

Schroders Global Emerging Markets Equity Strategy Overview

Summary

Schroders' Global Emerging Markets 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. The investable universe is commonly defined by the MSCI Emerging Markets Index, which covers 21 countries and approximately 800 stocks.*

Firm highlights*

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

Team highlights

- Team manages about \$26.4 billion in emerging market equities globally*
- Dedicated team of 35 investment professionals, average 13 years' investment experience**
- Stock analysts based in regional offices around the world
- Centralized asset allocation function – London-based team

**as of April 30, 2011

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. We believe that as portfolio 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.

*As of March 31, 2011

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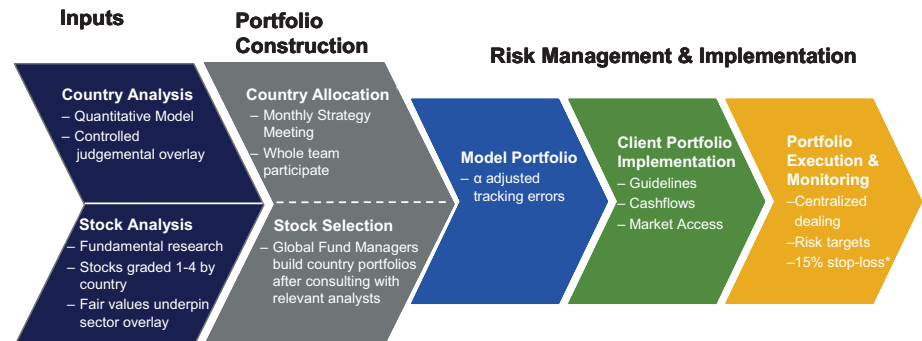


Schroders

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:



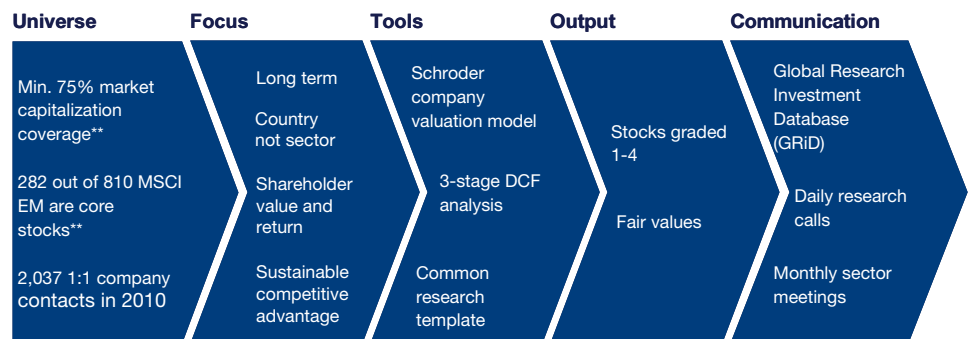
* This is not a guaranteed stop-loss and during periods of market volatility may be temporarily suspended.
Source: Schroders

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, although we aim to re-balance the portfolio quarterly. The data inputs to the model are independent of Schroders' views as they are sourced from third parties and the factors and their relative weights do not change over time.

Investment process
– stock analysis

The stock selection process is driven by fundamental research conducted by our 25 in-house analysts, based across the world and thus in direct contact with the companies and markets which they are analyzing (team data as of April 30, 2011).



Source: Schroders
** As of March 31, 2011, except 70% Turkey, 70% South Africa, 79% Egypt and 53% Morocco

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 each MSCI country index and as an indication, as of March 31, 2011, 282 out of 810 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 nonindex 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.

Investment process
– stock analysis
(continued...)

Our research process is based on company contacts, of which there were over 3,500 in emerging markets in 2010. 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.

