Schroder Investment Solutions

Quarterly Bulletin

Quarter 2 2021

Schroders

Marketing material

Contents

Introduction

Your portfolio is invested across a diverse range of investment markets, with the aim of achieving your long-term objectives.

In this Quarterly Bulletin we provide a review of the performance of investment markets over the quarter, and outline the current market outlook from our multi-asset team.

We then show you how your portfolio has performed.

To help you put this in some context, we explain where the main positive and negative contributions to performance have come from.

We also update you on any changes that we have made to the portfolio and the reasons why.

We hope that you find this information useful.

Alex Funk
Chief Investment Officer
Schroder Investment Solutions

Market Performance

Q2 2021

2016	2017	2018	2019	2020	YTD	Q2 2021
US Equities 33.1	Asia Ex Japan Equities 29.4	Global High Yield Bonds 13.1	US Equities 25.7	Asia Ex Japan Equities 21.2	Commodities 30.0	Commodities 15.6
Commodities 32.8	EM Equities 25.4	Global Property 1.2	Europe ex UK Equities 20.0	US Equities 16.2	Global Property 14.9	Global Property 9.3
EM Equities 32.6	Europe ex UK Equities 15.8	Global Treasury Bonds 1.1	UK Equities 19.2	EM Equities 14.7	US Equities 13.7	US Equities 8.7
Global High Yield Bonds 27.9	Japanese Equities 15.6	UK Gilts 0.6	Global Property 18.3	UK Index-linked Gilts 11.0	UK Equities 11.1	Europe ex UK Equities 7.7
Asia Ex Japan Equities 25.8	UK Equities 13.1	US Equities 0.1	Japanese Equities 14.6	Japanese Equities 9.5	Europe ex UK Equities 10.4	UK Equities 5.6
Global Property 25.2	US Equities 10.4	UK Index-linked Gilts -0.3	EM Equities 13.9	UK Corporate Bonds 9.1	EM Equities 6.3	EM Equities 4.9
UK Index-linked Gilts 24.3	UK Corporate Bonds 4.9	UK Corporate Bonds -2.2	Asia Ex Japan Equities 13.6	UK Gilts 8.3	Asia Ex Japan Equities 5.3	UK Index-linked Gilts 3.6
Japanese Equities 23.4	Global Corporate Bonds 4.6	Global Corporate Bonds -2.7	Commodities 13.1	Europe ex UK Equities 7.5	Global High Yield Bonds 1.2	Asia Ex Japan Equities 3.5
Europe ex UK Equities 18.6	UK Index-linked Gilts 2.3	Japanese Equities -8.4	UK Corporate Bonds 11.0	Global Corporate Bonds 7.2	Japanese Equities 0.2	Global Corporate Bonds 2.4
UK Equities 16.8	UK Gilts 1.8	Commodities -8.5	Global Corporate Bonds 10.6	Global Treasury Bonds 4.6	Global Corporate Bonds -0.9	UK Corporate Bonds 2.0
UK Corporate Bonds 12.3	Global Property 1.8	Asia Ex Japan Equities -9.0	UK Gilts 6.9	Global High Yield Bonds 3.7	Global Treasury Bonds -2.1	UK Gilts 1.7
UK Gilts 10.1	Global Treasury Bonds 1.1	EM Equities -9.3	UK Index-linked Gilts 6.4	UK Equities -9.8	UK Corporate Bonds -2.8	Global High Yield Bonds 1.0
Global Corporate Bonds 5.8	Commodities -3.4	UK Equities -9.5	Global Treasury Bonds 5.5	Global Property -11.0	UK Index-linked Gilts -3.0	Global Treasury Bonds 0.6

Notes: All Indices in base currency. Indices used: BBgBarc Gbl Agg Corp TR Hdg GBP, BBgBarc Global Treasury TR Hdg GBP,FTSE Act UK Cnvt Gilts All Stocks TR GBP, FTSE Act UK Index link Gilts AS TR GBP, BBGBarc Global High Yield Yld USD, FTSE AllShTR GBP, FTSE EPRA Nareit Developed TR USD, MSCI EM NR USD, MSCI Europe Ex UK NR EUR, S&P 500 TR USD, TOPIX TR JPY, BBgBarc SterlingAgg Corp TR GBP

Market Performance

Q2 2021

Global equities advanced in Q2, supported by the accelerating roll-out of Covid-19 vaccines. Growth stocks outperformed more lowly valued parts of the market.

The second quarter was strong for US equities, and indeed the S&P 500 reached a new all-time high in late June. Tech giants like Apple, Alphabet and Microsoft made strong gains over the quarter. By sector, energy, IT, communication services and real estate were amongst the strongest areas of the market. Utilities and consumer staples lagged.

Eurozone shares gained in the quarter, supported by a strong corporate earnings season and an acceleration in the pace of vaccine roll-out in the region. Many European countries saw Covid-19 infections fall over the quarter and were able to loosen restrictions on social and economic activity.

UK equities performed well over Q2, although beneath the strong headline figure the quarter was mixed. Markets were largely driven by lowly valued and economically sensitive sectors during April and May, continuing a trend in train since November which has been beneficial to the UK. Amid improving sentiment global fund managers reported being “overweight” the country for the first time since 2014.

Japanese shares underperformed other developed markets in Q2. Although the rate of Covid infections in Japan remained markedly below most other countries, the persistent increase in cases led the government to delay lifting the state of emergency until 20 June. This, together with initial slow progress in the vaccine roll-out, further damaged the credibility of the Suga administration.

Emerging market equities registered a strong return over the second quarter. This was despite a sell-off in May as higher-than-expected US inflation renewed concerns over the timing of global monetary policy tightening. Brazil was the best-performing market in the MSCI Emerging Markets index, with currency strength amplifying gains. Central bank actions to tighten policy in the face of rising inflation, an acceleration in vaccine roll-out, an easing in fiscal concerns and renewed reform progress all boosted sentiment.

Government bond yields saw divergent performance. US 10-year yields fell (meaning prices rose) while yields rose in Europe. Corporate bonds outperformed government bonds.

Source: Schroders. Please note that any past performance mentioned in this document is not a guide to future performance and may not be repeated. Information is provided for illustrative purposes only and should not be considered as a recommendation to buy or sell.

