

Simplified Communications Group Inc.

October 16, 2009

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services
Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission

Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland
and Labrador
Registrar of Securities, Northwest Territories
Superintendent of Securities, Yukon
Territory
Registrar of Securities, Nunavut

John Stevenson
Secretary
Ontario Securities Commission
20 Queen St West, Suite 1903
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22 étage
C.P. 246, tour de la Bourse
Montréal, PQ H4Z 1G3

Dear Sir and Madame:

Re: CSA notice and request for comment on implementation of Point of Sale Disclosure for mutual funds

On behalf of my colleagues at Simplified Communications Group, I am pleased to provide our comments and suggestions with respect to the proposed amendments to National Instrument 81-102 and Companion Policy 81-102CP Mutual Funds.

Our company was established in 1992 and specializes in writing and designing plain language documents for consumers and investors. We have completed more than 1,000 customer communication projects for companies across North America, many of which have been for the investment industry.

Our interest in the point of sale initiative goes back to 2005, when the Joint Forum of Market Regulators hired us to create the initial prototypes of the Fund Fact sheets. More recently, we were asked to provide advice to the Investment Funds Institute as an associate member, participating on a sub-committee focused on content and design of the proposed Fund Facts sheet.

In developing our views and the comments contained in this response, it is important to note that:

- we have not been hired to provide advice or assistance to any stakeholders in this matter since our assignment with the Joint Forum in 2005
- we have considered the proposals from the point of view of the mutual fund investor. This is essential to improve upon the status quo and we are uniquely qualified to speak from this perspective.

Our assessment of the proposed regime

In hindsight, the Fund Facts model developed in 2005 was driven too quickly by preconceived ideas of the need for a point of sale document and what it should contain. The current model of Fund Facts has evolved but it will not provide investors with key information about owning mutual funds.

In fact, the combination of the CSA now giving consideration to allow exceptions to the principle of delivery before the decision to buy a fund, and that most fund companies already have a summary fund profile document in the public domain, little appears to be changing and the proposed regime falls well short of a significant investor protection initiative.

With the advantage of time passed, lessons from the recent market meltdown, and research we've done into initiatives in the U.S. and the U.K. to improve mutual fund disclosure, we urge the regulators to stop, step back, reassess the objectives, and develop a more effective solution to help mutual fund investors realize the full potential of investing in mutual funds. In our estimation, by continuing to modify the current prototype, these efforts will be wasted, investors will not be any better off than they are today and the industry will have to revisit the issue at some point in the future to get it right.

Mutual funds are an excellent investment vehicle for millions of Canadians. Your assessment that disclosure must be improved is correct, but to get it right, the industry needs to take a more investor-centred approach than is being taken today.

The balance of our submission covers two points:

- Why the proposed changes, or any negotiated modification, do not serve mutual fund investors.
- What should be done instead to help investors and provide them with useful information about investing in mutual funds.

Why the proposed changes, or any negotiated modification, do not serve mutual fund investors

As stated in the CSA's June 19, 2009 Notice and Request for Comments, the proposed changes focus on three principles:

1. Providing investors with key information about a fund
2. Providing the information in a simple, accessible and comparable format; and
3. Providing the information before investors make their decision to buy.

We recommend that the principles be revised to be:

1. Providing investors with key information about investing in mutual funds.
2. Providing the information with relevant content, organized logically, written in plain language and presented in reader-friendly format.
3. Providing the information at the time the investor completes their account application (which would be before they buy any funds).

Here are several points to explain our thinking on this:

- **Asset mix and holdings:** The current template of Fund Facts has too much fund-specific information – certainly more than the investor needs to consider. Not having to make choices and buy/sell decisions about individual stocks is a key benefit of owning a mutual fund. Detail about the “current” asset mix and top holdings is irrelevant because, by owning a fund, you are agreeing to have the fund manager make these decisions on your behalf. For those wanting this type of detail, the information is available through many other sources.
- **Fund performance:** Changes in unit value occur every day, and as we've seen over the past year, the change can be dramatic. We suggest that if this information is critical to making an informed purchase, the information must be refreshed daily in order to meet that requirement.
- **Past performance is no guarantee of future performance:** While this message is incorporated into the current prototype it is another reason not to imply that past performance information is integral to making an informed purchase decision. I confess to personally having made several bad mutual fund purchase decisions by “chasing the leader.”
- **Comparisons between funds:** A search on “Globefund” for Canadian equity funds came back with 594 options to choose from. This illustrates how impractical it is to make meaningful comparisons of the available options.
- **Relative risk between asset types:** There are many types of risk that can affect the performance of a fund or fund type. While a widely accepted risk measurement formula does work well in the long-run, we think it misleading to label and suggest to investors that a bond fund has a lower risk than an emerging market equity fund, when it is possible for

