Schroder Investment Solutions

Quarterly Bulletin

Q2 2022

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 2022

2017	2018	2019	2020	2021	YTD	Q2 2022
Asia Ex Japan Equities 29.4	Global High Yield Bonds 1.9	US Equities 25.7	Asia Ex Japan Equities 21.2	Commodities 41.6	Commodities 51.5	Commodities 10.6
EM Equities 25.4	Global Property 1.2	Europe ex UK Equities 20.0	US Equities 16.2	Global Property 28.4	UK Equities -4.6	Asia Ex Japan Equities -1.3
Europe ex UK Equities 15.8	Global Treasury Bonds 1.1	UK Equities 19.2	EM Equities 14.7	US Equities 27.6	Asia Ex Japan Equities -6.6	Global Treasury Bonds -4.0
Japanese Equities 15.6	UK Gilts 0.6	Global Property 18.3	UK Index-linked Gilts 11.0	UK Equities 18.3	Global High Yield Bonds -7.3	EM Equities -4.0
UK Equities 13.1	US Equities 0.1	Japanese Equities 14.6	Japanese Equities 9.5	Europe ex UK Equities 16.7	EM Equities -8.1	Global High Yield Bonds -4.4
US Equities 10.4	UK Index-linked Gilts -0.3	EM Equities 13.9	UK Corporate Bonds 9.1	UK Index-linked Gilts 4.2	Global Treasury Bonds -8.3	UK Equities -5.0
UK Corporate Bonds 4.9	UK Corporate Bonds -2.2	Asia Ex Japan Equities 13.6	UK Gilts 8.3	Japanese Equities 2.0	Japanese Equities -10.0	Japanese Equities -6.7
Global Corporate Bonds 4.6	Global Corporate Bonds -2.7	Commodities 13.1	Europe ex UK Equities 7.5	Global High Yield Bonds 1.9	Global Property -11.2	Global Corporate Bonds -7.0
UK Index-linked Gilts 2.3	Japanese Equities -8.4	UK Corporate Bonds 11.0	Global Corporate Bonds 7.2	Global Corporate Bonds -1.0	US Equities -11.7	UK Gilts -7.4
UK Gilts 1.8	Commodities -8.5	Global Corporate Bonds 10.6	Global Treasury Bonds 4.6	EM Equities -1.6	Global Corporate Bonds -13.3	UK Corporate Bonds -8.0
Global Property 1.8	Asia Ex Japan Equities -9.0	Global High Yield Bonds 8.2	Global High Yield Bonds 3.7	Global Treasury Bonds -2.0	UK Gilts -14.1	Europe ex UK Equities -8.7
Global Treasury Bonds 1.1	EM Equities -9.3	UK Gilts 6.9	UK Equities -9.8	UK Corporate Bonds -3.3	UK Corporate Bonds -14.2	US Equities -9.8
Global High Yield Bonds 0.9	UK Equities -9.5	UK Index-linked Gilts 6.4	Global Property -11.0	Asia Ex Japan Equities -3.8	Europe ex UK Equities -15.4	Global Property -10.3
Commodities -3.4	Europe ex UK Equities -9.9	Global Treasury Bonds 5.5	Commodities -26.1	UK Gilts -5.2	UK Index-linked Gilts -22.1	UK Index-linked Gilts -17.5

Source: Morningstar as at June 2022.

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.

Market commentary
Q2 2022

Both shares and bonds were under pressure in the second quarter as investors moved to price in further interest rate rises and an increased risk of recession. Inflation continued to move higher in many major economies during the quarter. Among equities, the MSCI Value index outperformed its growth counterpart but both saw sharp falls. Chinese shares proved a bright spot as prolonged lockdowns were lifted in some major cities.

US equities fell in Q2. Investor focus was trained on inflation and the policy response from the Federal Reserve (Fed) for much of the period. The Fed enacted its initial rate hikes during the quarter and signalled that there would be more to come. Even so, the central bank admitted the task of bringing inflation down without triggering a recession would be challenging. The US economy looks robust, but signs of a slowdown are emerging.

The second quarter saw further steep declines for eurozone shares as the war in Ukraine continued and concerns mounted over potential gas shortages. Higher inflation is also denting consumer confidence, with the European Central Bank (ECB) poised to raise interest rates in July.

UK equities fell over the quarter. Economically sensitive areas of the market performed poorly towards the end of the period amid rising recessionary risks. Large cap companies held up relatively well as traditionally defensive areas of the market outperformed, including the telecoms, healthcare and consumer staples sectors.

The Japanese stock market ended the quarter lower. The yen weakened sharply against the US dollar, breaching the 130 level for the first time in 20 years. The yen's weakness coincided with a reversal of several other factors, especially mobile telecom charges.

Asia ex Japan equities registered a negative return in the second quarter. Investor sentiment turned increasingly downbeat amid concerns that rising global inflation and ongoing supply chain problems, accentuated by the war in Ukraine, could tip the world into recession.

Emerging Markets

Emerging market equities experienced a fall in Q2, with US dollar strength a key headwind. This was despite outperforming developed market peers by a wide margin.

Bonds continued to sell off sharply, with yields markedly higher amid still elevated inflation data, hawkish central banks and rising interest rates. Bonds rallied into quarter-end amid rising growth concerns, slightly curtailing the negative returns.

The S&P GSCI Index achieved a positive return in Q2 as higher energy prices offset sharp price falls in the other components of the index. Energy was the best performing component amid rising demand and supply constraints due to the ongoing conflict in Ukraine.

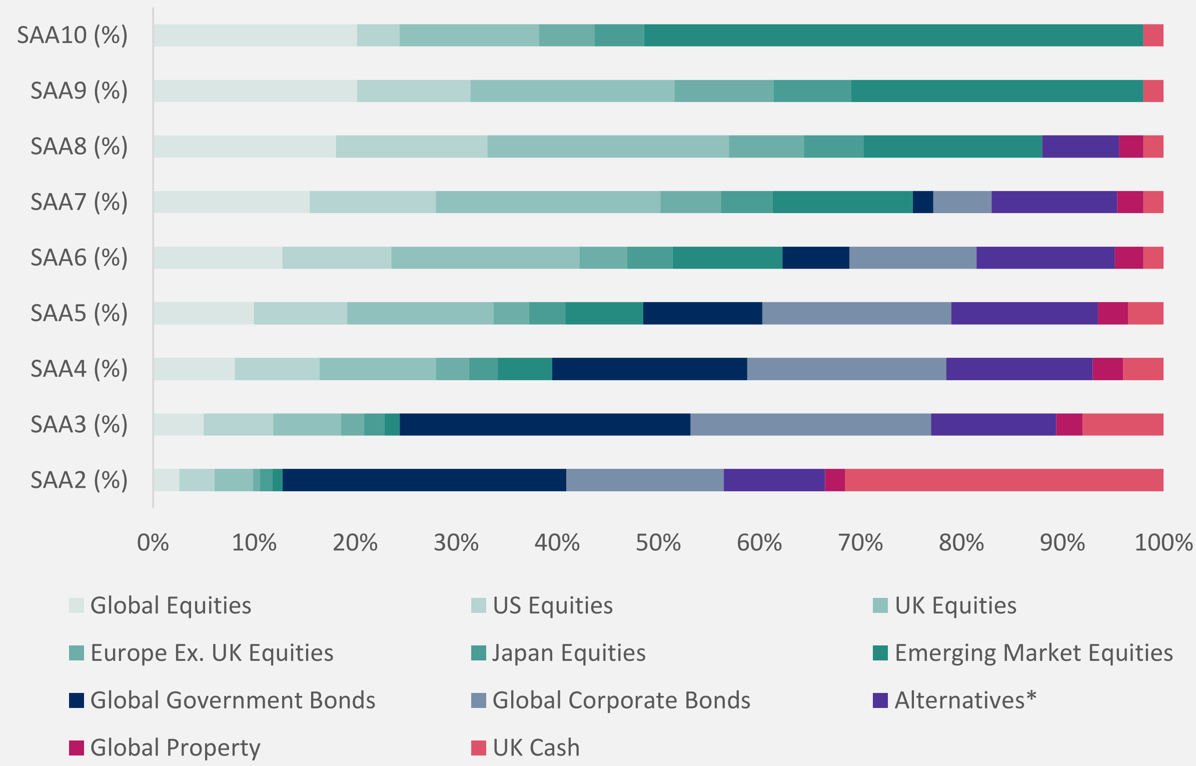
Source: Schroders. **Please note that any past performance mentioned in this document is not a guide to future performance and may not be repeated. Information is provided for illustrative purposes only and should not be considered as a recommendation to buy or sell.**