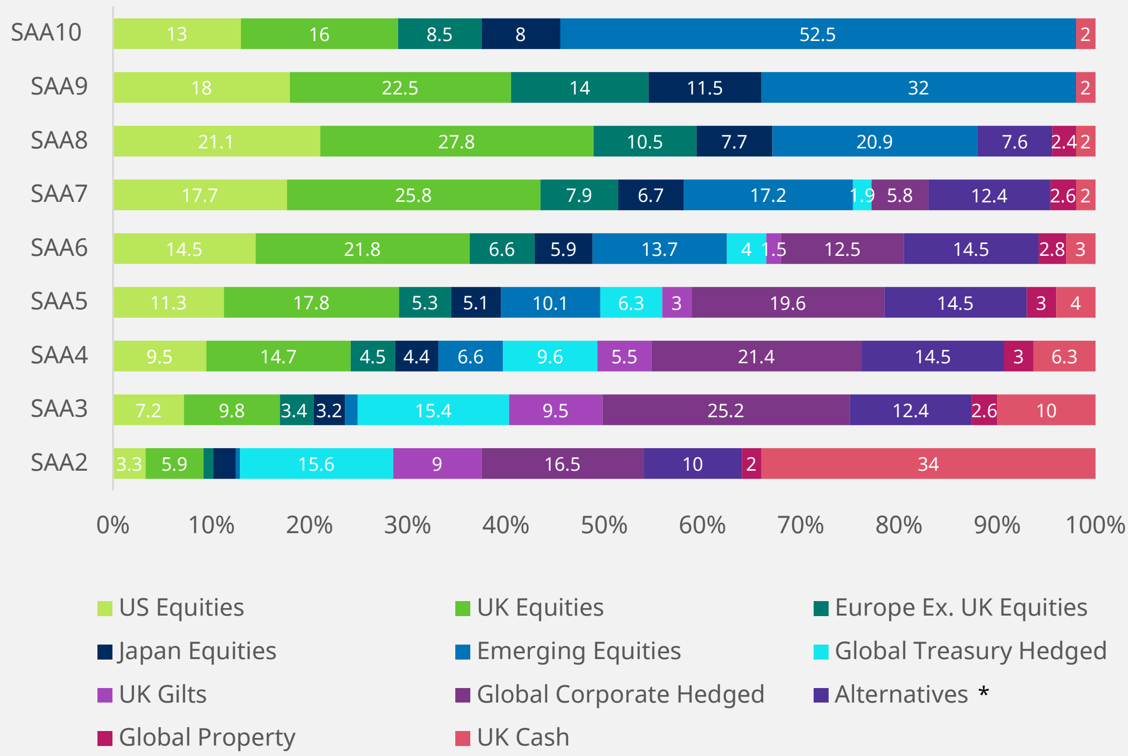
Market Performance

Q2 2021

We have a robust asset allocation framework with the right balance between asset classes, sectors and regions. Spreading all investments across a well diversified range of assets also helps to reduce risk. With the risk profiles of the Schroders Portfolios agreed, we design the optimal blend of asset classes to maximise returns for each level of risk. The chart below illustrates the asset class diversification across the Schroder Active Model Portfolios.

When it comes to investing, your goals and attitude to risk are as individual as you are, so a "one size fits all" approach won't do. Your financial adviser will work closely with you to understand what you are aiming to achieve and how much risk you are comfortable with taking. Together, these will determine your "risk profile" on a scale of 2–10 and this will form the foundation of your investment portfolio. A portfolio with the lowest risk level does not mean a risk-free investment.

Strategic Asset Allocation (SAA)



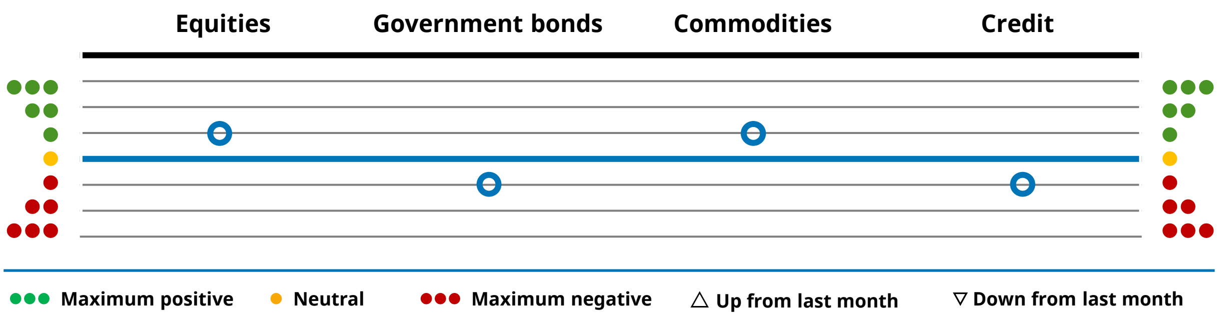
The chart illustrates the asset class diversification across the Schroder Active Model Portfolios 2-10. Please note that the illustration may not show our current asset allocation.

**Alternatives include non-traditional asset classes for example Commodities, Infrastructure, Real Assets and Emerging Market Debt*

Multi-Asset Investments

Q2 2021

Monthly views



MAIN ASSET CLASSES

Category	View	Comments
Equities	🟢	Strong corporate earnings, continued policy support and low bond volatility reaffirm our positive view. We continue to have a tilt in favour of cyclical/value.
Government bonds	🔴	Although valuations have slightly improved, we continue to believe break-even inflation rates will move higher and economic momentum will be a headwind.
Commodities	🟢	Supplies remain under pressure as stocks have plummeted to decade lows. Vaccine distribution and fiscal stimulus continue to support the economic recovery.
Credit	🔴 ▽	Valuations have increasingly become very expensive across developed markets while the outlook for technical factors appears less favourable going forward.

EQUITIES

Category	View	Comments
US	🟢	Corporate earnings continue to positively surprise while monetary stimulus remains supportive. Our preference is for economically sensitive/value over defensive/growth.
UK	🟢	The UK offers attractive exposure to the economic recovery and cheap valuations, but the strength of the pound still weighs on a market with high foreign revenues.
Europe	🟢🟢	A strong rebound in the pace of vaccinations coupled with support by the European Central Bank (ECB) leads us to believe that Europe will benefit from an expected reopening.
Japan	🟢	Vaccine rollout is improving quickly, which is beneficial for this export-led market as we expect the cyclical recovery to continue.
Pacific ex-Japan	🟢	We continue to favour Korea and Taiwan as their manufacturing outlook remains bright, with low semiconductor inventory and an environment of high global demand.
Emerging markets (EM)	🟢 △	We upgraded our view due to relatively attractive valuations as the market begins to recover from the effects of the virus.

Source: Schroders, June 2021. *Note: The views for equities, government bonds and commodities are based on return relative to cash in local currency. The views for corporate bonds and high yield are based on credit spreads (i.e. duration-hedged). The views for currencies are relative to the US dollar, apart from the US dollar which is relative to a trade-weighted basket.*

Please note any past performance mentioned is not a guide to future performance and may not be repeated. The sectors, securities, regions and countries shown are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Schroder Active Model Portfolios