interest rates to rise dramatically in the short-run and the value of a bond fund can drop as if it were a high-risk emerging market fund. Note: Consistent with our thinking on this point, read Rob Carrick's column, "Nightmare on Bay Street II, Attack of the Bond Market", in the October 17, 2009 Globe & Mail, where he writes, "The very people who were spooked worst by what happened to stocks are the ones who have piled into bond funds. Now, they're potential victims all over again if interest rates run higher".

For all of these reasons, we are uncomfortable with the notion that page 1 of the Fund Facts prototype helps the investor make an informed decision about a fund. Mutual fund investors who pay for the guidance of an adviser need to rely upon them to take into account all of the dynamic aspects of the market before buying a fund.

A more useful approach to mutual fund disclosure

What would be much more helpful to investors is an *owner's manual*, well designed and written in plain language. We envisage a document that:

- explains its purpose and how to use it
- is generic enough to apply to most, if not all, funds in a fund family
- is written to be useful to and understood by the majority of mutual fund investors, given today's level of financial literacy
- discusses the suitability and benefits of owning mutual funds
- includes easy-to-understand examples of risk and the significance of risk
- explains the process for buying and selling funds
- explains, with examples, the cost of buying, holding and selling funds
- sets out the investor's obligations and rights, including cancellation rights
- includes an overview of the different communications the investor can expect to receive from their dealer or fund company
- suggests where to go to get help if the investor feels they need to speak to someone other than their adviser
- has a section on other commonly asked questions
- **is delivered and signed for by the investor at the same time they complete their application to open an account (and in advance of any purchase).**

This owner's manual would become the centre piece for relevant, helpful disclosure for mutual fund investors. Undoubtedly some form of fact sheet would supplement the sales process, but there are many useful and accessible sources of sales information already in the public domain.

In giving consideration to this approach, we found that the Simplified Prospectus used in the U.K. goes a long way towards what we've described as the optimum owner's manual. As an example, we've attached a Simplified Prospectus from Schroder's as Exhibit A. While this version falls short of the ideal manual in certain respects, it does illustrate our thinking

Other actions to help mutual fund investors make informed decisions

1. The experience we've gained from many years of testing customer documents tells us that people are more likely to read personalized information, while ignoring anything that appears to be generic. One of the key documents that mutual fund owners pay attention to is the transaction confirmation. We recommend therefore that plain language information about key purchase issues should be incorporated into the transaction confirmation, on the same page that the transaction information is presented. We suggest this would include:

- commissions
- management fees
- cancellation rights
- no guaranteed value.

2. The mutual fund industry in Canada has come in for criticism on the question of costs, fees and commissions. The best way to counter this is to be totally transparent, while demonstrating the value of investing in mutual funds. We resoundingly oppose what appears to be a reluctance to be clear and transparent about costs. Some suggestions:

- Clarity about the costs of buying and owning a fund would be significantly improved by including an example showing dollar values for each cost component.
- It would help investors stay the course and avoid unnecessary losses if the example and commentary showed a 1, 5 and 10 year timeframe.
- Generic examples (with dollars) should be included in the owner's manual
- The specific charges for each transaction should be broken down on the transaction confirmation.

3. In order to provide more personalized and therefore more relevant communication, we recommend that the requirement for an interactive online summary prospectus be mandated. In the U.S., the SEC has required this as part of their improvement plan for mutual fund disclosure. Simply providing a PDF replica of the printed version, while environmentally responsible, will not increase the adoption rate by investors and ignores the potential to use the interactive process to help educate investors. For more information about the SEC's requirement, go to <http://www.sec.gov/rules/final/2009/33-8998.pdf> and read section III; B; 3.