Asset allocation
Q2 2022

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)

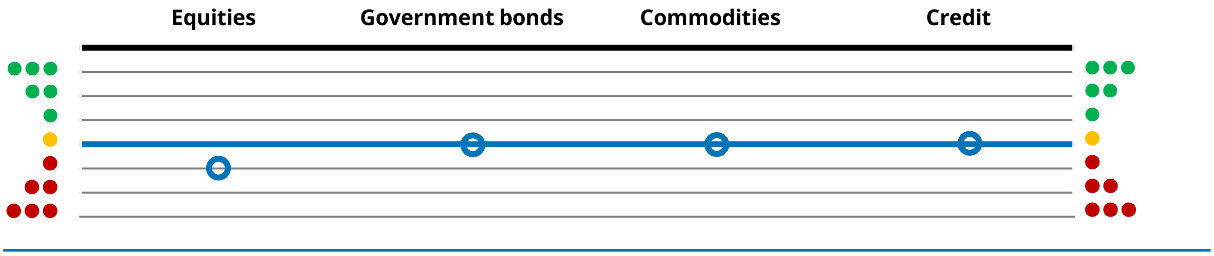


The chart illustrates the asset class diversification across the Schroder Active Model Portfolios 2-10. Please note that the illustration may not show our current asset allocation.

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

Asset class views

Q2 2022



●●● Maximum positive ● Neutral ●●● Maximum negative

MAIN ASSET CLASSES

Category	View	Comments
Equities	●	We maintain our negative view on equities. Uncertainty around earnings is still not adequately reflected in valuations while discount rates are at best stable given the uncertainties around interest rates. Interest rates are a key component of discount rates, which are used to discount a company's future expected earnings and cashflows in order to compute its theoretical value in today's money, or "present value". Present values are considered when valuing a company's shares.
Government bonds	●	We remain neutral as we think the US 10-year government bond is fairly priced based on our model, but real yields (nominal yields minus inflation) look too low. With inflation continuing to accelerate while growth expectations are falling, we require higher yield levels to compensate us for the potential volatility.
Commodities	● ▽	We downgrade our score for commodities to neutral as we are starting to see signs of demand falling, particularly in the energy sector, as global growth weakens.
Credit	●	Our indicators increasingly suggest we are at the late stage of the economic cycle. They signal that a slowdown in economic activity may be coming ahead.

EQUITIES

Category		View	Comments
US		●	The US continues to be the most vulnerable region to a further de-rating in valuations driven by slowing earnings growth.
UK		●	The defensive and commodity tilts of the FTSE index continues to help the region on a relative basis.
Europe		●	Earnings momentum has turned positive in Europe. However, the recently adopted "hawkish" stance by the European Central Bank (ECB) will be a challenge for equity returns. Monetary policymakers are often described as hawkish when expressing concerns about limiting inflation.
Japan		●	Japan is one of the few regions where inflation is welcomed. This should lead to some relative outperformance against other parts of the developed world.
Global Emerging Markets[1]		●	While the headwinds facing China seem to be moderating, other emerging market (EM) countries face mounting inflationary pressure and we retain a neutral score overall.
Asia ex Japan	China	● △	We upgrade to positive with China finally looking to be turning a corner on lockdowns. This should ease some of the supply bottleneck issues in the country.
	EM Asia ex China	●	We believe that other regions in the EM universe appear more attractive, notably commodity exporters in Latin America. Inflation is becoming a problem for the EM Asia ex China region.

Source: Schroders, July 2022. 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.**

[1]*Global Emerging Markets includes Central and Eastern Europe, Latin America and Asia.*

Schroder Active Model Portfolios
Q2 2022

Schroder Active Model Portfolios performance

	Q2 2022	YTD	01/07/2021 - 30/06/2022	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	01/07/2015 - 30/06/2016	01/07/2014 - 30/06/2015	01/07/2013 - 30/06/2014	01/07/2012 - 30/06/2013	Since Common Inception (01/02/2008) - 30/06/2022
Schroder Active Portfolio 2	**-3.17**	**-5.16**	**-4.31**	**3.64**	**1.73**	**2.05**	**1.38**	**5.66**	**1.88**	**3.95**	**3.44**	**2.23**	**2.67**
UK CPI	—	—	—	2.51	0.60	2.01	2.45	2.64	0.46	-0.04	1.90	2.92	—
Schroder Active Portfolio 3	**-5.01**	**-7.92**	**-6.42**	**8.07**	**2.23**	**4.19**	**3.34**	**8.48**	**5.09**	**6.50**	**6.66**	**7.62**	**4.81**
IA Mixed Investment 0-35% Shares	-6.06	-8.95	-7.89	6.58	1.27	3.21	1.44	7.83	3.96	3.81	5.38	6.73	3.19
Schroder Active Portfolio 4	**-5.63**	**-8.94**	**-7.21**	**11.96**	**2.22**	**3.31**	**4.67**	**12.93**	**4.15**	**8.67**	**8.51**	**15.48**	**5.84**
Schroder Active Portfolio 5	**-6.07**	**-9.72**	**-7.84**	**15.55**	**1.80**	**2.82**	**6.54**	**15.62**	**4.07**	**8.99**	**8.84**	**16.57**	**6.33**
IA Mixed Investment 20-60% Shares	-6.42	-9.57	-7.14	11.82	-0.71	3.02	2.49	11.91	2.26	4.90	7.25	10.51	3.92
Schroder Active Portfolio 6	**-6.53**	**-10.52**	**-8.38**	**19.74**	**2.56**	**2.87**	**8.26**	**19.89**	**2.93**	**10.93**	**8.93**	**18.96**	**7.34**
Schroder Active Portfolio 7	**-6.93**	**-11.27**	**-8.88**	**23.00**	**4.43**	**3.25**	**9.66**	**22.90**	**3.08**	**10.46**	**9.78**	**21.40**	**8.14**
IA Mixed Investment 40-85% Shares	-7.45	-10.86	-7.17	17.39	0.10	3.71	4.99	16.29	2.35	6.84	8.27	15.28	5.25
Schroder Active Portfolio 8	**-7.57**	**-12.47**	**-9.79**	**26.00**	**5.08**	**3.49**	**8.77**	**24.02**	**3.99**	**9.34**	**7.28**	**18.64**	**7.90**
Schroder Active Portfolio 9	**-8.22**	**-14.30**	**-12.35**	**29.11**	**7.26**	**4.12**	**9.70**	**27.32**	**5.48**	**7.64**	**4.80**	**15.65**	**8.11**
Schroder Active Portfolio 10	**-7.28**	**-13.96**	**-13.52**	**29.47**	**1.95**	**5.38**	**6.96**	**27.07**	**5.82**	**3.26**	**2.39**	**11.71**	**6.69**
IA Flexible Investment	-7.08	-10.46	-7.22	19.75	0.38	2.93	5.16	17.79	1.68	6.80	8.00	15.68	5.24

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Schroder Active Model Portfolios

Q2 2022

Positive contributors to portfolio performance

Fund name	Fund performance (Q2 2022)	Commentary
Jupiter Gold & Silver	6.95%	The Jupiter Gold & Silver fund was sold during the quarter given our concerns around real yields moving higher. Up until the fund was sold it acted as a hedge against the challenging environment and we believe it has served its purpose for now. The profit generated by the fund was reinvested into the remaining holdings within the alternatives asset class. Overall, portfolios still have exposure to gold and other commodities which continues to provide protection in the face of market uncertainty.
Neuberger Berman Uncorrelated Strategies	5.75%	The fund continues to provide strong returns in volatile markets as a component of the Alternatives asset class. The fund includes a range of strategies which have a low correlation to one another and the equity and fixed income markets. Holding strategic investments for short-term horizons as well as trend-following investments has contributed to performance over the quarter. The fund is designed to function as a diversifier within portfolios and we expect to continue to benefit from this allocation.
Montlake Crabel Gemini	1.91%	Another positive contribution within the Alternatives asset class has come from the Montlake Crabel Gemini fund. The fund offers a unique source of returns with over 40 differentiated and stand-alone strategy concepts across four areas. The holdings are predominantly held over the short-term and designed to target behavioural and structural market inefficiencies across a broadly diversified set of global futures and foreign exchange instruments. The volatility generally experienced by the market has provided the managers with several opportunities to generate returns over the quarter.