Q2 2021

Schroder Active Model Portfolios Performance

	Q2 2021	YTD	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020	01/07/2018 - 30/06/2019	01/07/2017 - 30/06/2018	01/07/2016 - 30/06/2017	Since Common Inception (01/02/2008) - 30/06/2021
Schroder Active Portfolio 2	**1.65**	**0.74**	**3.69**	**1.78**	**2.09**	**1.43**	**5.71**	**3.25**
UK CPI	1.74	1.96	2.51	0.60	2.01	2.45	2.64	2.27
Schroder Active Portfolio 3	**2.80**	**2.00**	**8.13**	**2.28**	**4.23**	**3.39**	**8.53**	**5.74**
IA Mixed Investment 0-35% Shares	2.51	1.70	6.91	1.27	3.21	1.44	7.83	4.09
Schroder Active Portfolio 4	**3.61**	**3.36**	**12.02**	**2.27**	**3.36**	**4.71**	**12.99**	**6.93**
Schroder Active Portfolio 5	**4.21**	**4.68**	**15.61**	**1.85**	**2.86**	**6.59**	**15.68**	**7.52**
IA Mixed Investment 20-60% Shares	2.70	3.62	11.95	-0.71	3.02	2.49	11.91	4.80
Schroder Active Portfolio 6	**5.03**	**5.79**	**19.80**	**2.61**	**2.91**	**8.31**	**19.95**	**8.66**
Schroder Active Portfolio 7	**5.70**	**6.93**	**23.06**	**4.47**	**3.29**	**9.71**	**22.96**	**9.57**
IA Mixed Investment 40-85% Shares	4.97	6.68	17.39	0.10	3.71	4.99	16.29	6.24
Schroder Active Portfolio 8	**6.41**	**7.76**	**26.07**	**5.12**	**3.53**	**8.82**	**24.08**	**9.39**
Schroder Active Portfolio 9	**6.46**	**8.03**	**29.18**	**7.31**	**4.16**	**9.75**	**27.38**	**9.85**
Schroder Active Portfolio 10	**5.92**	**7.62**	**29.54**	**1.99**	**5.42**	**7.01**	**27.13**	**8.42**
IA Flexible Investment	5.15	7.48	19.75	0.38	2.93	5.16	17.79	6.23

Positive Contributors to Portfolio Performance

Fund Name	Fund Performance (Q2 2021)	Commentary
Brown Advisory US Sustainable Growth	13.0%	Technology and Healthcare delivered impressive performance as investors bought the dip following a pullback in growth stocks. IDEXX Laboratories, a provider of diagnostic, detection, and information systems for veterinary, food, and water testing applications was the best performer, +28.9% as it registered stellar first-quarter revenue growth.
Blackrock European Dynamic	+12.01%	The fund's overweight positions to Technology, Industrials and Consumer Discretionary were supportive in the review period. Lonza Group was a standout performer, +26.7% as it announced a 10-year strategic collaboration agreement to enable larger scale manufacture of Moderna's mRNA vaccine.
Lindsell Train UK Equity	+8.32%	Consumer Defensives are highly represented in this fund and with investors ignoring defensive and high dividend yields in favour of post-COVID recovery plays, the fund has struggled recently. Beverage companies, however, performed exceptionally well in the period, with Diageo, Heineken, Remy Cointreau and Fevertree all providing double-digit returns.

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Schroder Active Model Portfolios

Q2 2021

Negative Contributors to Portfolio Performance

Fund Name	Fund Performance (Q2 2021)	Commentary
Neuberger Berman Uncorrelated Strategies Fund	-1.74%	Performance was weak due to bearish positioning within the Global Macro sleeve (longs in the US Dollar against the Euro and Australian Dollar were the main sources of loss). These contrarian trades were to position against speculative crowding, stronger economic recovery in the US than Europe, and commodity currencies running ahead of commodity price recovery.
JPM Global Government Short Duration Bond	-0.11%	The expected timing of the first US interest rate hike shifted following the Federal Reserve's June 16 meeting. The median Fed member forecast for rates has now pencilled in two rate hikes by the end of 2023, up from zero in March. Shorter term interest rates adjusted higher in sympathy.
JOHCM Continental European	-0.10%	There were no big stock specific issues, more a cumulative number of smaller movements which have caused a headwind to performance. The biggest disappointments at a stock level came from Alstom, ASR and Volkswagen. Given the change in factor / style rotation over the period and as is often the case in this situation, the previous "winners" get hit disproportionately.

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Portfolio Updates

For the past decade, a preference for growth funds over value orientated strategies has been supportive of strong absolute and relative performance. This coincides with a prolonged period of low economic growth, low inflation, and low interest rates. In addition to this, several structural factors such as globalisation, technology, disruption, and the rise in passive investing have provided supportive tailwinds.

The team continues to see upside opportunities for value stocks relative to growth based on the economic rebound and the relative valuation opportunities. The road ahead is likely to be bumpy however, with phases of stops and starts linked to short-term developments in vaccine rollout, Covid-19 news flow and market expectations for inflation and interest rates.

Given the current view, the following changes have been implemented to neutralise the growth bias in the portfolios.

Source: Schroder Investment Solutions Quarterly IC Meeting – Sleeve Analysis June 2021, Information about the AUM (Assets Under Management) of Nikko AM Japan Value Fund (as of 31/03/2021). Performance data based Nikko AM Japan Value A JPY (oldest share class) Morningstar, bid to bid, net income reinvested, net of fees as of 30 June 2021.

Schroder Active Model Portfolios

Q2 2021

Portfolio Changes

US Equity – Reduce Brown Advisory US Sustainable Growth, Increase Dodge & Cox US Stock Fund

UK Equity – Sell Threadneedle UK, Reduce Lindsell Train UK Equity, Increase Ninety One UK Alpha and JOHCM UK Dynamic

European Equity – Reduce Blackrock European Dynamic and Miton European Opportunities, increase JOHCM Continental European

Japan Equity – Reduce JPMorgan Japan, add Nikko AM Japan Value (New fund)

Emerging Markets Equity – Reduce JPMorgan Emerging Markets, increase Artemis Global Emerging Markets

New Fund

Nikko AM Japan Value

Nikko manage over £200bn in assets and £90bn in Japanese equity investments, making them a significant investor in the market. The Japan Value strategy is over £3.78bn in size and has established solid performance numbers, outperforming the TOPIX total return index of the 2,100 leading companies in Japan over 1 year, 3 years, and 5 years. Delivering returns in a period where there has only really been one year of significant value outperformance is highly credible, indicating the fund has avoided value traps.

The strategy has been led by the same Portfolio Manager since 1996, utilising a research driven approach, which although bottom-up focused, is macro aware. The broader Japanese equity market is under-researched, so applying a time-tested contrarian value approach to proprietary on-the-ground research is critical to long-term outperformance. There are some differentiating features within this value approach, one of which is a focus on companies which realise that they need to change to survive, and on businesses whose products are ones that society has a need for.

Source: Schroder Investment Solutions Quarterly IC Meeting – Sleeve Analysis June 2021, Information about the AUM (Assets Under Management) of Nikko AM Japan Value Fund (as of 31/03/2021). Performance data based Nikko AM Japan Value A JPY (oldest share class) Morningstar, bid to bid, net income reinvested, net of fees as of 30 June 2021.

