

Schroder International Selection Fund*

Global Energy

Why invest in Global Energy?

We believe the energy sector is inefficient on two levels; short-term sentiment makes shares more volatile than their fundamentals, and the typical investor fails to look far enough into the future when valuing energy companies.

In addition, although oil prices remain close to multi-year highs, both medium and long-term structural issues point to elevated oil and gas prices being justified and sustainable. Demand growth has exposed structural issues and dynamics that will continue to challenge the energy industry for the foreseeable future, due to:

- severe under-investment both in exploration activity and production/refining capacity
- the remaining reserves of historically self-sufficient OECD nations (Organisation for Economic Co-operation and Development) are now in decline
- lack of complex refining capacity globally
- increasing pressure to source gas from both unconventional domestic basins and from international markets in the form of LNG (Liquified Natural Gas).

Why invest in this fund?

- **Global best ideas:** Schroder ISF Global Energy is a highly focused fund (20 – 30 stocks) driven by fundamental research. We choose highest conviction ideas from the team that manages and advises on a total of over US \$21 billion of Schroder energy section investments worldwide¹
- **Experienced team:** our experienced team of two top-rated analysts/portfolio managers are supported by five regional analysts, who have combined investment experience of over 70 years in the sector
- **Positive structural trends:** market dynamics are supportive of the long-term bull case for energy sectors. Mid-term structural/cyclical themes create opportunities for intelligent and active management to exploit
- **Index unconstrained:** using an index – unconstrained approach, a research-driven, active fund manager such as Schroders is able to exploit opportunities across the entire energy universe. The unconstrained approach means you gain access to the best energy opportunities available.

¹ Source: Schroders as at 31 December 2007.

Our investment approach

We believe that:

- the best investment ideas are identified by adopting a long-term perspective, and by using proprietary fundamental research to identify the intrinsic value of each company
- further value can be added through a willingness to be patient and contrarian and to exploit price fluctuations driven by shorter-term factors.

Our investment process

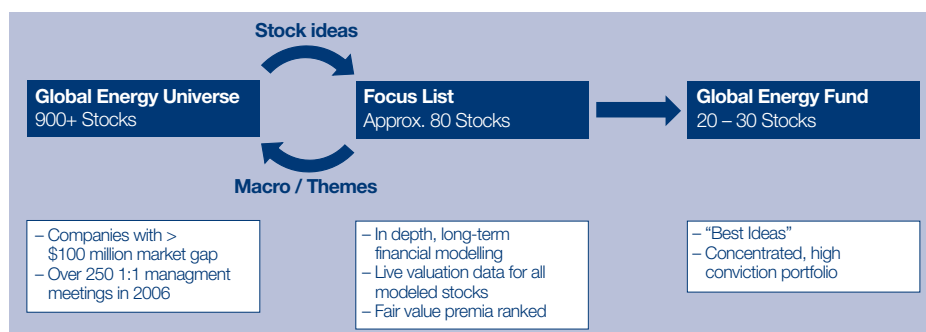
Step 1, Research: The investment process is driven by stock-level research, and a focus list of over 80 companies for which the global energy team maintains detailed, long-term, asset-by-asset production profile and financial models. With over 750 companies in the global energy universe, narrowing the number to the 80+ stocks on the focus list is an important step and is done by utilising a combination of bottom-up and top-down inputs that leverage the energy team's long experience and broad network of industry contacts. The principal bottom-up influence is direct contact with companies. Schroders' energy analysts have unparalleled access to senior and operational management and this information is of crucial importance in building 'the bigger picture' so that the team can identify bottlenecks (e.g. global refining capacity) and broader themes (e.g. growing gas dependency and LNG demand).

This bottom-up-derived 'supply' picture is then combined with our view on the macro outlook for demand (GDP) to drive the team's pricing forecasts for use in both modelling energy company earnings, and as a macro input to all Schroder stock level research globally. Drawing all these inputs together creates a view of the future that informs the generation of stock ideas to lift out and include on the detailed coverage 'focus list'.

Step 2, Portfolio Construction: The top 30 stocks on the ranked list comprise of our best energy ideas and form the basis for Schroder ISF Global Energy portfolio construction.



Schroders



Source: Schroders as at January 2008.

Our investment team

Schroders has an expert team of seven energy specialists with a combined total of over 70 years' investment experience. The team is thus well equipped to recognise the particular challenges of researching the energy sector.

The bulk of the universe (US, UK, Europe and Emerging Markets) is researched from London by John Coyle and Ben Stanton, the managers of the Global Energy product. They are supported on Asia Pacific by five local analysts: Chalit Masoodi, Junichi Minami, Tom Wilson, Dan Kwiatowski, Joanna Shatney, based in Singapore, Tokyo, London, Brazil and New York respectively.

Schroder ISF Global Energy comprises a focused portfolio of best ideas arising from this broad coverage.

Source: Schroders as at September 2007.

How does the fund fit into an investor's portfolio?

The fund is designed to provide a focused exposure to what is, we believe, a positive long term structural theme in energy. Broad market funds based along geographic lines are an imperfect way of gaining exposure to energy and mega-cap energy equity funds tend to be highly correlated with the sector index. Schroder ISF Global Energy targets the best ideas on a global basis irrespective of benchmark constraints and size of market capitalisation.

Investing in energy equity funds has the added advantage of low correlation with the broader equity asset class, even displaying lower correlation when compared with commodities². The fund would suit investors with a core/specialist approach to investing and would enhance total portfolio diversification across a number of asset classes.

² Source: Goldman Sachs - Commodities – Diversification between Beta and Alpha, 2005.

Fund Terms

Fund Aim	To provide capital growth primarily through investment in securities of companies active in the energy sector.
Structure	A sub-fund of Schroder International Selection Fund (the "Company"). The Company is a Luxembourg-registered UCITS recognised in the UK under Section 264 of the Financial Services and Markets Act 2000.
Launch Date	30 June 2006
Benchmark	MSCI World Energy Sector Net TR USD
Fund Manager	John Coyle & Ben Stanton
Base Currency	USD
Minimum Investment	EUR 1,000 or USD 1,000 or their near equivalent in any other freely convertible currency.
A shares	
ISIN A shares	LU0256331488
Reuters A shares	LU0256331488.LUF
Bloomberg A shares	SCHGLAA LX

Risk warning: Past performance is not a guide to future performance and may not be repeated. Investors may not get back the full amount invested, as prices of shares and the income from them may fall as well as rise. Investment in this fund may expose the fund to market risks. Furthermore, these risks may be increased by investments in foreign currencies.

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