We hope our comments and suggestions are given serious consideration as the regulators, fund companies and intermediaries continue their efforts to improve mutual fund disclosure. A more holistic and customer-centred approach to investor communication will be good for investors and produce invaluable benefits for the industry itself.

We'd be pleased to work with IFIC or a fund company that would like to get out ahead of this issue to improve the investor experience.

A handwritten signature in black ink, appearing to read 'PK' followed by a long horizontal flourish.

Peter G. Karavos
President & CEO

Schroders Simplified Prospectus

June 2009

This document contains important information to help you decide whether our Unit Trust Funds are right for you. You should read this document carefully so that you understand what you are buying, and then keep it for future reference.



Schroders

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In addition to this document, fund specific information pages are available on the following funds:

Schroder All Maturities Corporate Bond Fund	Schroder Managed Wealth Portfolio
Schroder Asian Alpha Plus Fund	Schroder Medical Discovery Fund
Schroder Corporate Bond Fund	Schroder Monthly High Income Fund
Schroder Diversified Target Return Fund	Schroder Multi-Manager Cautious Managed Fund
Schroder European Alpha Plus Fund	Schroder Multi-Manager High Alpha Fund
Schroder European Fund	Schroder Multi-Manager Strategic Balanced Fund
Schroder European Smaller Companies Fund	Schroder Pacific Fund
Schroder Far East Income Fund	Schroder QEP Global Active Value Fund
Schroder Gilt & Fixed Interest Fund	Schroder Recovery Fund
Schroder Global Climate Change Fund	Schroder Strategic Bond Fund
Schroder Global Emerging Markets Fund	Schroder Tokyo Fund
Schroder Global Equity Income Fund	Schroder UK Alpha Plus Fund
Schroder Global Property Securities Fund	Schroder UK Equity Fund
Schroder Income Fund	Schroder UK Mid 250 Fund
Schroder Income Maximiser	Schroder UK Smaller Companies Fund
Schroder Japan Alpha Plus Fund	Schroder US Small & Mid Cap Fund
Schroder Managed Balanced Fund	Schroder US Smaller Companies Fund

About this Simplified Prospectus

Thank you for your interest in Schroders' range of unit trusts. This document provides you with all the detailed information you should require to make an investment with Schroders. You should read it carefully and make sure you understand what you are buying before making any decisions. For full details, please refer to the Funds' Prospectus. The document is available on request, free of charge by contacting Schroders on 0800 718 777. Alternatively, with the exception of Schroder All Maturities Corporate Bond Fund and Schroder QEP Global Active Value Fund, the Prospectus can be viewed at www.schroders.co.uk/investor

If you require further information, or you would like to learn more about the unit trusts, please contact your financial adviser or Schroders on 0800 718 777. Please note that at Schroders we can only provide you with information on our funds and are not able to advise you as to what fund is most suitable for you. For advice you should contact your financial adviser. If you do not have a financial adviser you can find one at www.unbiased.co.uk

The Prospectus (as amended from time to time) sets out the terms and conditions of your investment. The details of this document together with the Schroders' application form set out the terms on which Schroders provides services to you in relation to your investment. These items are, and all future communications will be, produced in English and shall be governed in accordance with English law and Schroders and you agree that the English courts will have exclusive jurisdiction in respect of any dispute between you and Schroders.

The following features apply to investments in unit trusts and ISAs. Please refer to the relevant sections for specific features of each type of investment.

Schroders' range of Funds

The Funds

The funds are collective, open-ended investment schemes, denominated in sterling. They are structured as unit trusts and are authorised in the UK by the Financial Services Authority.

Its Aims

A unit trust is a type of fund which allows you to gain exposure to a selection of different underlying shares or securities. Each fund has a specific aim which determines the types of shares or securities in which it invests. These are detailed on each of the fund information pages.

Your Commitment

To invest in a Schroders Unit Trust you will need a lump sum investment of at least £1,000. If you wish to top up your investment you can do so with any amount over £500. As an alternative, you may invest £50 a month. You can start and stop investing whenever you like by informing us in writing.