Schroder Income Portfolio

Q2 2021

Schroder Income Portfolio Performance

	Q2 2021	YTD	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020	01/07/2018 - 30/06/2019	01/07/2017 - 30/06/2018	01/07/2016 - 30/06/2017	Since Common Inception (01/04/2018) - 30/06/2021
Schroder Income Portfolio	**3.17**	**4.96**	**10.85**	**-7.69**	**2.39**	**—**	**—**	**2.09**
IA Mixed Investment 20-60% Shares	2.70	3.62	11.95	-0.71	3.02	2.49	11.91	5.17

Positive Contributors to Portfolio Performance

Fund Name	Fund Performance (Q2 2021)	Commentary
Montanaro UK Income	+10.33%	A strong contribution from the Technology and Industrial sectors drove performance. DiscoverIE Group, a supplier of customised electronics was a standout holding, returning +42.45% as it raised its annual dividend pay-out to 10.15 pence from 2.97p and reported a record year end order book, up 11% organically.
Schroder Global Cities Real Estate	+8.98%	A 'Goldilocks' environment of low interest rates and strong demand for real assets has been a positive backdrop for real estate. Over the quarter, the fund performed well both in absolute and relative terms with Deutsche Wohnen the top performer following a take-out offer from a rival.
Artemis US Select	+7.22%	This fund adopts a flexible approach to stock-picking, changing focus as the economic and market cycle changes. The recent overweight in US domestic earners and in cyclical stocks such as industrials and financials, whose earnings respond as activity in the economy picks up, have been beneficial to performance.

Negative Contributors to Portfolio Performance

Fund Name	Fund Performance (Q2 2021)	Commentary
Baillie Gifford Japanese Income & Growth	-0.85%	The Financial Services sector was the leading detractor to fund performance. The Bank of Kyoto was down -26.41% as banks suffered from a deteriorating backdrop: notably a flattening of the yield curve and a more challenging lending environment.
Schroder Asian Income	-0.38%	Risk appetite remains heavily influenced by the flow of data surrounding the Covid-19 pandemic and the knock-on implications for economic activity. In addition to this, regulatory concerns over China's technology sector have weighed on the market.
JPM Global Government Short Duration Bond	-0.11%	The expected timing of the first US interest rate hike shifted following the Federal Reserve's June 16 meeting. The median Fed member forecast for rates has now pencilled in two rate hikes by the end of 2023, up from zero in March. Shorter term interest rates adjusted higher in sympathy.

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Schroder Income Portfolio

Q2 2021

Portfolio Updates

The Income portfolio naturally leans towards a blend/value style given the income mandate. The portfolio had recently undergone a review to neutralise the value exposure and it would be difficult to achieve a sufficient level of income if tilted much further from current positioning.

Whilst we are not proposing any changes to the equity component of the Income portfolio, we are implementing changes within the corporate bond allocation. The investment team currently view investment grade credit as quite expensive, given how far credit spreads have tightened, coupled with the extended duration risk present in this asset class. We feel better opportunities exist elsewhere in credit markets and the opportunity to access these is best suited to strategic bonds managers with flexible mandates.

Portfolio Changes

Corporate Bonds – Sell Blackrock Corporate Bond. Increase Jupiter Strategic, Schroder Strategic and TwentyFour AM Dynamic Bond

Source: Schroder Investment Solutions Quarterly IC Meeting – Sleeve Analysis June 2021

Schroder Strategic Index Model Portfolios

Q2 2021

Schroder Strategic Index Model Portfolios Performance

	Q2 2021	YTD	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020	01/07/2018 - 30/06/2019	01/07/2017 - 30/06/2018	01/07/2016 - 30/06/2017	Since Common Inception (01/02/2011) - 30/06/2021
Schroder Strategic Index Portfolio 2	**1.82**	**0.66**	**3.08**	**2.98**	**3.24**	**1.45**	**4.84**	**4.20**
UK CPI	1.74	1.96	2.51	0.60	2.01	2.45	2.64	1.92
Schroder Strategic Index Portfolio 3	**2.79**	**1.94**	**6.52**	**3.81**	**3.93**	**3.06**	**8.71**	**6.52**
IA Mixed Investment 0-35% Shares	2.51	1.70	6.91	1.27	3.21	1.44	7.83	4.26
Schroder Strategic Index Portfolio 4	**3.42**	**3.66**	**9.80**	**3.08**	**3.90**	**4.29**	**12.02**	**7.42**
Schroder Strategic Index Portfolio 5	3.85	4.94	12.40	2.33	4.80	5.11	15.50	7.82
IA Mixed Investment 20-60% Shares	2.70	3.62	11.95	-0.71	3.02	2.49	11.91	5.18
Schroder Strategic Index Portfolio 6	**4.29**	**6.14**	**15.41**	**1.77**	**4.45**	**5.69**	**18.21**	**7.98**
Schroder Strategic Index Portfolio 7	**4.74**	**7.62**	**19.02**	**0.50**	**4.05**	**6.35**	**21.03**	**8.32**
IA Mixed Investment 40-85% Shares	4.97	6.68	17.39	0.10	3.71	4.99	16.29	6.83
Schroder Strategic Index Portfolio 8	**5.14**	**8.73**	**21.59**	**-0.96**	**5.54**	**6.04**	**22.72**	**7.59**
Schroder Strategic Index Portfolio 9	**5.06**	**8.40**	**22.44**	**-0.94**	**5.79**	**6.17**	**25.16**	**7.07**
Schroder Strategic Index Portfolio 10	**4.94**	**7.81**	**22.57**	**-0.70**	**6.67**	**5.84**	**25.43**	**6.53**
IA Flexible Investment	5.15	7.48	19.75	0.38	2.93	5.16	17.79	6.75

Positive Contributors to Portfolio Performance

Fund Name	Fund Performance (Q2 2021)	Commentary
iShares Global Property Securities Equity Index Fund	+8.08%	Property Securities have made a strong recovery in 2021, with the pace of improvement driven by the availability and effectiveness of a vaccine. Property sectors that support the digital economy such as data centres, cell towers, and industrial parts of the REIT (Real Estate Investment Trust) universe have enjoyed a burst in demand.
HSBC American Index	+7.8%	US equity markets continued to gain ground with the HSBC American Index rallying on the back of strong economic data. Improving retail sales were supportive of consumer discretionary stocks, which outperformed, along with information technology, which has been consistently resilient through the crisis.
HSBC European Index	+7.8%	European markets saw further gains supported by the reopening of regional economies and strong global goods demand. The top performing sectors included defensive areas such as consumer staples and real estate, which had lagged in the previous quarter as investors focused on more economically sensitive areas of the market.

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Schroder Strategic Index Model Portfolios

Q2 2021

Negative Contributors to Portfolio Performance

Fund Name	Fund Performance (Q2 2021)	Commentary
HSBC FTSE 250 Index	-1.01%	The FTSE 250 index, known as the mid-cap index, comprises a high percentage of domestically focused companies which had performed very well on re-opening hopes, but fell back quite sharply in June. Retailers and travel and leisure sectors performed poorly as the UK government delayed the date to further lift social distancing laws.
HSBC Japan Index	-0.17%	The slow vaccination campaign weighed on the relative performance of the Japanese equity market last quarter as the persistent increase in cases led the government to delay lifting the state of emergency until 20 June.
Vanguard Global Bonds	+1.01%	The Fed's hawkish policy views drove meaningful curve flattening (short-term rates increase more than long-term rates) as the market repriced expectation for interest rate hikes and future growth.

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Portfolio Updates

The Strategic portfolios already provide a blend of market exposures; however, we did have a conscious style and market cap bias present within the UK allocation due to emphasising exposure to the more domestically focussed FTSE 250 index. Given the objective to pick up more value exposure and neutralise positions within the portfolios, we felt it was prudent to reduce this active view we had taken more recently.