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Schroder Active Model Portfolios

Q2 2022

Negative contributors to portfolio performance

Fund name	Fund performance (Q2 2022)	Commentary
Schroder Global Cities Real Estate	-13.22%	The themes driving market returns in 2022 have seen a reversal of performance from the Schroder Global Cities Real Estate fund which was a top contributor in portfolios at the end of 2021. The knock-on effects of rising interest rates and pressure on the economy have impacted all sectors resulting in share price declines. This reaction is somewhat counter-intuitive as real estate sectors such as residential and data centres typically have rental increases that are linked to inflation. In discussions with the fund managers, they have highlighted that they are positively positioned within these sectors where tenants can absorb increasing costs. The fund is globally diversified and focuses on investing in properties and companies in locations where the economic demand is greatest.
Artemis US Select	-12.42%	Given the regime change in markets, the fund has experienced negative returns driven by the sensitivity of each equity sector to higher borrowing costs. The manager is conscious of their positioning and the effect this has had on the portfolio. As such, they have taken a more cautious view of the economy and have increased their exposure to consumer staples and utilities and healthcare. The fund aims to deliver capital growth over a five-year period by investing in a relatively small portfolio of best investment ideas generated by the experienced team. The fund typically holds 35-65 companies and adopts a flexible approach to stock-picking intending to deliver returns in different conditions.
MI TwentyFour AM Dynamic Bond	-8.85%	As central banks around the world have increased interest rates in an effort to withdraw liquidity from the market, fixed-income markets have naturally struggled. The relationship between bond prices and the cost of borrowing means that as rates rise, the price of bonds fall, and vice-versa. The fund invests in a range of assets across the fixed income spectrum and adopts a flexible approach to take advantage of prevailing market conditions as they change over time. The managers continue to monitor inflation indicators and ensure there is sufficient liquidity within the portfolio to ensure full flexibility. This will enable the managers to take advantage of opportunities as they arise.

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Schroder Active Model Portfolios

Q2 2022

Portfolio updates

The second quarter of 2022 was dominated by worries over rising inflation and the actions taken by central banks to bring it under control. Against this backdrop, we have positioned portfolios for interest rate movements and thereby inflation expectations going forward.

We continue to hold alternative assets for risk diversification purposes. These include real assets (such as infrastructure, inflation-linked bonds, specialised property and hedge funds). These holdings provide a safety net within the portfolios as other asset classes drop in value. For Active Portfolio 5, the allocation to alternative assets provided a net return of 2.26% over the quarter.

We are cognisant of the challenges facing our underlying equity fund managers and continue to engage with them to ensure our positioning is appropriate. Given the broader macroeconomic conditions we believe a focus on higher-quality and defensive businesses will be beneficial.

These companies have strong balance sheets and the ability to defend profit margins by passing on higher costs to their customers. The portfolios are style agnostic and we remain aware of our exposure to value and growth stocks and will lean into value-orientated strategies in markets and regions where deemed appropriate and beneficial.

Our fixed income allocation is cautiously positioned and we remain underweight duration relative to the benchmark, Bloomberg Global Treasury (Hedged GBP). Duration is a measure of the sensitivity of a bond's price to a change in interest rates. The longer the duration, the more sensitive the price is to a change in interest rates. We believe that the market has already taken future interest rate hikes into account and we don't expect the pace or magnitude of interest rate rises to be as large as Central Banks are aiming for. For this reason, we have slightly increased the duration within portfolios to take advantage of the opportunity this provides for bond valuations.

We have also increased our allocation to corporate bond fund managers that are exposed to higher credit quality as measured by bond ratings. In a slowing economy, we believe that high-yield and non-investment grade bonds may continue to face headwinds.

During periods of volatility, diversification is a key defence in managing the frequency and magnitude by which your investments rise and fall. The blend of assets in a portfolio is the factor that is most likely to have the greatest influence on investment returns while taking into account the degree of risk accepted to achieve it. We believe that the best course of action is to maintain a long-term strategic outlook to protect portfolios from economic challenges and taking advantage of opportunities as they arise.

Schroder Active Model Portfolios

Q2 2022

Portfolio changes

The portfolios were re-balanced back to their strategic asset allocation weights and adjustments to fund allocations were made in line with our current market views.

The following fund additions and sales were made:

The decision was taken to sell the Dodge & Cox US Value fund in favour of the Neuberger Berman US Large Cap Value fund. As we lean into value-based fund strategies, the Neuberger Berman fund offers improved quality with a larger defensive component. The manager is pragmatic and their value investing style aligns with our requirements. The strategy considers ESG factors as part of its stock selection process and they are well-positioned to regularly engage with companies on ESG matters.

The BlackRock EU Dynamic fund was sold to increase our conviction in the remaining two funds held within the European Equity allocation. Data continues to show that active managers in Europe have added value for investors on average and this supports our decision to retain our holding in the Premier Miton European Opportunities fund and the JOHCM Continental European fund. The overall style, sector and factor exposure of the asset class remains unchanged.

We have switched our holding in the JP Morgan Emerging Markets fund to the Fidelity Institutional Emerging Markets fund. This is a move which supports our focus on increasing exposure to quality stocks. The manager follows a rigorous approach in stock selection to reflect the best investment ideas across emerging markets. When analysing stocks they focus on the quality of the company and the consistency of their returns with due consideration to the company's valuation.

Schroder Strategic Index Model Portfolios

Q2 2022

Schroder Strategic Index Model Portfolios Performance

	Q2 2022	YTD	01/07/2021 - 30/06/2022	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	01/07/2015 - 30/06/2016	01/07/2014 - 30/06/2015	01/07/2013 - 30/06/2014	01/07/2012 - 30/06/2013	Since Common Inception (01/02/2011) - 30/06/2022
Schroder Strategic Index Portfolio 2	**-4.47**	**-7.81**	**-6.72**	**3.03**	**2.99**	**3.30**	**1.45**	**4.81**	**8.35**	**4.46**	**2.66**	**4.37**	**3.19**
UK CPI	—	—	—	2.51	0.60	2.01	2.45	2.64	0.46	-0.04	1.90	2.92	—
Schroder Strategic Index Portfolio 3	**-6.40**	**-10.59**	**-8.64**	**6.46**	**3.82**	**3.97**	**3.06**	**8.68**	**11.96**	**7.27**	**4.40**	**8.88**	**5.08**
IA Mixed Investment 0-35% Shares	-6.06	-8.95	-7.89	6.58	1.27	3.21	1.44	7.83	3.96	3.81	5.38	6.73	3.11
Schroder Strategic Index Portfolio 4	**-6.90**	**-10.64**	**-8.24**	**9.74**	**3.06**	**3.91**	**4.27**	**11.97**	**9.76**	**7.94**	**7.06**	**14.53**	**5.92**
Schroder Strategic Index Portfolio 5	**-7.12**	**-10.57**	**-7.89**	**12.34**	**2.30**	**4.78**	**5.07**	**15.44**	**9.28**	**6.76**	**8.55**	**16.28**	**6.31**
IA Mixed Investment 20-60% Shares	-6.42	-9.57	-7.14	11.82	-0.71	3.02	2.49	11.91	2.26	4.90	7.25	10.51	4.03
Schroder Strategic Index Portfolio 6	**-7.36**	**-10.36**	**-7.13**	**15.35**	**1.73**	**4.43**	**5.64**	**18.16**	**7.89**	**6.30**	**8.75**	**16.54**	**6.52**
Schroder Strategic Index Portfolio 7	**-7.55**	**-10.11**	**-6.33**	**18.96**	**0.45**	**4.01**	**6.30**	**20.97**	**7.24**	**5.21**	**10.62**	**17.84**	**6.91**
IA Mixed Investment 40-85% Shares	-7.45	-10.86	-7.17	17.39	0.10	3.71	4.99	16.29	2.35	6.84	8.27	15.28	5.53
Schroder Strategic Index Portfolio 8	**-7.74**	**-9.94**	**-5.63**	**21.53**	**-1.01**	**5.49**	**5.99**	**22.66**	**6.70**	**4.01**	**7.83**	**15.15**	**6.32**
Schroder Strategic Index Portfolio 9	**-7.49**	**-9.91**	**-7.05**	**22.38**	**-0.98**	**5.74**	**6.13**	**25.10**	**4.83**	**4.53**	**6.07**	**11.54**	**5.71**
Schroder Strategic Index Portfolio 10	**-6.52**	**-8.92**	**-8.47**	**22.50**	**-0.75**	**6.63**	**5.80**	**25.37**	**5.44**	**4.17**	**4.01**	**9.00**	**5.08**
IA Flexible Investment	-7.08	-10.46	-7.22	19.75	0.38	2.93	5.16	17.79	1.68	6.80	8.00	15.68	5.45