If a holding falls below the minimum holding (£1,000) then Schroders reserves the right to redeem the units on behalf of the holder.

There is no minimum term that you must hold your investments for, although you should note that if you sell your units shortly after purchasing them you are likely to make a loss on your initial capital due to the difference between the buying and selling price.

If you invest in unit trusts you should be aware that there are risks involved.

The risks

Most importantly

Most importantly you may not get back what you originally invested when you sell. Both your initial capital sum and the income the investment may pay can go down as well as up due to price fluctuations in the financial markets outside Schroders' control.

You should be aware that the past performance of your investment is not an indicator of its future performance. For fund specific risks please refer to the individual fund information pages.

Market risk

– which is the risk of losses due to adverse market movements in assets held by the fund, or rates or changes in the anticipated or calculated price fluctuations of these movements (volatility risk).

Interest rate risk

– which is the risk that changes to a market's interest rate may have an adverse impact on the market value of a portfolio, and is the main risk impacting the price.

Credit risk

– which is the risk that an issuer will default on repaying the capital amount. This is particularly relevant for bonds where the default risk is also relevant with regard to payments of income and/or redemptions.

Foreign exchange (FX) risk

– which is a risk that occurs where an asset is held in the fund in a currency other than base currency of the fund, meaning the asset will be affected by changes in the exchange rate between currencies.

Liquidity risk

– the risk that a position cannot be liquidated (sold) in a timely manner at a reasonable price.

Unit Trust ISA investments

What is an ISA?

An ISA is a tax-efficient investment product. Investments can be made in a cash component (maximum £3,600) or a stocks and shares component (maximum £7,200) or a combination of these. Please note that from 6 October 2009 investors who are 50 years of age or over, or those who will be 50 by 5 April 2010, will be able to increase the amount that they invest into tax-free savings to £10,200 per year. Up to £5,100 of this can be invested in a cash component. This increase will be extended to all investors from 6 April 2010.

Investing in Schroders' Funds

The Schroders Unit Trust ISA

The Schroders ISA allows you to invest up to £7,200 in a stocks and shares component (Schroders does not offer a cash ISA). See page 3 for changes to the ISA limit from 6 October 2009.

How do I invest?

Unit Trust

Complete and return application form number 3 from the enclosed booklet or send clear written instructions. Alternatively telephone 0800 718 788.

Unit Trust ISA

Complete and return application form number 1 from the enclosed booklet.

Who do I make the cheque payable to?

You should make your cheque payable to Schroder Investments Limited (Unit Trust ISA) or Schroder Unit Trusts Limited (Unit Trust).

When will my direct debit be collected?

Your direct debit will be collected on or around the 10th of each month. ISA direct debits will automatically rollover into the next tax year unless you notify us differently.

When will my Unit Trust/Unit Trust ISA be opened?

The price of units is calculated at a set valuation point on each business day (details of which are available from Schroders). We will invest your money on the day we receive your application, if it is before the valuation point of the fund, or otherwise on the following working day.

How will my units be registered?

All unit trust investments are registered in your name. All ISA investments are held jointly in the names of yourself and Schroders.

What price will I get when I place my Unit Trust/Unit Trust ISA deal?

Dealing will be carried out on a forward basis. This means the price at which you buy units will not be available when you place your deal. Your contract note will show the price at which you have bought your units. The price of units is calculated at a set valuation point on each business day. Details of valuation points are available from Schroders or your financial adviser. If you place your deal after the valuation point, the price you receive will be the price valued on the following business day. All cash received will, pending investment, be credited to a non-interest bearing client money account.

Will I have cancellation rights?

If you have received advice from an authorised financial adviser, you are entitled to a 'cancellation' period of 14 days, from the receipt of your notice of cancellation rights. During this time, if you change your mind, simply complete and return the cancellation form (which will be sent to you with your confirmation letter). We will sell the investments made on your behalf and send you the

proceeds including a refund of any initial charges, less any fall in the unit price. If you have invested in a Unit Trust ISA and change your mind during the cancellation period, you will be able to open another ISA of the same type in the same tax year. However, if you change your mind after 14 days, you will have to sell your ISA, and will not be allowed to open another stocks and shares ISA in the same tax year.