Many of the tailwinds for the FTSE 250 over its larger cap peer (FTSE All Share Index) have played out on the back of a stronger currency and more confidence in the UK economy as some of the uncertainties around Brexit and Covid-19 have lifted.

The team continues to see upside opportunities for value stocks relative to growth based on the economic rebound and the relative valuation opportunities. The road ahead is likely to be bumpy however, with phases of stops and starts linked to short-term developments in vaccine rollout, Covid-19 news flow and market expectations for inflation and interest rates.

Given the current view, the following changes have been implemented to reduce the style and market cap bias in the UK equity sleeve.

Portfolio Changes

UK Equity – Reduce HSBC FTSE 250 Index. Increase HSBC FTSE All Share Index

Source: Schroder Investment Solutions Quarterly IC Meeting – Sleeve Analysis June 2021.

Schroder Sustainable Model Portfolios

Q2 2021

Schroder Sustainable Model Portfolios Performance

	Q2 2021	YTD	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020	01/07/2018 - 30/06/2019	01/07/2017 - 30/06/2018	01/07/2016 - 30/06/2017	Since Common Inception (01/02/2008) - 30/06/2021
Schroder Sustainable Portfolio 3	**2.52**	**1.37**	**7.40**	**5.51**	**4.31**	**3.38**	**10.31**	**5.85**
IA Mixed Investment 0-35% Shares	2.51	1.70	6.91	1.27	3.21	1.44	7.83	4.09
Schroder Sustainable Portfolio 5	**3.74**	**3.96**	**13.77**	**5.82**	**5.54**	**6.77**	**16.69**	**7.18**
IA Mixed Investment 20-60% Shares	2.70	3.62	11.95	-0.71	3.02	2.49	11.91	4.80
Schroder Sustainable Portfolio 7	**4.75**	**5.85**	**19.68**	**6.40**	**6.44**	**9.11**	**21.33**	**8.77**
IA Mixed Investment 40-85% Shares	4.97	6.68	17.39	0.10	3.71	4.99	16.29	6.24

Positive Contributors to Portfolio Performance

Fund Name	Fund Performance (Q2 2021)	Commentary
Brown Advisory US Sustainable Growth	+13.0%	Technology and Healthcare delivered impressive performance as investors bought the dip following a pullback in growth stocks. IDEXX Laboratories, a provider of diagnostic, detection, and information systems for veterinary, food, and water testing applications was the best performer, +28.9% as it registered stellar first-quarter revenue growth.
Royal London Sustainable Leaders	+9.25%	St Modwen, one of the fund's longest standing holdings, operates across three dedicated businesses in Homes, Logistics, and Strategic Land & Regeneration. During the quarter, it received a bid, sending its share price higher.
Schroders Global Cities Real Estate	+8.98%	A 'Goldilocks' environment of low interest rates and strong demand for real assets has been a positive backdrop for real estate. Over the quarter, the fund performed well both in absolute and relative terms with Deutsche Wohnen the top performer, following a take-out offer from a rival.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. The return may increase or decrease as a result of currency fluctuations. Source: All performance data, unless otherwise stated: Morningstar, bid to bid, net income reinvested, net of fees as at 30 June 2021. Model portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Sustainable Model Portfolios

Q2 2021

Negative Contributors to Portfolio Performance

Fund Name	Fund Performance (Q2 2021)	Commentary
RWC Nissay Japan Focus	-2.75%	Despite solid results and respectable guidance from portfolio companies, share price moves which followed the announcements were negative, suggesting an element of profit taking. In addition to this, a dramatic swing in investor sentiment away from quality growth towards value stocks was a headwind.
JPM global Government Short Duration Bond	-0.11%	The expected timing of the first US interest rate hike shifted following the Federal Reserve's June 16 meeting. The median Fed member forecast for rates has now pencilled in two rate hikes by the end of 2023, up from zero in March. Shorter term interest rates adjusted higher in sympathy.
Royal London Short Duration Gilts	-0.03%	Market expectations of interest rate rises have moved closer as the economic recovery accelerates and inflation rises. This has resulted in a meaningful rise in short-term Gilt yields. With short rates rising and long rates falling, the outcome was a 'flattening' of the yield curve.

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Portfolio Updates

For the past decade, a preference for growth funds over value orientated strategies has been supportive of strong absolute and relative performance. This coincides with a prolonged period of low economic growth, low inflation, and low interest rates. In addition to this, several structural factors such as globalisation, technology, disruption, and the rise in passive investing have provided supportive tailwinds.

The team continues to see upside opportunities for value stocks relative to growth based on the economic rebound and the relative valuation opportunities. The road ahead is likely to be bumpy however, with phases of stops and starts linked to short-term developments in vaccine rollout, Covid-19 news flow and market expectations for inflation and interest rates.

Given the current view, the following changes have been implemented to neutralise the growth bias in the portfolios

Source: Schroder Investment Solutions Quarterly IC Meeting – Sleeve Analysis June 2021, Information about the AUM (Assets Under Management) of Nikko AM Japan Value Fund (as of 31/03/2021). Performance data based Nikko AM Japan Value A JPY (oldest share class) Morningstar, bid to bid, net income reinvested, net of fees as of 30 June 2021.

Schroder Sustainable Model Portfolios

Q2 2021

Portfolio Changes

US Equity – Reduce Brown Advisory US Sustainable Growth, Alliance Bernstein Sustainable US Equity and Legg Mason ClearBridge US Equity Sustainability Leaders. Increase Rockefeller US ESG Equity

UK Equity – Sell Aegon Ethical Equity, reduce Liontrust Sustainable Future UK Growth Fund. Increase EdenTree Responsible and Sustainable UK Equity Fund and Royal London Sustainable Leaders Fund.

Japan – Reduce RWC Nissay Japan Focus and add Nikko AM Japan Value (New fund)

Emerging Markets – Reduce Robeco Emerging Stars Equities and increase Federated Hermes Global Emerging Markets

New Fund

Nikko AM Value

Nikko manage over £200bn in assets and £90bn in Japanese equity investments, making them a significant investor in the market. The Japan Value strategy is over £3.78bn in size and has established solid performance numbers, outperforming the TOPIX total return index of the 2,100 leading companies in Japan over 1 year, 3 years, and 5 years. Delivering returns in a period where there has only really been one year of significant value outperformance is highly credible, indicating the fund has avoided value traps.

The strategy has been led by the same Portfolio Manager since 1996, utilising a research driven approach, which although bottom-up focused, is macro aware. The broader Japanese equity market is under-researched, so applying a time-tested contrarian value approach to proprietary on-the-ground research is critical to long-term outperformance. There are some differentiating features within this value approach, one of which is a focus on companies which realise that they need to change to survive, and on businesses whose products are ones that society has a need for.

Since 2007, Nikko AM's Japan Equity Investment Team has been a PRI (Principles for Responsible Investment) signatory and has consistently received an A+ rating. ESG (Environmental, Social, and Governance) is critical to the firm's fiduciary principles and forms the core of its investment values and corporate activities. The Japan Value strategy utilises both negative (excludes firms with perceptible corporate governance risk from its investment universe) and positive screening (incorporates a Creating Shared Value evaluation to score how companies balance their engagement of ESG issues with the pursuit of profitability and competitiveness, in order to create value for both society and shareholders). We would classify this strategy as ESG integrated.

