

Schroder Core Fixed Income Strategy Overview

Summary

Schroders' Core Fixed Income strategy seeks to generate total return by investing across the full maturity spectrum of investment grade US fixed income securities, including US Treasury, agency, securitized and corporate debt. The strategy focuses on active sector rotation and security selection, with lesser emphasis on duration and yield curve strategies. We use a team approach in constructing investment strategy and portfolio decisions are supported by extensive fundamental, technical and quantitative research. Sector specialist portfolio managers execute investment strategy using a relative value framework, with the goal of capitalizing on opportunities across a wide range of market conditions.

Schroders' Core Fixed Income strategy typically maintains portfolio duration at +/- 10% of the duration of the benchmark.

Firm highlights

- Schroders manages \$322.8 billion in assets worldwide
- Wide range of fixed income strategies across all major markets – developed and emerging
- Global bond team of more than 100, including more than 30 portfolio managers and over 25 credit analysts
- Deep global research capabilities – the vast majority of research is generated in-house

Team highlights

- \$64.5 billion of fixed income assets under management globally
- Specialist portfolio managers in all U.S. market sectors
- Strong team of more than 25 global credit analysts, with geographical and industry expertise, covering over 1,300 issuers
- Fixed income quantitative analytical team for proprietary analysis and modeling
- In-house economics team

Key features

- Research-driven, themes based investment process
- Sector and security selection are the key drivers of alpha
- Centralized global credit research platform for fixed income and equity teams
- Relative value approach to decision making with opportunistic management in changing markets
- Risk management is embedded in our culture - we are lending our clients' money

Investment objective

Schroders' US Core Fixed Income strategy seeks to outperform the Barclays Capital US Aggregate Index* by 75 basis points (before fees) over an investment cycle.

Investment philosophy

- Fixed Income markets are global, interrelated and generally efficient but can overreact to events, creating investment opportunities
- We believe that a globally integrated team of research-driven bond investors is the ideal structure to take advantage of these opportunities
- Using a disciplined investment process and diversified strategies, we seek to generate consistent above benchmark returns with lower than average volatility

*This index is an unmanaged portfolio of US issued debt securities. No managed account can guarantee that its performance will match the performance of its benchmark.

All data and statistics as of March 31, 2011

Schroder Investment Management North America Inc.
875 Third Avenue, 22nd floor, New York, NY 10022-6225
(212) 641-3800 www.schroders.com/us



Schroders

Investment process

Our fixed income process consists of four distinct steps:

- Conduct in-depth proprietary market research (fundamental, quantitative and technical) to develop investment themes that will dominate markets over the ensuing three to six month period
- Develop and prioritize investment strategies, based on investment themes, which will determine optimal portfolio positioning in three primary areas of the market: duration, yield curve exposure, and sector allocation
- Implement investment strategies within the portfolio, using a relative value framework to prioritize investment ideas and execute security selection
- Continually review portfolio within rigorous risk management framework

The cornerstone of our investment process is our weekly US Fixed Income strategy meeting. Here, sector specialist portfolio managers combine the outputs from our economic, quantitative and global credit research with bottom-up issuer research to establish investment themes and resulting strategies. Macro strategy, sector allocations and overall risk budgeting are determined at this meeting. Portfolio construction, including security selection, follows and is implemented by our portfolio managers.

Macro strategy

Duration and yield curve strategy is based on a blend of qualitative and quantitative approaches. Analysis of the movement and shape of the yield curve is the foundation of this process; therefore the team's interest rate forecasts relative to the market forms the basis of our directional positioning. Additionally, we integrate output from our proprietary models to assess the likely movement in rates and the curve.

The qualitative view formulated by the US Fixed Income team is further supported by inputs from Schroders' economic team and targeted use of third party research. Our view is formally captured via the discipline of monthly government bond scorecards, a process unique to Schroders. The scorecard identifies and analyzes key economic and monetary policy trends, as well as technical factors such as fund flows and supply/demand dynamics that can drive our interest rate and yield curve view.

Sector strategy

Sector allocation is based on the team's research and forecasts for spreads over the next three to six months. Top-down decisions are based on our macroeconomic outlook and expectations for how individual sectors will react to potential movements in interest rates, both in absolute terms and relative to other sectors. Bottom-up factors that contribute to sector strategy decisions vary with each sector, and can include qualitative credit research from our team of analysts, corporate default rates, growth potential, cyclicality, regulatory implications, and trends in prepayments and volatility. Our specialist portfolio managers also incorporate output from our quantitative team's proprietary models as well as the expected impact from technical factors, such as momentum and volatility, which can influence the performance of each sector.

Security selection

Government securities are selected by our specialist US government portfolio managers, whose decisions are driven by macroeconomic, inflation, interest rate and yield curve views, incorporating the implications of current valuation.

Technical factors specific to each particular security or market, such as supply and demand, also influence security selection decisions.