What documentation will I receive?

Shortly after you invest you will receive a confirmation letter and contract note and if applicable a name slip which should be returned as instructed. It will show the price and date at which you have bought your units. We do not issue unit certificates so we suggest that you retain the contract note. A statement will be sent twice a year as at 5 April and 5 October. You will also receive a Short Manager's Report twice a year giving current details of investments and a commentary from the fund manager. The Long Manager's Report is available to view on www.schroders.co.uk or may be requested by contacting Investor Services on 0800 718 777.

How and when will I receive my income?

There are two types of units available – income units and accumulation units. If you choose accumulation units the income generated from your investment is not paid directly to you, but is paid into the fund and increases the value of the units. Any repayments of tax received are re-invested to buy additional units on your account. If you choose to invest in income units any income (including repayments of tax received) will be paid into your bank account by Direct Credit. Income arising in respect of income units will be paid out monthly, quarterly, half yearly or annually depending on the distribution frequency of the relevant fund.

What are my tax liabilities?

Unit Trust

These will depend on your personal circumstances. Investors who are UK tax residents, and are lower or basic rate taxpayers will have no income tax liability but they may be liable to capital gains tax when selling units. Higher rate taxpayers may be liable to further tax on income and for capital gains tax when selling units. Capital gains realised within the fund are exempt from capital gains tax.

Investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the UK, are recommended to seek professional advice.

What are the current tax advantages?

Unit Trust ISA

Schroders will claim back a repayment of tax of 20% on income payments from bond funds. Any income that you receive from your ISA will be free from any further income tax – even if you are a higher rate taxpayer. When you eventually come to sell your investment the capital value will be free from capital gains tax.

What do I have to tell HM Revenue and Customs?

Nothing – you do not have to declare your ISAs in your tax return.

Can I invest in an ISA if I am living abroad?

You cannot open an ISA whilst living or working abroad unless you are a Crown Employee or the spouse of, or in a civil partnership with a Crown Employee working abroad. You can invest in one before you go, but you cannot make any further contributions to it whilst you are living abroad.

Can I add to my Unit Trust/Unit Trust ISA?

Yes. Let us know in writing how much you wish to add and into which fund (or funds) and send us a cheque made payable to Schroder Unit Trusts Limited (Unit Trust) or Schroder Investments Limited (Unit Trust ISA). Please quote your account number. Please remember, if adding to your Unit Trust ISA you cannot exceed your £7,200 annual contribution limit*. Alternatively telephone 0800 718 788 (Unit Trusts only).

*Please refer to Unit Trust ISA investments section on page 3 for details of changes to ISA allowances from 6 October 2009.

Can I switch between funds once my Unit Trust/Unit Trust ISA is open?

Yes. You can instruct us in writing to switch between funds. Alternatively telephone 0800 718 788 (Unit Trusts only). The relevant unit price shall be determined by reference to the next valuation point following receipt of your instruction. The units will be sold at the relevant unit price and new units will be bought at no initial charge. Please note that a charge will be incurred if your agent takes commission in relation to the switch transaction.

Do I have to keep my Unit Trust/Unit Trust ISA for a minimum length of time?

No, you can sell all or part of your investment whenever you like. If you do want to sell part or all of your investment, simply write and let us know. Alternatively telephone 0800 718 788 (Unit Trusts only). Remember, it is the contributions into your ISA which count towards the annual limit (£7,200)*. Once you have withdrawn cash from your ISA you will be unable to put it back in the same tax year.

How do I sell my Unit Trust/Unit Trust ISA and how quickly will I get my proceeds?

You can instruct Schroders or your financial adviser to sell units in writing, by telephone or by signed fax. We will sell your holdings on the day of receipt of your instructions, provided they are received before the fund's next valuation point. We will then send a cheque for the proceeds to you by the close of business four working days later, provided we have received your signed confirmation. If (after you have sold your units) you have less than the minimum investment of £1,000 we may sell all your remaining units on your behalf. Sales of units will take place at the next dealing price determined at the valuation point following the receipt by Schroders of instructions from you.

Can I transfer my ISA investments between different managers?