Source: Schroder Investment Solutions Quarterly IC Meeting – Sleeve Analysis June 2021, Information about the AUM (Assets Under Management) of Nikko AM Japan Value Fund (as of 31/03/2021). Nikko ESG (Sustainability section of Nikko Investment Management section of website). Performance data-based Nikko AM Japan Value A JPY (oldest share class) Morningstar, bid to bid, net income reinvested, net of fees as of 30 June 2021.

Schroder Blended Portfolios

Q2 2021

Investment objectives

The Fund aims to provide capital growth and income by investing in a diversified range of assets and markets worldwide with a target average annual volatility (a measure of how much the Fund's returns may vary over a year) over a rolling five year period of between *[see table below for volatility target range by Portfolio]* of that of global stock markets (represented by the MSCI All Country World index).

	Volatility Target[1] (% p.a. over a five year rolling period)	Comparator Benchmark[2] IA Mixed Investment Sector
Schroder Blended Portfolio 3	30% to 45% of MSCI ACWI	0-35% shares average
Schroder Blended Portfolio 4	40% to 55% of MSCI ACWI	20-60% shares average
Schroder Blended Portfolio 5	50% to 65% of MSCI ACWI	20-60% shares average
Schroder Blended Portfolio 6	65% to 80% of MSCI ACWI	40-85% shares average
Schroder Blended Portfolio 7	75% to 90% of MSCI ACWI	40-85% shares average
Schroder Blended Portfolio 8	85% to 100% of MSCI ACWI	Flexible Investment average

Source: Schroders, April 2021. 1. The Fund seeks to achieve the target volatility range by varying the weighting of asset types. During the relevant rolling five year period the Fund's volatility may be higher or lower than the target range if the investment manager believes it is necessary to seek to mitigate potential losses. The Fund's potential gains and losses are likely to be constrained by the aim to achieve its target volatility range. 2.[2]The comparator benchmarks have been selected because the Investment Manager believes that this benchmark is a suitable comparison for performance purposes. Global equities are expressed as MSCI All Countries World Index.

Schroder Blended Portfolios Performance

	Q2 2021	YTD	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020	01/07/2018 - 30/06/2019	01/07/2017 - 30/06/2018	01/07/2016 - 30/06/2017	Since Common Inception (01/04/2020) - 30/06/2021
Schroder Blended Portfolio 3	**2.49**	**1.86**	**7.56**	—	—	—	—	**16.61**
IA Mixed Investment 0-35% Shares	2.51	1.70	6.91	1.27	3.21	1.44	7.83	15.04
Schroder Blended Portfolio 4	**3.14**	**3.36**	**11.64**	—	—	—	—	**23.60**
Schroder Blended Portfolio 5	**3.70**	**4.70**	**14.59**	—	—	—	—	**28.26**
IA Mixed Investment 20-60% Shares	2.70	3.62	11.95	-0.71	3.02	2.49	11.91	23.29
Schroder Blended Portfolio 6	**4.16**	**5.55**	**17.26**	—	—	—	—	**34.14**
Schroder Blended Portfolio 7	**4.86**	**7.07**	**21.99**	—	—	—	—	**42.42**
IA Mixed Investment 40-85% Shares	4.97	6.68	17.39	0.10	3.71	4.99	16.29	32.76
Schroder Blended Portfolio 8	**5.61**	**8.54**	**24.77**	—	—	—	—	**47.48**
IA Flexible Investment	5.15	7.48	19.75	0.38	2.93	5.16	17.79	36.02

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Schroder Blended Portfolios

Q2 2021

Positive Contributors to Portfolio Performance

Fund Name	Fund Performance (Q2 2021)	Commentary
HSBC American Index	+7.80%	US equity markets continued to gain ground with the HSBC American Index rallying on the back of strong economic data. Improving retail sales were supportive of consumer discretionary stocks, which outperformed, along with information technology, which has been consistently resilient through the crisis.
UK Buffettology	+6.90%	A new holding by the name of Darktrace was Buffettology's first IPO (Initial Public Offering) in the fund, and it did not disappoint, returning 39% in the period. Founded in 2013 by mathematicians and cyber experts from government intelligence backgrounds, Darktrace was the first company to apply AI (Artificial Intelligence) to the challenge of cyber security.
Schroder Global Cities Real Estate	+8.98%	A 'Goldilocks' environment of low interest rates and strong demand for real assets has been a positive backdrop for real estate. Over the quarter, the fund performed well both in absolute and relative terms with Deutsche Wohnen the top performer, following a take-out offer from a rival.

Negative Contributors to Portfolio Performance

Fund Name	Fund Performance (Q2 2021)	Commentary
Jupiter Gold & Silver	-4.07%	Gold has been subdued this year after some big moves last year, while silver has been more interesting. Rising industrial demand for silver, which is used in green technology including electric cars, photovoltaic cells (solar panels) and 5G communications, should be supportive for the metal.
Neuberger Berman Uncorrelated Strategies Fund	-1.69%	Performance was weak due to bearish positioning within the Global Macro sleeve (longs in the US Dollar against the Euro and Australian Dollar were the main sources of loss). These contrarian trades were to position against speculative crowding, stronger economic recovery in the US than Europe, and commodity currencies running ahead of commodity price recovery.
Artemis US Smaller Companies	-1.80%	Growth stocks were back in vogue in the US and although the fund had several outstanding performers in this camp, it was other holdings set to benefit from the stronger economic rebound that underperformed. These included credit card company Alliance Data Systems, which fell by 7%. Elsewhere, AGCO, which makes Massey Ferguson tractors and farm equipment, fell by a similar amount.

Source: All performance data, unless otherwise stated: Morningstar, bid to bid, net income reinvested, net of fees as at 30 June 2021. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Blended Portfolios

Q2 2021

Portfolio Updates

For the past decade, a preference for growth funds over value orientated strategies has been supportive of strong absolute and relative performance. This coincides with a prolonged period of low economic growth, low inflation, and low interest rates. In addition to this, several structural factors such as globalisation, technology, disruption, and the rise in passive investing have provided supportive tailwinds.

The team continues to see upside opportunities for value stocks relative to growth based on the economic rebound and the relative valuation opportunities. The road ahead is likely to be bumpy however, with phases of stops and starts linked to short-term developments in vaccine rollout, Covid-19 news flow and market expectations for inflation and interest rates.

In addition to this, the Global Economic Indicator Tool is steering towards an increase

in Passive investments on the premise the global economy is transitioning from the recovery phase into expansion. Picking up market beta during the expansion phase is deemed preferable and we have looked to incorporate this into our sleeve analysis when looking to neutralise the growth bias.

We still wish to express our views on perceived market efficiency and will therefore continue to tilt active manager exposure in favour of regions where we believe alpha opportunities are higher. We maintain our initial views of the US being the most efficient, followed by UK, Europe, and Japan somewhere in the middle and Emerging Markets being least efficient.