Mortgage-backed and asset-backed security selection is similarly driven by macroeconomic factors such as inflation, interest rates and yield curve views with additional emphasis on swap spreads, volatility and prepayment trends. Portfolio managers use fundamental analysis to evaluate agency and non agency issuers and servicers, collateral characteristics and deal structures. The team rigorously models security cash flows and utilizes option adjusted spread (OAS) and scenario analysis to determine relative value.

Security selection (continued...)

Corporate credit selection begins with a comprehensive due diligence of each issuer, performed by our team of credit analysts.

Our global credit team is made up of over 25 career credit analysts is one of the largest and most experienced in the industry. Schroders credit analysts have excellent corporate contact with companies' senior management due to our exceptional franchise and close cooperation with Schroders' network of over 90 equity analysts. Research responsibilities are organized regionally and by sector with analysts based in London, New York, Philadelphia, Singapore, Hong Kong and Sydney.

Every issuer covered by our analysts is thoroughly analyzed using a common and disciplined process. This process includes a comprehensive due-diligence examination of each issuer and detailed financial modeling to assess credit worthiness. Above all, analysts focus on a company's current and future ability to service debt from cash flows. Issuers are then assigned a credit opinion, an investment recommendation, and an issuer concentration limit.

Our proprietary credit research process provides a consistent and proactive framework for security selection and portfolio construction.

1. **Credit opinion:** the direction of credit quality trend over the next 6 – 12 months using five classifications ranging from improving to declining, ranked within each sector
2. **Recommendation:** an issuer ranking based on relative value of an issuer within its sector
3. **Issuer Concentration Limit:** a maximum position size, relative to the benchmark, that is determined by current internal ratings and potential price volatility of each issuer.

Sector and Issuer views are brought together in Schroders' Credit Matrix, which is a 12-box grid of Issuer Recommendations (determined solely by credit analysts) and Sector Views (determined jointly by credit analysts and portfolio managers). The Credit Matrix allows all of the credit analysts and portfolio managers worldwide to speak a common language and also provides a guide for credit portfolio managers to use in portfolio construction, indicating gradations of buy, hold, or sell signals for the various issuers depending on the current sector view.

The output of this process is each analyst's ranking of all covered issuers relative to the respective sector. These reports are used by the portfolio managers to evaluate recommendations across all sectors. In addition, issue selection is optimized based on credit quality, capital structure and liquidity profile. This information is then incorporated with our macro economic analysis and themes, market trends and technical conditions to construct diversified portfolios.

Risk management

Inherent within the fixed income investment process is a total risk management mentality. Our structured approach to risk management and monitoring utilizes a combination of formal and informal rules and guidelines, as well as proprietary quantitative models and externally supplied software tools, including Charles River and Barclays POINT.

At a total portfolio level, the team seeks to reduce risk through diversification and by making investments that have low or zero correlation. For individual issues, position size is determined by an assessment of risk and reward across different strategies, and is rigorously controlled based on the issuer's risk profile. All positions are measured in both market value percentage and contribution-to-duration (CTD) terms.

The use of structured risk controls is critical to limiting the volatility of returns versus a benchmark while achieving the portfolio performance target. Our process tracks sector and individual exposures against their benchmarks, quantifying such exposures through: modified and effective duration, yield to maturity, option-adjusted spread, yield curve exposure, sector and industry allocation, and credit rating category.

Why Schroders for Core Fixed Income?

- Globally integrated platform of experienced regional teams with local market expertise
- Consistent and proven investment process that capitalizes on differentiated sources of risk adjusted return
- Experience team of over 25 global credit analysts applying stringent credit standards that are supported by our fundamental research
- Opportunistic style that capitalizes on changing market environments
- Successful performance track record over full market cycle achieved with lower volatility than majority of our peers

Risks

All investments 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 interest rate risk, credit risk, inflation/deflation risk, mortgage and asset-backed securities risk, U.S. Government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk and liquidity risk. Frequent trading of the portfolio may result in relatively high transaction costs and may result in taxable capital gains.

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

Disclaimer

This document does not constitute an offer to sell or any solicitation of any offer to buy securities or any other instrument described in this document. The information and opinions contained in this document have been obtained from sources we consider to be reliable. No responsibility can be accepted for errors of facts obtained from third parties. Reliance should not be placed on the views and information in the document when taking individual investment and/or strategic decisions. Schroders has expressed its own views and opinions in this document and these may change.

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.

Schroder Investment Management North America Inc. ("SIMNA Inc.") is an investment advisor registered with the U.S. SEC. It provides asset management products and services to clients in the U.S. and Canada including Schroder Capital Funds (Delaware), Schroder Series Trust and Schroder Global Series Trust, investment companies registered with the SEC (the "Schroder Funds"); Shares of the Schroder Funds are distributed by Schroder Fund Advisors LLC., a member of the FINRA. SIMNA Inc. and Schroder Fund Advisors LLC. are indirect, wholly-owned subsidiaries of Schroders plc, a UK public company with shares listed on the London Stock Exchange.