If you have taken out an ISA in the current tax year, the rules require you to transfer out your entire ISA holding for that tax year.

Because Schroders previously merged unit trust ISAs from different tax years, it will not always be possible for us to transfer your precise investments from a specific tax year. For transfer purposes, Schroders calculates your current tax year's ISA holding as the total of all your contributions over the current tax year. This may mean that if the value of your current year's ISA is lower than the sum of your current year's contributions, we may have to transfer investments from a previous year's ISA to make up the difference. However if you hold ISAs from previous tax years, you can indicate how much of your accrued ISA investments you wish to transfer.

To make such a transfer, please complete application form number 2.

Additional Information for investors in Schroders' Multi-Manager Funds and Schroder Global Property Securities Fund

Can I make a regular withdrawal?

For Schroder Multi-Manager Cautious Managed Fund, Schroder Multi-Manager Strategic Balanced Fund and Schroder Global Property Securities Fund you can select to make a regular withdrawal. This can be paid out monthly, quarterly or half-yearly.

The minimum withdrawal amount is £30 per month or a maximum of 7.5% of the value of your investment annually. There is a minimum initial investment of £5,000 required for this facility. Please note the Regular Withdrawal Facility is only available on Accumulation units.

If you choose to withdraw a regular fixed percentage of your investment, any lump sum withdrawal or switch may result in a reduction in the amount you would receive for your regular withdrawals, regardless of any increase in the value of your investment.

Please note that if you choose to make regular withdrawals and these exceed the return generated by the portfolio, part of your withdrawal amount may be drawn from your original investment. In order to generate the regular withdrawals, we will be selling units from your account.

Once the withdrawal facility is set up, it may continue until your investment is zero, or the facility is cancelled. Please note that we do not monitor the withdrawal amount on an on-going basis. The onus is on you to ensure that you wish to continue with the facility or cancel it.

Fund information

The following information relates to the details provided on the individual fund information pages. The information provided on each fund should be read alongside this document and considered before you make your investment with us.

How did we do our calculations in the fund information pages?

We chose our minimum investment amount of £1,000 for all our investments. We then deducted the initial costs represented by the 'spread'. This is the difference between the buying price of units and the price you would get if you sold immediately. If you would like to find out what the most recently quoted spread is, please contact Schroders or your financial adviser. We then assumed that a unit trust outside an ISA investment grows at 6.0% a year and an ISA at 7.0% a year. These are standard growth rates, which will allow you to compare charges with other unit trusts. We also made allowance for the annual management charge plus other administration expenses such as fees to suppliers including auditors, trustees etc that are charged to the funds. We have shown these charges after tax relief where appropriate. Costs of dealing in the underlying securities are not included.

The effects of charges and expenses per fund for both unit trust and ISA investments are set out in tables on the fund specific pages.

The calculation of the reduction in yield figures are based on audited full year Total Expense Ratios (TERs) or interim period TERs, or where applicable estimates for funds which have not been in operation for a full year, and prices of the funds as at 4 February 2009.

What is a Total Expense Ratio?

The TER shows the annual operating expenses of the fund. The TERs are stated to help you compare the annual operating expenses of different funds and have been calculated as at the fund's last accounting period. The TER of each fund is detailed in the fund information section on the fund specific pages that follow.

What does the Portfolio Turnover Rate (PTR) figure represent?

Transaction costs are incurred when the fund deals in securities. The PTR formula reflects the volume of trading within a fund. It is calculated using a prescribed formula:

$$\frac{(\text{purchases of securities} + \text{sales of securities}) - (\text{subscription of units} + \text{redemption of units})}{(\text{average fund value over 12 months}) \times 100}$$

The higher the PTR, the higher the transaction costs are likely to be, which may impact on performance. However, a high PTR may result from a deliberate strategy whereby fund managers take market opportunities to enhance performance, in certain instances the PTR may be unusually high or low, or even negative. Generally equity funds have lower PTRs than bond funds. The PTR of each fund is detailed in the fund information section on the fund specific pages that follow.

What is the effect of charges born by the investor on the return of the fund?

The Reduction in Yield (RIY) is used to illustrate the amount by which the returns from a fund are reduced by the charges including entry and exit commissions and other expenses paid directly by the investor.