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Schroder Strategic Index Model Portfolios

Q2 2022

Positive contributors to portfolio performance

As can be seen from the market performance table on page 4, bar property, no asset classes posted positive returns in the quarter reflecting prevailing negative market sentiment. The funds below experienced more modest declines than the other funds in the portfolios, thereby helping to mitigate the overall impact on performance.

Fund name	Fund performance (Q2 2022)	Commentary
Fidelity Index Japan	-1.24%	Japanese Equities have, in local currency terms, been relatively resilient in the volatile markets of 2022. The Bank of Japan (BoJ) has employed what some might call 'unconventional' monetary policies and has not raised interest rates as many other central banks have done. This has meant that inflation pressures continue to exist, albeit lower than in other developed markets, and the currency has seen declines. Each asset class in a portfolio contributes to the diversification of return and this is particularly apparent in instances where the economies are subject to differing policies. The Fidelity Index Japan fund tracks the MSCI Japan Index which consists of approximately 320 companies. Although the performance of the fund was slightly negative, it provided protection benefits within the portfolio.
Vanguard Emerging Markets Stock Index	-1.38%	Emerging Markets experienced significant volatility in 2021 and we are beginning to see a slight change in outcomes from some regions. For example, Latin America is among the best-performing global markets year-to-date and this has provided the asset class with protection from performance in regions such as China. Emerging Markets continue to grow in both economical and technological significance and we believe that index exposure covering a wider range of countries will be well-positioned to add value to portfolios. The Vanguard Emerging Markets Stock Index replaced the iShares Emerging Markets Equity Index during the quarter. The fund tracks our preferred benchmark, the MSCI Emerging Market Index. This move creates broader diversification by including countries that had previously been excluded, such as South Korea and Poland.
HSBC FTSE 250 Index	-1.40%	Although declining in absolute terms, the UK market has performed well in relative terms this year. Performance has largely come from companies in the energy, basic materials and healthcare sectors. As the macroeconomic conditions play out in various sectors it is prudent to position portfolios for themes that we expect to drive performance going forward. The HSBC FTSE 250 Index fund was sold during the quarter and the proceeds were reinvested into HSBC All Share Index. Investing exclusively in the top 250 companies has served its purpose for now. The switch into the All Share Index enables us to gain broader exposure to the UK Equities market and increase diversification within the portfolio which we believe will provide more balanced outcomes in the UK Equity asset class.

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Negative contributors to portfolio performance

Fund name	Fund performance (Q2 2022)	Commentary
HSBC American Index	-11.11%	The fund aims to closely mirror the fund's target index, the S&P 500 which tracks the stock performance of the 500 largest listed companies in the US. Higher US government bond yields, specifically real yields, are detrimental to sectors such as technology and consumer discretionary, which are more sensitive to borrowing costs. The significant weighting towards these sectors in the index has meant that US equities have suffered over the year and quarter. The negative return of this quarter is on the back of strong performance at the end of 2021 which provides an example of how markets can go up and down during the investment cycle.
HSBC Japan Index	-7.40%	The Bank of Japan's (BoJ) monetary policy, a weaker currency, supply chain issues and rising input costs have affected the performance of companies. Companies exposed to the end consumer may struggle in this environment. Given the factors influencing Japanese Equity performance are nuanced, we believe that a more focused approach will benefit the asset class. The HSBC Japan Index tracks the FTSE Japan Index which consists of approximately 500 companies. The fund was sold during the quarter and the proceeds were reinvested into the Fidelity Index Japan. The purpose of this switch was to invest in a fund that tracks our desired index which, for this region, is the MSCI Japan Index.
Fidelity Index World	-7.17%	The Fidelity Index World fund was added to portfolios during the quarter to implement our Global Equity asset class allocation. The fund tracks the MSCI World Index and represents large and mid-cap companies across 23 developed market companies. These companies are exposed to global macroeconomic conditions which affect their performance. The themes we have seen quarter to date include rising interest rates, inflation worries and the knock-on effects these have on the predominant sectors held within the index such as technology and consumer discretionary. The purpose of this allocation is to capture opportunities not available within specific individual geographies. Importantly, the asset class acts as a risk diversifier within the portfolios and we expect to see less relative volatility from this allocation.

Schroder Strategic Index Model Portfolios

Q2 2022

Portfolio updates

The second quarter of 2022 was dominated by worries over rising inflation and the actions taken by central banks to bring it under control. The Strategic Index portfolios are agnostic of current market conditions and the selected funds are designed to mirror the market by following their index benchmark.

In implementing the Strategic Index portfolios we take no near term tactical views in what markets may do over short-time horizons. With asset allocation being the biggest driver of long-term performance it is important to have a robust asset allocation framework with the right balance between asset classes, sectors and regions.

During periods of volatility, diversification is a key defence in managing the frequency and magnitude by which your investments rise and fall. The blend of assets in a portfolio is the factor that is most likely to have the greatest influence on investment returns while taking into account the degree of risk accepted to achieve it. We believe that the best course of action is to maintain a long-term strategic outlook to protect portfolios from economic challenges and taking advantage of opportunities as they arise.

Schroder Strategic Index Model Portfolios

Q2 2022

Portfolio changes

No changes were made over the quarter.

We will be rebalancing back to target weights to capture the positive rebalancing premium from asset classes which performed well.

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Schroder Sustainable Model Portfolios

Q2 2022

Schroder Sustainable Model Portfolios Performance

	Q2 2022	YTD	01/07/2021 - 30/06/2022	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	01/07/2015 - 30/06/2016	01/07/2014 - 30/06/2015	01/07/2013 - 30/06/2014	01/07/2012 - 30/06/2013	Since Common Inception (01/11/2020) - 30/06/2022
Schroder Sustainable Portfolio 3	**-4.99**	**-8.64**	**-6.61**	**7.34**	**5.46**	**4.27**	**3.33**	**10.25**	**4.74**	**7.36**	**5.33**	**7.75**	**-0.67**
IA Mixed Investment 0-35% Shares	-6.06	-8.95	-7.89	6.58	1.27	3.21	1.44	7.83	3.96	3.81	5.38	6.73	-1.25
Schroder Sustainable Portfolio 4	**-5.96**	**-10.22**	**-7.54**	—	—	—	—	—	—	—	—	—	**0.58**
Schroder Sustainable Portfolio 5	**-6.52**	**-11.21**	**-8.16**	**13.71**	**5.77**	**5.50**	**6.72**	**16.63**	**2.81**	**8.28**	**7.93**	**16.00**	**1.56**
IA Mixed Investment 20-60% Shares	-6.42	-9.57	-7.14	11.82	-0.71	3.02	2.49	11.91	2.26	4.90	7.25	10.51	2.21
Schroder Sustainable Portfolio 6	**-7.25**	**-12.43**	**-8.78**	—	—	—	—	—	—	—	—	—	**2.26**
Schroder Sustainable Portfolio 7	**-7.90**	**-13.58**	**-9.36**	**19.62**	**6.36**	**6.40**	**9.06**	**21.27**	**3.95**	**8.98**	**8.76**	**21.60**	**3.35**
IA Mixed Investment 40-85% Shares	**-7.45**	**-10.86**	**-7.17**	**17.39**	**0.10**	**3.71**	**4.99**	**16.29**	**2.35**	**6.84**	**8.27**	**15.28**	**5.22**
Schroder Sustainable Portfolio 8	**-8.60**	**-14.81**	**-10.21**	—	—	—	—	—	—	—	—	—	**3.81**
IA Flexible Investment	-7.08	-10.46	-7.22	19.75	0.38	2.93	5.16	17.79	1.68	6.80	8.00	15.68	5.84