Portfolio construction,
risk management &
implementation

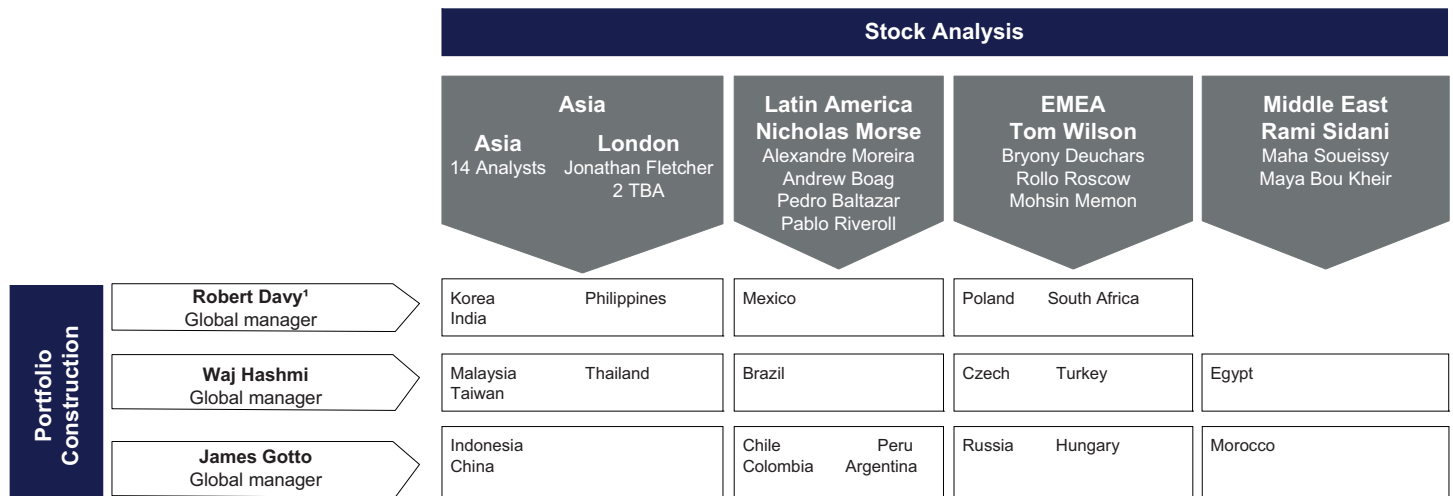
At the country level, allocation decisions are driven by the quantitative model with controlled judgmental overlay. The monthly strategy meeting, where the country allocation is discussed, is attended by all members of the global emerging markets team. Therefore all of the portfolio managers and analysts contribute to the policy decisions affecting their areas of expertise. However the final allocation decision is owned by five key investment professionals: Allan Conway, (Head of Emerging Market Equities), Robert Davy, James Gotto and Waj Hashmi (global fund managers), and Nicholas Field (Emerging Markets Strategist / Fund Manager). Moreover, there would need to be a 4:1 majority if there is an override of the model's recommendation. 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 portfolio managers, after consulting with the relevant 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. This is a dynamic process, with portfolio managers free to make changes to their country portfolios at any time. Global portfolio managers can also discuss their portfolio positions with the relevant regional portfolio manager.

*1 represents a high conviction that a stock will outperform the relevant country's index and a 4 is a high conviction that it will underperform.

Globally
integrated team

Allan Conway - Head of Emerging Markets
Alan Ayres/Edward Evans - Emerging Markets Product Manager
Nicholas Field¹ - Emerging Markets Strategist/Portfolio Manager
Abbas Barkhordar - Emerging Markets Strategy Analyst



¹Deputy Heads.
 Source: Schroders as of April 2011.
 Regions are mentioned for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Risk management

We believe that risk is more pro-actively managed in our investment process than is common in emerging market equity management and this is a key differentiator of our process. Our aim is to provide consistent incremental outperformance with a positively biased return profile for our clients within an asset class that has historically been volatile. To this end, we alpha adjust tracking errors at the country level and make use of a stop-loss rule at the stock level.

Our fund managers monitor the risk of their portfolios frequently to ensure that the optimal level of risk is being taken. They do this using risk reports produced by our proprietary Portfolio Risk Investment Strategy Manager (PRISM), which is updated on a daily basis and provides information on a variety of potential sources of risk. The fund managers are ultimately responsible for the level of risk in a portfolio.

The product manager, Alan Ayres, conducts formal monthly sign-offs in the Schroder Investment Risk Exception Notification System (SIREN), which is a system monitoring adherence to the parameters of the investment risk framework of particular portfolios. SIREN sign-offs are reviewed on a quarterly basis by the Equity Investment Risk Committee, chaired by the Head of Equities.

In addition, the Head of Equities formally reviews the performance of all accounts on a quarterly basis.

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 Markets Equity?

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

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

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