Additional Information

How are the funds taxed?

As the funds are authorised unit trusts, they are exempt from UK tax on capital gains realised on profits made on the investments held within the funds. Certain funds may invest in offshore funds which, in certain circumstances, may give rise to gains which are categorised as income rather than capital gains for UK tax purposes and so are chargeable to corporation tax.

Dividends from UK companies (and any part of dividend distributions from authorised unit trusts and open-ended investment companies which represent those dividends) are not subject to corporation tax. The funds will each be subject to corporation tax at 20% on other types of income but after deducting allowable management expenses and the gross amount of interest distributions, where relevant. Where a fund suffers foreign tax on income received, this may normally be deducted from the UK tax due on that income.

SDRT – what is it and who pays it?

The Finance Act 1999 introduced stamp duty reserve tax (SDRT) on certain dealings in units of unit trusts that replaced the previous stamp duty arrangements. The trustee of the unit trust has the liability to pay the SDRT to HM Revenue and Customs.

Schroders' chosen policy on SDRT is to recover the cost of SDRT directly as a charge on the property of the funds and Schroders considers that this policy will not have a significant effect on performance. However in the case of redemptions of £100,000 or more in value, Schroders reserves the right to charge SDRT to unitholders at the time of dealing. The frequency of application of this policy being implemented on individual large deals has been low in the past but is dependant on the pattern of dealing in individual funds. As stated above, this will have the effect of reducing the proceeds payable by up to a maximum of 0.5%.

This will not affect redemptions with a value of less than £100,000.

How will investors be taxed?

Income and capital gains received by the investor are taxed according to the individual investor's tax status and residence. Investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the UK, are recommended to seek professional advice.

Who is the unit trust manager?

Schroder Unit Trusts Limited, 31 Gresham Street, London EC2V 7QA. Schroder Unit Trusts Limited is authorised and regulated by the Financial Services Authority and is entered on the FSA register under register number 197288. The principal business of the manager is the management and administration of collective investment schemes.

Who is the plan manager of my ISA?

The ISA manager is Schroder Investments Limited, 31 Gresham Street, London EC2V 7QA. Schroder Investments Limited is authorised and regulated by the Financial Services Authority and is entered on the FSA register under register number 122305. The principal business of the plan manager is the provision of ISA administration services and marketing of unit trusts.

Who are the trustees?

JP Morgan Trustee and Depositary Company Limited, Chaseside, Bournemouth BH7 7DA.

Who is the administrator?

International Financial Data Services (UK) Limited administers your investment on behalf of Schroder Investments Limited and Schroder Unit Trusts Limited.

What is the administration address?

Schroders, PO Box 1102, Chelmsford CM99 2XX.

Who are the auditors?

PricewaterhouseCoopers LLP, Hay's Galleria, 1 Hay's Lane, London SE1 2RD.

Who is the Competent Authority?

The funds are authorised by the Financial Services Authority, 25 The North Colonnade, Canary Wharf E14 5HS. Telephone number: +44(0)20 7066 1000.

General Information

What is my best source of information about my ISA or Unit Trust?

Please contact Schroders or your financial adviser for the Unit Trust Fund Prospectus, Short and Long Reports and Fund Fact Sheets (these are available free of charge). All other information about Schroders' funds is available on request from Schroders at the following address: Schroders, Investor Services, PO Box 1102, Chelmsford CM99 2XX. Telephone number: 0800 718 777

Where can I find the latest prices and yields for my fund?

The dealing prices of the unit trusts and the latest income yield can be found in the unit trust prices section of the Financial Times newspaper. Prices can also be found on the internet at: www.schroders.co.uk/prices

How much will any advice cost?

We only provide you with information about Schroders' products and will not offer any advice based on individual circumstances.

If you are in doubt as to whether a product is suitable for you, you should consult a financial adviser. In some cases they will receive commission from Schroders. Such commission may be paid in relation to initial investments or switch instructions. In relation to initial investments this is taken from our charges and the amount will depend on the size of your investments and the period over

which you make or retain them. Your adviser will give you details of the amount of commission they will receive as a result of your investment. Where commission is not paid, you may have to pay a fee to your adviser.