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Schroder Sustainable Model Portfolios

Q2 2022

Positive contributors to portfolio performance

Fund name	Fund performance (Q2 2022)	Commentary
Neuberger Berman Uncorrelated Strategies	3.67%	The fund continues to provide strong returns in volatile markets as a component of the Alternatives asset class. The fund includes a range of strategies which have a low correlation to one another and the equity and fixed income markets. Holding strategic investments for short-term horizons as well as trend-following investments has contributed to performance over the quarter. The fund is designed to function as a diversifier within portfolios and we expect to continue to benefit from this allocation.
Montlake Crabel Gemini	0.19%	Another positive contribution within the Alternatives asset class has come from the Montlake Crabel Gemini fund. The fund offers a unique source of returns with over 40 differentiated and stand-alone strategy concepts across four areas. The holdings are predominantly held over the short-term and designed to target behavioural and structural market inefficiencies across a broadly diversified set of global futures and foreign exchange instruments. The volatility generally experienced by the market has provided the managers with several opportunities to generate returns over the quarter.
JP Morgan Global Government Short Duration Bond	-0.57%	The themes driving the performance of markets in 2022 have seen lower returns in the fixed income markets overall but shorter-duration bonds have been less sensitive to the changes in interest rates. These types of bonds typically react to the expectation of changes rather than the actual outcome of decisions made by central banks. This has provided risk diversification benefits within the portfolio. The fund managers believe that the potential upside return from government bonds is now more evenly balanced with the risks related to weaker economic activity and inflationary pressure. Their investment process targets diversified sources of portfolio return including duration management, yield curve positioning, inflation and cross-market trades.

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Schroder Sustainable Model Portfolios

Q2 2022

Negative contributors to portfolio performance

Fund name	Fund performance (Q2 2022)	Commentary
Liontrust Sustainable Future Europe Growth	-17.74%	European equity markets have been clouded by the devastating situation in Ukraine as well as the actions taken by the European Central Bank (ECB) to manage inflation. Growth-based stocks which the fund holds have been particularly hard hit. These are companies which are expected to generate positive returns based on future potential. Given the uncertainty in markets, we have seen these types of companies struggle as investors give preference to value stocks which are usually larger, more well-established businesses. There is however a unique opportunity for Europe to become more sustainable and resilient. Although performance has been tough over the short term, the fund continues to focus on its core competence of identifying businesses exposed to strong sustainability trends that will endure and grow over the long term regardless of the economic backdrop.
Schroder Global Cities Real Estate	-13.22%	The themes driving market returns in 2022 have seen a reversal of performance from the Schroder Global Cities Real Estate fund which was a top contributor in portfolios at the end of 2021. The knock-on effects of rising interest rates and pressure on the economy have impacted all sectors resulting in share price declines. This reaction is somewhat counter-intuitive as real estate sectors such as residential and data centres typically have rental increases that are linked to inflation. In discussions with the fund managers, they have highlighted that they are positively positioned within these sectors where tenants can absorb increasing costs. The fund is globally diversified and focuses on investing in properties and companies in locations where the economic demand is greatest.
EdenTree Responsible and Sustainable UK Equity	-10.48%	The UK Equity market has faced challenges over the year specifically in stocks with small to mid-market capitalisations. Given the uncertainty in markets we have seen these types of companies struggle as investors give preference to stocks which are usually larger and more well-established businesses. Although the fund has a blend of stocks across the market capitalisations they hold approximately 60% in the small-mid cap category. The fund was one of the first ethical funds available in the UK when it launched in 1988 and they have a robust investment process which generates strong long-term performance. In the UK Equity asset class, the fund is supported by holdings in the Royal London Sustainable Leaders fund which focuses on large companies and provides diversification when smaller companies are affected by negative sentiment.

Schroder Sustainable Model Portfolios

Q2 2022

Portfolio updates

The second quarter of 2022 was dominated by worries over rising inflation and the actions taken by central banks to bring it under control. Against this backdrop, we have positioned portfolios for interest rate movements and thereby inflation expectations going forward.

We continue to hold alternative assets for risk diversification purposes. These include real assets (such as infrastructure, inflation-linked bonds, specialised property and hedge funds). These holdings provide a safety net within the portfolios as other asset classes drop in value. Although the performance was slightly negative, the allocation to alternative assets provided protection benefits within the Sustainable Portfolio 5 with a net return of -1.78% over the quarter.

We are cognisant of the challenges facing our underlying equity fund managers and continue to engage with them to ensure our positioning is appropriate. Given the broader macroeconomic conditions we believe a focus on higher-quality and defensive businesses will be beneficial.

These companies have strong balance sheets and the ability to defend profit margins by passing on higher costs to their customers. The portfolios are style agnostic and we remain aware of our exposure to value and growth stocks and will lean into value-orientated strategies in markets and regions where deemed appropriate and beneficial.

Our fixed income allocation is cautiously positioned and we remain underweight duration relative to the benchmark, Bloomberg Global Treasury (Hedged GBP). Duration is a measure of the sensitivity of a bond's price to a change in interest rates. The longer the duration, the more sensitive the price is to a change in interest rates. We believe that the market has already taken future interest rate hikes into account and we don't expect the pace or magnitude of interest rate rises to be as large as Central Banks are aiming for. For this reason, we have slightly increased the duration within portfolios to take advantage of the opportunity this provides for bond valuations.

We have also increased our allocation to corporate bond fund managers that are exposed to higher credit quality as measured by bond ratings. In a slowing economy, we believe that high-yield and non-investment grade bonds may continue to face headwinds.

During periods of volatility, diversification is a key defence in managing the frequency and magnitude by which your investments rise and fall. The blend of assets in a portfolio is the factor that is most likely to have the greatest influence on investment returns while taking into account the degree of risk accepted to achieve it. We believe that the best course of action is to maintain a long-term strategic outlook to protect portfolios from economic challenges and taking advantage of opportunities as they arise.

Schroder Sustainable Model Portfolios
Q2 2022

Portfolio changes

The portfolios were re-balanced back to their strategic asset allocation weights and adjustments to fund allocations were made in line with our current market views.

The following fund additions and sales were made:

The Federated Hermes Small/Mid cap Emerging Market Equity fund has been replaced with the UBAM Positive Impact Emerging Market Equity. The fund aligns with our goal to invest in companies that enable the delivery of the UN Sustainable Development Goals.

The impact-led investment approach covers 6 broad themes; Basic Needs, Health & Well-being, Inclusive & Fair Economies, Healthy Ecosystems, Climate Stability and Sustainable Communities. The fund managers have extensive emerging market experience and prioritise delivering strong returns alongside their positive impact.

Since the introduction of the BlueOrchard Emerging Markets Climate Bond fund last quarter we believe the asset class now provides sufficient diversification from a credit quality and geographical perspective.

This has prompted the sale of the Liontrust Sustainable Future Corporate Bond fund which reduces the number of funds held within the Corporate Bond asset class to four funds.

