades are executed through a **centralized team of specialist dealers** via a paperless process that removes the need for investors to be involved in dealing and ensures consistency across portfolios.

Why Schroders for Global Climate Change

Experienced Team

- The three portfolio managers combine consumer, technology and industrial expertise to cover the climate change universe efficiently
- Experienced Global Sector Specialists work closely with over 70 local fundamental equity analysts
- The Climate Change team sits together in London and averages 9 years experience

Property Climate Change Universe

- Innovative and lateral approach to climate change investment capturing implications across a broad range of sectors
- Constantly evolving proprietary universe continuously monitored by Climate Change Universe Review Panel
- Climate change exposure assessed using sales growth, profit margin and capital intensity metrics

Disciplined Investment Process

- Proprietary fundamental research
- ESG evaluation integrated within our analysis
- Strong valuation discipline underpins a focus on forward growth and quality.

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.

Important Information

Schroders plc

Schroders is a global asset management company with \$322.8 billion under management as of March 31, 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 335 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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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.

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

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