Please note a charge will be incurred if your agent takes commission in relation to a switch transaction.

Who can I complain to if I am not satisfied with the service I receive?

You can write to the Head of Investor Services, Schroders, PO Box 1102, Chelmsford CM99 2XX.

You can also request a copy of Schroders' written internal complaints procedures by writing to the above address or contacting Schroders Investor Services on 0800 718 777.

If Schroders fails to resolve your complaint satisfactorily you also have the right to refer the complaint to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR.

What happens if Schroders is unable to meet its liabilities?

In the event of Schroders being unable to meet its liabilities, you may be entitled to compensation under the Financial Services Compensation Scheme. Currently, the maximum level of compensation you can receive from the Scheme for a claim against an investment firm is £48,000 (100% of £30,000 and 90% of the next £20,000) per person. For further information on the scheme, you can contact the Financial Services Authority or the Financial Services Compensation Scheme or visit www.fscs.org.uk

What happens if Schroders is unable to contact me?

If a client fails to make contact with Schroders for a period of 6 years, Schroders reserves the right to retain the proceeds of any individual cash balances that remain unclaimed. We will make all reasonable attempts to contact the client including writing to them at their last known address and ensuring that there have been no further transactions on their account during this time. Please note that if at any time the client resumes contact with Schroders, Schroders will repay all amounts owing.

Money Laundering

The Money Laundering Regulations 2003 (as amended from time to time) require us to make checks on various transactions. Independent documentary verification may be required for both the identity and permanent address of the applicant opening an account. This may also apply to existing account holders. Processing of your instruction, any further instructions or payment due to you may be delayed, pending receipt of satisfactory evidence. Signing of the application form represents permission from you to make any necessary electronic searches of the electoral roll and credit reference agencies. These agencies may keep a record of our enquiry. Paying for any lump sum investment

by a cheque drawn on your personal (or joint) bank or building society account reduces the need for us to obtain documentary evidence. Where you are investing money using a building society branch cheque or banker's draft, please arrange for them to certify, on the cheque, the name and account number of the client from whose account payment is being drawn, together with the branch stamp. Third party cheques will not be accepted.

Beneficial Owners

Under UK legislation to prevent money laundering, the manager/authorised corporate director of the unit trust/open-ended investment company is required to verify the identities of investors. In the case of corporate bodies, trusts and other legal arrangements, it is also required to establish the identity of any trustees or other controllers (who have greater than 25% control of the body corporate or property of the trust) that are not named on the application. In addition, it is also required to establish the identity of any individuals who have a specified beneficial interest in the unit/shares. The applicant retains legal title to the unit/shares and instructions will only be accepted from the applicant. The beneficial owner details are required for money laundering purposes only.

For companies, the beneficial owner that must be listed are any shareholders or other individuals that ultimately own or control more than 25% of the voting rights or are entitled to more than 25% of the company's profits. Note that they may not necessarily be the actual shareholders in the company. Directors of a company do not need to be listed unless they fall within this definition. For trusts and other similar arrangements, the beneficial owners are individuals nominated to benefit from more than 25% of the trust property, as well as any trustees that exercise control.

European Savings Directive

Schroders is required by the European Union Savings Directive to report payments made by certain funds to investors living in other EU member states to HM Revenue and Customs. In general this requirement applies only to bond funds and our Multi-Manager range of funds.



Data Protection Act

For the purposes of the Data Protection Act 1998, the data controller in relation to any personal data you supply Schroder Unit Trusts Limited. Information you supply may be processed for the purposes of investment administration by any company within the Schrodgers group, by third parties who provide services to Schroder Investments Limited or Schroder Unit Trusts Limited and by your financial adviser, and such processing may include the transfer of data out of the European Economic Area. You hereby consent to the processing of your personal data by Schrodgers and the persons listed above for such purposes. We will not keep your information for longer than is necessary and will take steps to ensure that it is kept up to date. You have a right under the Data Protection Act 1998 to ask what information we hold about you. You can do this by writing to Head of Investor Services, Schrodgers, PO Box 1102, Chelmsford CM99 2XX. w33339

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