Schroder Blended Portfolios
Q2 2022

Investment objective

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 2022. [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]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

Q2 2022

Schroder Blended Portfolios Performance

	Q2 2022	YTD	01/07/2021 - 30/06/2022	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	01/07/2015 - 30/06/2016	01/07/2014 - 30/06/2015	01/07/2013 - 30/06/2014	01/07/2012 - 30/06/2013	Since Common Inception (01/04/2020) - 30/06/2022
Schroder Blended Portfolio 3 F Acc	**-5.01**	**-7.47**	**-5.69**	**7.56**	—	—	—	—	—	—	—	—	**9.98**
IA Mixed Investment 0-35% Shares	-6.06	-8.95	-7.89	6.58	1.27	3.21	1.44	7.83	3.96	3.81	5.38	6.73	5.64
Schroder Blended Portfolio 4 F Acc	**-5.44**	**-7.65**	**-5.47**	**11.64**	—	—	—	—	—	—	—	—	**16.85**
Schroder Blended Portfolio 5 F Acc	**-5.62**	**-7.85**	**-5.45**	**14.59**	—	—	—	—	—	—	—	—	**21.27**
IA Mixed Investment 20-60% Shares	-6.42	-9.57	-7.14	11.82	-0.71	3.02	2.49	11.91	2.26	4.90	7.25	10.51	14.35
Schroder Blended Portfolio 6 F Acc	**-5.98**	**-8.18**	**-5.04**	**17.26**	—	—	—	—	—	—	—	—	**27.38**
Schroder Blended Portfolio 7 F Acc	**-6.27**	**-8.49**	**-4.16**	**21.99**	—	—	—	—	—	—	—	—	**36.49**
IA Mixed Investment 40-85% Shares	-7.45	-10.86	-7.17	17.39	0.10	3.71	4.99	16.29	2.35	6.84	8.27	15.28	23.25
Schroder Blended Portfolio 8 F Acc	**-6.72**	**-9.25**	**-5.62**	**24.77**	—	—	—	—	—	—	—	—	**39.19**
IA Flexible Investment	-7.08	-10.46	-7.22	19.75	0.38	2.93	5.16	17.79	1.68	6.80	8.00	15.68	26.21

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Schroder Blended Portfolios

Q2 2022

Positive contributors to portfolio performance

Fund name	Fund performance (Q2 2022)	Commentary
Neuberger Berman Uncorrelated Strategies	5.75%	The fund continues to provide strong returns in volatile markets as a component of the Alternatives asset class. The fund includes a range of strategies which have a low correlation to one another and the equity and fixed income markets. Holding strategic investments for short-term horizons as well as trend-following investments has contributed to performance over the quarter. The fund is designed to function as a diversifier within portfolios and we expect to continue to benefit from this allocation.
Montlake Crabel Gemini	1.91%	Another positive contribution within the Alternatives asset class has come from the Montlake Crabel Gemini fund. The fund offers a unique source of returns with over 40 differentiated and stand-alone strategy concepts across four areas. The holdings are predominantly held over the short-term and designed to target behavioural and structural market inefficiencies across a broadly diversified set of global futures and foreign exchange instruments. The volatility generally experienced by the market has provided the managers with several opportunities to generate returns over the quarter.
Schroder Global Cities Real Estate	1.23%	The Schroder Global Cities Real Estate fund was sold during the quarter given our move into a passive implementation of the Property asset class. The themes driving market returns in 2022 have seen a reversal of performance from the fund which was a top contributor in portfolios at the end of 2021. An analysis of market efficiency bearing in mind the knock-on effects of rising interest rates and pressure on the economy was conducted by the Schroder Investment Solutions team and it was decided that the fund had served its purpose for now. The proceeds from the sale were invested in the iShares Global Property Securities Equity Index Fund.

Negative contributors to portfolio performance

Fund name	Fund performance (Q2 2022)	Commentary
HSBC American Index	-11.11%	The fund aims to closely mirror the fund's target index, the S&P 500 which tracks the stock performance of the 500 largest listed companies in the US. Higher US government bond yields, specifically real yields, are detrimental to sectors such as technology and consumer discretionary, which are more sensitive to borrowing costs. The significant weighting towards these sectors in the index has meant that US equities have suffered over the year and quarter. The negative return of this quarter is on the back of strong performance at the end of 2021 which provides an example of how markets can go up and down during the investment cycle. The US Equity asset class within the Blended Portfolios has a 20% allocation to active instruments which acts as a diversifier for periods of volatility experienced by the index across the broader market.
MI TwentyFour AM Dynamic Bond	-8.85%	As central banks around the world have increased interest rates in an effort to withdraw liquidity from the market, fixed-income markets have naturally struggled. The relationship between bond prices and the cost of borrowing means that as rates rise, the price of bonds fall, and vice-versa. The fund invests in a range of assets across the fixed income spectrum and adopts a flexible approach to take advantage of prevailing market conditions as they change over time. The managers continue to monitor inflation indicators and ensure there is sufficient liquidity within the portfolio to ensure full flexibility. This will enable the managers to take advantage of opportunities as they arise.
Jupiter Strategic Bond	-8.53%	The themes driving market performance in 2022 has seen lower returns generated in the fixed income markets overall. As expected in these conditions, the fund experienced negative performance due to the exposure they have to higher duration bonds while their exposure to shorter duration bonds provided protection. The manager remains broadly diversified across various regions and different types of debt. The team have an unconstrained investment approach with an emphasis on special themes. This provides opportunities to perform in various monetary and fiscal environments.

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Schroder Blended Portfolios

Q2 2022

Portfolio updates

The second quarter of 2022 was dominated by worries over rising inflation and the actions taken by central banks to bring it under control. Against this backdrop, we have positioned the portfolios for interest rate movements and thereby inflation expectations going forward.

We continue to hold alternative assets for risk diversification purposes. These include real assets (such as infrastructure, inflation-linked bonds, specialised property and hedge funds). These holdings provide a safety net within the portfolios as other asset classes drop in value. For the Blended Portfolio 5, the allocation to alternative assets provided a net return of 0.20% over the quarter.

We are cognisant of the challenges facing our underlying equity fund managers and continue to engage with them to ensure our positioning is appropriate. Given the broader macroeconomic conditions we believe a focus on higher-quality and defensive businesses will be beneficial.

These companies have strong balance sheets and the ability to defend profit margins by passing on higher costs to their customers. The portfolios are style agnostic and we remain aware of our exposure to value and growth stocks and will lean into value-orientated strategies in markets and regions where deemed appropriate and beneficial.

Our fixed income allocation is cautiously positioned and we remain underweight duration relative to the benchmark, Bloomberg Global Treasury (Hedged GBP). Duration is a measure of the sensitivity of a bond's price to a change in interest rates. The longer the duration, the more sensitive the price is to a change in interest rates. We believe that the market has already taken future interest rate hikes into account and we don't expect the pace or magnitude of interest rate rises to be as large as Central Banks are aiming for. For this reason, we have slightly increased the duration within portfolios to take advantage of the opportunity this provides for bond valuations.

We have also increased our allocation to corporate bond fund managers that are exposed to higher credit quality as measured by bond ratings. In a slowing economy, we believe that high-yield and non-investment grade bonds may continue to face headwinds.

During periods of volatility, diversification is a key defence in managing the frequency and magnitude by which your investments rise and fall. The blend of assets in a portfolio is the factor that is most likely to have the greatest influence on investment returns while taking into account the degree of risk accepted to achieve it. We believe that the best course of action is to maintain a long-term strategic outlook to protect portfolios from economic challenges and taking advantage of opportunities as they arise.

Schroder Blended Portfolios

Q2 2022

Portfolio changes

The portfolios were re-balanced back to their strategic asset allocation weights and adjustments to fund allocations were made in line with our current market views.

The following fund additions and sales were made:

The decision was taken to sell the Dodge & Cox US Value fund in favour of the Neuberger Berman US Large Cap Value fund. As we lean into value-based fund strategies, the Neuberger Berman fund offers improved quality with a larger defensive component. The manager is pragmatic and their value investing style aligns with our requirements. The strategy considers ESG factors as part of its stock selection process and they are well-positioned to regularly engage with companies on ESG matters.

We have switched our holding in the JP Morgan Emerging Markets fund to the Fidelity Institutional Emerging Markets fund. This is a move which supports our focus on increasing exposure to quality stocks. The manager follows a rigorous approach in stock selection to reflect the best investment ideas across emerging markets. When analysing stocks they focus on the quality of the company and the consistency of their returns with due consideration to the company's valuation.