Given the current view, the following changes have been implemented to neutralise the growth bias in the portfolios

Portfolio Changes

UK Equity – Reduce SDL UK Buffettology and JOHCM Dynamic. Increase Vanguard FTSE 100

European Equity – Reduce Blackrock European Dynamic and Miton European Opportunities. Increase iShares Continental European Equity Index Fund and add JOHCM Continental European.

Japan Equity – Reduce JPMorgan Japan. Add HSBC Japan Index and Nikko AM Japan Value (New fund)

Emerging Markets Equity – Reduce JPMorgan Emerging Markets. Increase Robeco Emerging Stars Equities and FSSA Global Emerging Markets Focus

New Fund: Nikko AM Japan Value

Nikko manage over £200bn in assets and £90bn in Japanese equity investments, making them a significant investor in the market. The Japan Value strategy is over £3.78bn in size and has established solid performance numbers, outperforming the TOPIX total return index of the 2,100 leading companies in Japan over 1 year, 3 years, and 5 years. Delivering returns in a period where there has only really been one year of significant value outperformance is highly credible, indicating the fund has avoided value traps.

The strategy has been led by the same Portfolio Manager since 1996, utilising a research driven approach, which although bottom-up focused, is macro aware. The broader Japanese equity market is under-researched, so applying a time-tested contrarian value approach to proprietary on-the-ground research is critical to long-term outperformance. There are some differentiating features within this value approach, one of which is a focus on companies which realise that they need to change to survive, and on businesses whose products are ones that society has a need for.

Source: Schroder Investment Solutions Quarterly IC Meeting – Sleeve Analysis June 2021, Information about the AUM (Assets Under Management) of Nikko AM Japan Value Fund (as of 31/03/2021). Performance data based Nikko AM Japan Value A JPY (oldest share class) Morningstar, bid to bid, net income reinvested, net of fees as of 30 June 2021.

Schroder Blended Portfolios

Q2 2021

Portfolio Changes cont.

We have further increased our exposure to passive investments in the portfolio which is currently at 40% of the overall portfolios. We are increasing our passive investments to approximately 50% of the portfolios. We have increased our exposure as the Global Economy is starting to look more positive and starting to show signs of moving from a recovery phase to an expansion phase as strong vaccine rollout continues in developed markets.

Source: Schroder Investment Solutions Quarterly IC Meeting – Sleeve Analysis June 2021, Information about the AUM (Assets Under Management) of Nikko AM Japan Value Fund (as of 31/03/2021). Performance data based Nikko AM Japan Value A JPY (oldest share class) Morningstar, bid to bid, net income reinvested, net of fees as of 30 June 2021.

Schroder Tactical Portfolios

Q2 2021

Investment objectives

The Fund aims to provide capital growth and income by investing in a diversified range of assets and markets worldwide with a target average annual volatility (a measure of how much the Fund's returns may vary over a year) over a rolling five year period of between [see table below for volatility target range by Portfolio] of that of global stock markets (represented by the MSCI All Country World index).

	Volatility Target[1] (% p.a. over a five year rolling period)	Comparator Benchmark[2] IA Mixed Investment Sector
Schroder Tactical Portfolio 3	30% to 45% of MSCI ACWI	0-35% shares average
Schroder Tactical Portfolio 4	40% to 55% of MSCI ACWI	20-60% shares average
Schroder Tactical Portfolio 5	50% to 65% of MSCI ACWI	20-60% shares average
Schroder Tactical Portfolio 6	65% to 80% of MSCI ACWI	40-85% shares average
Schroder Tactical Portfolio 7	75% to 90% of MSCI ACWI	40-85% shares average

Source: Schroders 2021.The Funds seek to achieve the target volatility range by varying the weighting of asset types. During the relevant rolling five year period the Fund's volatility may be higher or lower than the target range if the investment manager believes it is necessary to seek to mitigate potential losses. The Fund's potential gains and losses are likely to be constrained by the aim to achieve its target volatility range. The comparator benchmarks have been selected because the Investment Manager believes that this benchmark is a suitable comparison for performance purposes. 'Global equities are expressed as MSCI All Countries World Index.

Schroder Tactical Portfolios Performance

	Q2 2021	YTD	01/07/2020 - 30/06/2021	01/07/2019 - 30/06/2020	01/07/2018 - 30/06/2019	01/07/2017 - 30/06/2018	01/07/2016 - 30/06/2017	Since Common Inception (01/04/2018) - 30/06/2021
Schroder Tactical Portfolio 3	**2.58**	**1.93**	**5.90**	**3.90**	**2.62**	**1.58**	—	**3.92**
IA Mixed Investment 0-35% Shares	2.51	1.70	6.91	1.27	3.21	1.44	7.83	3.59
Schroder Tactical Portfolio 4	**3.20**	**3.78**	**9.41**	**1.75**	**2.11**	**2.66**	—	**4.07**
Schroder Tactical Portfolio 5	**3.67**	**5.16**	**12.36**	**0.41**	**1.76**	**3.46**	—	**4.32**
IA Mixed Investment 20-60% Shares	2.70	3.62	11.95	-0.71	3.02	2.49	11.91	4.39
Schroder Tactical Portfolio 6	**4.05**	**6.39**	**14.84**	**-1.09**	**1.37**	**4.16**	—	**4.33**
Schroder Tactical Portfolio 7	**4.47**	**7.83**	**17.71**	**-2.60**	**0.90**	**4.02**	—	**4.36**
IA Mixed Investment 40-85% Shares	4.97	6.68	17.39	0.10	3.71	4.99	16.29	6.54
Schroder Managed Defensive	**2.07**	**2.68**	**6.95**	**-0.10**	**3.55**	—	—	**3.27**
UK Cash + 2%	0.53	1.03	2.10	3.01	3.04	2.56	2.58	2.72

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Schroder Tactical Portfolios

Q2 2021

Positive Contributors to Portfolio Performance

Asset class	CTR[1] (T5)	Absolute Return	Commentary
Global equities	1.5%	8.0%	The overweight equity tilt benefitted the portfolios during Q2. The accelerating roll-out of Covid-19 vaccines continued to drive global equity markets higher.
UK equities	1.1%	5.6%	UK equities were largely driven by lowly valued and economically sensitive sectors during April and May, but fell back in June, amid a sharp increase in infections.
Government bonds	0.5%	1.9%	Government bond yields generally fell, retracing some of the large moves seen during Q1. The broad backdrop was a continued rebound in economic activity with annualised inflation rates rising well above target to levels not seen in over a decade.

Note: UK equities = FTSE 100 Index Future, UK Multi-Factor Equity Component Fund; Global equities = Sustainable Multi-Factor Equity Fund, Schroder Global Equity Fund, Schroder Global Equity Completion Fund; Government bonds = Schroder Global Sovereign Bond Tracker Component Fund, Government bond futures. [1]Contribution to Return for Schroder Tactical Portfolio 5.