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Schroder Tactical Portfolios

Q2 2022

Investment objective

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 2022. [1]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. [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 Tactical Portfolios

Q2 2022

Schroder Tactical Model Portfolios Performance

	Q2 2022	YTD	01/07/2021 - 30/06/2022	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	01/07/2015 - 30/06/2016	01/07/2014 - 30/06/2015	01/07/2013 - 30/06/2014	01/07/2012 - 30/06/2013	Since Common Inception (01/02/2017) - 30/06/2022
Schroder Tactical Portfolio 3 F Acc	**-5.89**	**-9.63**	**-7.26**	**5.90**	**3.90**	**2.62**	**1.58**	—	—	—	—	—	**1.59**
IA Mixed Investment 0-35% Shares	-6.06	-8.95	-7.89	6.58	1.27	3.21	1.44	7.83	3.96	3.81	5.38	6.73	1.26
Schroder Tactical Portfolio 4 F Acc	**-6.26**	**-9.79**	**-6.91**	**9.41**	**1.75**	**2.11**	**2.66**	—	—	—	—	—	**2.07**
Schroder Tactical Portfolio 5 F Acc	**-6.52**	**-9.82**	**-6.67**	**12.36**	**0.41**	**1.76**	**3.46**	—	—	—	—	—	**2.56**
IA Mixed Investment 20-60% Shares	-6.42	-9.57	-7.14	11.82	-0.71	3.02	2.49	11.91	2.26	4.90	7.25	10.51	2.29
Schroder Tactical Portfolio 6 F Acc	**-6.76**	**-9.64**	**-5.88**	**14.84**	**-1.09**	**1.37**	**4.16**	—	—	—	—	—	**2.95**
Schroder Tactical Portfolio 7 F Acc	**-6.70**	**-9.13**	**-4.78**	**17.71**	**-2.60**	**0.90**	**4.02**	—	—	—	—	—	**3.26**
IA Mixed Investment 40-85% Shares	-7.45	-10.86	-7.17	17.39	0.10	3.71	4.99	16.29	2.35	6.84	8.27	15.28	4.12

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Positive contributors to portfolio performance

As can be seen from the market performance table on page 4, bar property, no asset classes posted positive returns in the quarter reflecting prevailing negative market sentiment. In the portfolios, we have commodity exposure through a passive Exchange (EFT) that's tracks the broad index. Returns for this component are positive on a standalone basis, but because our commodity weight is so small, it is not enough to positively impact the total portfolio returns.

Negative contributors to portfolio performance

Asset class	CTR[1] (T5)	Absolute return	Commentary
Global Equities	-2.36%	-8.39%	Global equities were under pressure in the second quarter as investors moved to price in further interest rate rises and an increased risk of recession. Inflation continued to move higher in many major economies during the quarter.
Corporate bonds	-1.01%	-3.85%	Corporate bonds suffered in the broad bond market sell-off, underperforming government bonds as credit spreads widened (suggesting worsening economic conditions and higher overall risk) markedly.
UK Equities	-0.68%	-4.82%	Economically sensitive areas of the market performed poorly amid rising recessionary risks with the resources sectors selling off sharply.

Note: Global Equities = Schroder Global Equity Fund, Schroder Global Equity Completion Component Fund, Schroder Sustainable Multi-Factor Equity Fund ; UK Equities = FTSE 100 Index Future, Schroder UK Multi-Factor Equity Component Fund ; Corporate Bonds = Schroder Global Corporate Bond Managed Credit Component, Schroder ISF Global Corporate Bond.
[1]Contribution to Return for Schroder Tactical Portfolio 5.

Schroder Tactical Portfolios

Q2 2022

Portfolio updates

With equities still falling and bonds under pressure in Q2, markets continued to be caught in the cross currents of concerns about the implications of interest rate increases on the one hand, and recessionary risks on the other. In this environment the Tactical Portfolios posted negative returns over the quarter. Modest gains in commodities were insufficient to offset losses from equities and fixed income assets.

The portfolios remain positioned for a stagflationary environment (an economic environment in which growth is low while inflation is rising). At the top level, over the past few months the Tactical Portfolios have benefitted from an underweight equity, underweight duration (sensitivity to interest rates), and overweight commodities position.

From a regional equity perspective, portfolio activity was centred on our cautious stance in both Europe and the US. The US continues to be the most vulnerable region to a further de-rating in valuations (i.e. investors aren't prepared to pay high prices for stocks) driven by slowing earnings growth. In Europe, eurozone inflation is at all-time highs, and the recently adopted hawkish policy stance (increasing interest rates in order to reduce the money supply and control inflation) by the European Central Bank will serve as an additional challenge for equity returns. Uncertainty over Russian energy supplies remain a direct headwind for the region.

Towards the end of the quarter we introduced a position in Chinese equities; the cautious easing of lockdown restrictions in China presents a tactical opportunity.

Turning to fixed income markets, we moved from a negative to a neutral duration (sensitivity to interest rates) stance in April. With central banks forced to focus on tackling inflation, bond markets have declined sharply alongside equities, rendering bonds a less effective defensive asset to own in contrast to previous economic downturns. We sought to diversify our risk by adding an overweight US Treasuries versus German Bunds position, as US Treasuries tend to outperform on a relative basis in times of growth shocks. This position added value over May.

Commodities have been the standout performer this year, however, the asset class delivered broadly flat returns over the latest quarter. In June we took profits on our longstanding overweight position in commodities. This has been primarily driven by our view on energy, which despite us retaining a neutral view, is a sector where evidence is emerging that high prices are starting to destroy demand.

Schroder Tactical Portfolios

Q2 2022

Outlook

We wrote in our previous update of an increasingly stagflationary environment (an economic environment in which growth is low while inflation is rising) and our base case has now moved further in that direction. The peak in global inflation is probably not far away and already in the rear view mirror for some economies such as the US. However, there are concerns that while inflation may soon begin to decline, it will do so relatively slowly for at least three reasons.

First, the continued zero-Covid policy in China means that supply chain bottlenecks are likely to persist for some time. A second reason why inflation may be slow to subside is commodity prices. Energy prices have stabilised since the initial shock to markets following the invasion of Ukraine by Russia – but they remain high and upside risks remain. However, it is perhaps food prices that are the greatest threat as the huge price shock in the fertiliser market means there is a risk that higher costs persist. A third concern for the inflation outlook comes from the services sector, which is only just revving up as fading concerns about Covid have seen demand start to rebalance back from the consumption of manufactured goods.

Upward revisions to our expectations for inflation are accompanied by downward revisions to our projections for global growth. Economic activity has so far been robust as consumers have shown willingness to absorb higher prices, in part as they have run down the savings accumulated during the initial phase of the Covid pandemic. Buoyant labour markets and a corresponding pick-up in wage growth have also bolstered activity. These factors should remain supportive for a while longer; however, cracks have begun to appear on the demand side of the global economy.

In summary, while the stagflationary environment has intensified, we think that there is still a fair chance of a 'muddling-through scenario', where global inflation is to peak at some point later this year. However, the risk of a recession is rising so we maintain a cautious, diversified stance. Nonetheless, our dynamic approach to asset allocation means we are well placed to seize opportunities even as the growth picture darkens in the next few months - history has taught us the best valuation opportunities tend to emerge in recessions.

Schroder Managed Defensive Fund

Q2 2022

Investment objective

The Fund aims to provide capital growth and income in excess of the ICE BofA Sterling 3-Month Government Bill Index plus 2% per annum (after fees have been deducted) over a three to five year period, whilst also seeking to mitigate the risk of incurring a loss greater than 10% over any investment period, by investing in a diversified range of assets and markets worldwide. The Fund will seek to achieve a target average volatility (a measure of how much the Fund's returns may vary over a year) over a rolling five year period of 4% per annum. This cannot be guaranteed and your capital is at risk. The Fund invests directly or indirectly through derivatives in equity or equity related securities and fixed and floating rate securities, issued by governments, government agencies, supra-nationals or corporate issuers, worldwide. The Fund seeks to achieve the target average volatility by varying the weighting of asset types. During the market cycle the Fund's volatility may be higher or lower than the target average level 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 average volatility. The Fund may also invest in alternative assets including funds that use absolute return strategies or funds that invest indirectly in real estate, infrastructure and commodities. The Fund may also invest in money market instruments, collective investment schemes, closed ended investment schemes, real estate investment trusts and exchange traded funds, and hold cash (exceptionally up to 100% of the Fund's assets may be cash or money market instruments). The Fund may invest more than 10% of its assets in collective investment schemes managed by Schroders. The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently (for more information please refer to section 10 of Appendix III of the Prospectus). The Fund may use leverage and take short positions.