Negative Contributors to Portfolio Performance

Asset class	CTR[1] (T5)	Absolute Return	Commentary
Japanese equities	0.0%	-1.2%	Japanese shares underperformed other developed markets in Q2. Although the rate of Covid-19 infections in Japan remained markedly below most other countries, the persistent increase in cases led the government to delay lifting of restrictions.
European ex-UK equities	0.2%	5.0%	Eurozone shares gained in the quarter, supported by a strong corporate earnings season and an acceleration in the pace of vaccine roll-out in the region.
Corporate bonds	0.3%	2.9%	Investment grade credit was helped by falling yields, while high yield benefited from the economic recovery and positive fundamentals, including low expected default rates.

Note: Japanese equities = Topix Index Future; European ex-UK equities = Eurostoxx 50 Index Future; Corporate bonds = Schroder Global Corporate Bond Managed Credit Component fund, Schroder Global Corporate Bond fund. [1]Contribution to Return for Schroder Tactical Portfolio 5.

Schroder Tactical Portfolios

Q2 2021

Portfolio Updates

The outlook for global economic recovery gathered momentum in Q2, bolstered by the roll out of Covid-19 vaccines. This raised questions over the timing of policy support withdrawal from major global central banks. Equities registered strong performance over the quarter while bonds were more mixed. The Schroder Tactical Portfolios delivered positive returns over the quarter with equities the main driver of performance. Fixed income assets also added value to the portfolios with corporate and government bonds both returning positive performance. Since we judged the economy had moved into the recovery phase last year, the portfolio has been positioned with a growth stance, reinforced by our view that government support would remain plentiful.

The success of the vaccine roll-out, policy support and the adaptability of many firms in operating with significant Covid-19 restrictions has led us to upgrade our global growth forecast and reaffirm our faith in the recovery. We expect the latest rise in inflation to be transitory but we do see it returning more meaningfully in the second half of next year. Given this outlook, we expect the US Federal Reserve (Fed) to begin reducing their support in December. For now, we believe that a combination of continued policy support from the authorities and stronger global growth should support equities. Importantly, we expect the robust profits outlook and the delivery of strong earnings growth will offset the impact of higher bond yields.

We maintained our exposure to risk assets in Q2, while continuing to look for opportunities to diversify the portfolios. Within equities, we maintained a value tilt via allocations to financials to manage the valuation risk posed by higher yields. To further balance risks, we maintained diversifying relative value positions to protect against growth disappointments.

Global equity markets generally gained in April as positive economic data and supportive policy messaging boosted investor optimism. Given the focus on value trades earlier on in the year, we had been searching for complementary quality growth trades. One such trade was to move overweight Korean & Taiwanese equities. We believed that the manufacturing outlook looked bright given the strong global demand and the low semiconductor inventory levels. We also closed our overweight Japanese vs US equity trade after a period of underperformance and added an overweight to European equities.

In May, we further added to European equities and moved underweight towards US small cap stocks. We used this position to help protect the portfolios as the business cycle moves into the next stage. Global equities advanced in June as economic growth continued to improve, despite concerns over resurgent Covid-19 cases. It was a quieter month for trading as we closed the overweight UK equities vs Australian equities tilt. Despite expectations of a stronger outlook for the UK economy, the emergence of the 'delta' variant caused a delay to economic re-opening and an underperformance of the equity market.

We remained underweight government bonds throughout the quarter. Whilst prices have become slightly more attractive with the recent rise in bond yields (as bond yields rise, prices decline), they nonetheless remained expensive. In May, we implemented an underweight US 10-year Treasuries trade as we continued to see upward pressure on US bond yields given the strong growth outlook.

Schroder Tactical Portfolios

Q2 2021

Within currencies, we took profit on our overweight US dollar vs euro position and closed the UK sterling vs euro trade. We also added an overweight Korean won vs UK sterling. In June, we added an overweight Australian dollar (AUD) vs Canadian dollar (CAD) to the portfolios. We believed that the ongoing strength of the Australian economy would increase pressure on the Reserve Bank of Australia to remove their emergency policies which would support the currency.

The Schroder Managed Defensive fund posted a positive return for the quarter with performance driven by US and European equities. The government bond allocations contributed positive returns, while commodities also performed well. The fund continues to be supportive of equities with a preference for the US, Europe and Emerging markets. Over the quarter, our exposure to UK and Australian equities was reduced, with some of the proceeds used to increase the allocation to US large cap equities. Later on during the quarter, we adjusted our government bond positioning, selling some exposure to US government bonds, while increasing the allocations to UK and German government bonds. We also reduced our exposure to UK inflation-linked bonds, after a period of good performance, while the allocation to investment grade corporate bonds was relatively unchanged. Within alternatives, we further increased our exposure to commodities and property. The US property industry should benefit from the economic re-opening as well as continued fiscal support from the Biden administration.

Outlook

All in all, we continue to have a growth tilt on the back of ongoing economic strength and a supportive corporate earnings outlook which should help equity markets. However, we are entering a more complicated phase and we are adopting a nuanced approach to reduce risks presented by faltering growth momentum, expensive valuations and higher inflation leading to less supportive government policy. As ever, diversification and adaptability are key.

Model Portfolios: What are the risks?

Prior to making an investment decision, please consider the following risks:

ALL: Model Portfolios invest in underlying funds that may have some or all of these risks present.

Capital risk: All capital invested is at risk. You may not get back some or all of your investment.

Counterparty risk: The portfolios may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the portfolios may be lost in part or in whole.

Credit risk: A decline in the financial health of an issuer could cause the value of the instruments it issues, such as equities or bonds, to fall or become worthless.

Currency risk: The portfolios may lose value as a result of movements in foreign exchange rates.

Derivatives risk: A derivative may not perform as expected, and may create losses greater than the cost of the derivative.

Equity risk: Equity prices fluctuate daily, based on many factors including general, economic, industry or company news.

High yield bond risk: High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk.

Interest rate risk: The portfolios may lose value as a direct result of interest rate changes.

Leverage risk: The portfolios use derivatives for leverage, which makes them more sensitive to certain market or interest rate movements and may cause above-average volatility and risk of loss.

Liquidity risk: In difficult market conditions, the portfolios may not be able to sell a security for full value or at all.

Money market & deposits risk: A failure of a deposit institution or an issuer of a money market instrument could have a negative impact on the performance of the portfolios.

Negative yields risk: If interest rates are very low or negative, this may have a negative impact on the performance of the portfolios.

Multi-Asset Funds: What are the risks?

Prior to making an investment decision, please consider the following risks:

Counterparty risk: The portfolios may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the portfolios may be lost in part or in whole.

Credit risk: A decline in the financial health of an issuer could cause the value of the instruments it issues, such as equities or bonds, to fall or become worthless.

Currency risk: The portfolios may lose value as a result of movements in foreign exchange rates.

High yield bond risk: High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk.

Higher volatility risk: The price of the portfolios may be volatile as it may take higher risks in search of higher rewards.

IBOR risk: The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the portfolios.

Liquidity risk: In difficult market conditions, the portfolios may not be able to sell a security for full value or at all.

Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

Operational risk: Failures at service providers could lead to disruptions of fund operations or losses.

Performance risk: Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.

Important Information

This information is a marketing communication.

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The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations.

Reliance should not be placed on any views or information in the material when taking individual investment and/or strategic decisions.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

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