Source: Schroders 2022.

Schroder Managed Defensive Fund

Q2 2022

Schroder Managed Defensive Fund Performance

	Q2 2022	YTD	01/07/2021 - 30/06/2022	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	01/07/2015 - 30/06/2016	01/07/2014 - 30/06/2015	01/07/2013 - 30/06/2014	01/07/2012 - 30/06/2013	Since Common Inception (01/06/2018) - 30/06/2022
Schroder Managed Defensive F Acc	**-5.27**	**-8.81**	**-6.27**	**6.95**	**-0.10**	**3.55**	**—**	**—**	**—**	**—**	**—**	**—**	**0.85**
UK Cash + 2%	0.47	0.89	1.93	2.10	3.01	3.04	2.56	2.58	2.73	2.66	2.58	2.80	2.52

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Schroder Managed Defensive Fund
Q2 2022

Positive contributors to portfolio performance

As can be seen from the market performance table on page 4, bar property, no asset classes posted positive returns in the quarter reflecting prevailing negative market sentiment.

Negative contributors to portfolio performance

Asset class	CTR[1]	Commentary
North American Equities	-2.00%	The US continues to be the most vulnerable region to a further de-rating in valuations driven by slowing earnings growth.
Government Bonds	-0.86%	While government bonds are becoming more fairly priced based on our models, real yields (the returns that a bond investor earns from interest payments after accounting for inflation) look too low. With inflation continuing to accelerate while growth expectations are falling, we require higher yield levels to compensate us for the potential volatility.
Corporate Bonds	-0.43%	Our outlook on credit remains cautious given stagflationary (an economic environment in which growth is low while inflation is rising) concerns, which is historically a challenging environment for credit assets. However, valuations have improved recently meaning some of this negative sentiment appears to be priced in.

Note: North American Equities= S&P 500 Index, Government Bonds= US, UK, German, Canadian & Australian Government Bonds, Corporate Bonds = US, UK & European investment grade bonds [1]Contribution to Return for Schroder Managed Defensive Fund.

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Schroder Managed Defensive Fund

Q2 2022

Portfolio updates

The Schroder Managed Defensive Fund posted negative returns in the second quarter of 2022, but offered some protection on the downside as markets continued to plummet amid growing fears of a recession.

Both equities and bond markets were under pressure in the second quarter, as markets continued to be caught in the cross currents of concerns about the implications of interest rate increases on the one hand, and worries about recessionary risks on the other.

Against this uncertain backdrop, having already significantly reduced our equity exposure this year, we cut equities further over the quarter. We believe there are now clear concerns for economic growth which is having knock-on effects to investor sentiment where markets struggle for near term direction. While valuations in many regions have improved, offering a better re-entry point, they are not overly attractive given the headwinds for the global economy.

With central banks forced to focus on tackling inflation, bond markets have declined sharply alongside equities, rendering bonds a less effective defensive asset to own in contrast to previous economic downturns. As a result, we reduced exposure to global government bonds. Given the reductions in both bonds and equities, the Fund is currently running a temporarily higher cash weight until the economic picture is clearer.

Commodities have been the standout performer this year and are one of the few assets to generate higher returns than the fund itself. However, the asset class slightly detracted from performance over the latest quarter. Despite us retaining a neutral view, this is an area where evidence is emerging that high prices are starting to destroy demand, particularly in the energy sector.

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Schroder Managed Defensive Fund

Q2 2022

Portfolio changes

We wrote in our previous update of an increasingly stagflationary environment (an economic environment in which growth is low while inflation is rising) and our base case has now moved further in that direction. The peak in global inflation is probably not far away and already in the rear view mirror for some economies such as the US. However, there are concerns that while inflation may soon begin to decline, it will do so relatively slowly for at least three reasons.

First, the continued zero-Covid policy in China means that supply chain bottlenecks are likely to persist for some time. A second reason why inflation may be slow to subside is commodity prices. Energy prices have stabilised since the initial shock to markets following the invasion of Ukraine by Russia – but they remain high and upside risks remain. However, it is perhaps food prices that are the greatest threat as the huge price shock in the fertiliser market means there is a risk that higher costs persist. A third concern for the inflation outlook comes from the services sector, which is only just revving up as fading concerns about Covid have seen demand start to rebalance back from the consumption of manufactured goods.

Upward revisions to our expectations for inflation are accompanied by downward revisions to our projections for global growth. Economic activity has so far been robust as consumers have shown willingness to absorb higher prices, in part as they have run down the savings accumulated during the initial phase of the Covid pandemic. Buoyant labour markets and a corresponding pick-up in wage growth have also bolstered activity. These factors should remain supportive for a while longer; however, cracks have begun to appear on the demand side of the global economy.

In summary, while the stagflationary environment has intensified, we think that there is still a fair chance of a 'muddling-through scenario', where global inflation is to peak at some point later this year. However, the risk of a recession is rising so we maintain a cautious, diversified stance. Nonetheless, our dynamic approach to asset allocation means we are well placed to seize opportunities even as the growth picture darkens in the next few months - history has taught us the best valuation opportunities tend to emerge in recessions.

Schroder Income Portfolio

Q2 2022

Investment objective

The Fund aims to provide an income of 3% to 5% per year and capital growth 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 50% to 65% of that of global stock markets (represented by the MSCI All Country World index). This is not guaranteed and could change depending on market conditions.

Volatility target[1] (% p.a. over a five year rolling period)	Comparator benchmark[2] IA Mixed Investment Sector	Income target
50% to 65% of MSCI ACWI	20 to 60% shares average	3 to 5% per year

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.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.

The Schroder Multi-Manager Diversity Income Fund was restructured and renamed the Schroder Income Fund on the 12 November 2021.

Schroder Income Portfolio

Q2 2022

Performance

	QTD	YTD	01/07/2021 - 30/06/2022	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	01/07/2015 - 30/06/2016	01/07/2014 - 30/06/2015	01/07/2013 - 30/06/2014	01/07/2012 - 30/06/2013	Since inception (01/01/2011) - 30/06/2022
Schroder Income Portfolio	**-5.34**	**-7.19**	**-4.73**	**19.23**	**-5.14**	**0.40**	**2.90**	**6.08**	**3.85**	**2.10**	**7.12**	**14.75**	**4.32**
IA Mixed Investment 20-60% Shares	-6.42	-9.57	-7.14	11.82	-0.71	3.02	2.49	11.91	2.26	4.90	7.25	10.51	3.95

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Schroder Income Portfolio

Q2 2022

Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
Montlake Crabel Gemini	1.91%	A positive contribution within the Alternatives asset class has come from the Montlake Crabel Gemini fund. The fund offers a unique source of returns with over 40 differentiated and stand-alone strategy concepts across four areas. The holdings are predominantly held over the short-term and designed to target behavioural and structural market inefficiencies across a broadly diversified set of global futures and foreign exchange instruments. The volatility generally experienced by the market has provided the managers with several opportunities to generate returns over the quarter.
iShares UK Gilts	0.34%	The iShares UK Gilts fund was sold during the quarter given our concerns around interest rates going forward. Gilts are very sensitive to moves in interest rates and are ultimately impacted by inflation. Nevertheless, the allocation still contributed to the diversification within portfolios and we believe it has served its purpose for now. The proceeds from the sale were included in the global government bond exposure, at a level that better reflects global weights.
Royal London Short Term Money Market	0.21%	With the challenges faced by the market, cash provided protection to the negative returns generally experienced across the board. The relative returns provided will be used in the rebalance back to target weights within the strategic asset allocations.

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Schroder Income Portfolio

Q2 2022

Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
BlackRock Continental Europe Income	-11.08%	European equity markets have been clouded by the devastating situation in Ukraine as well as the actions taken by the European Central Bank (ECB) to manage inflation. Food security and energy needs are key concerns but there is also a unique opportunity for Europe to become more sustainable and resilient. The BlackRock investment philosophy is based on strategic views with uncertainty explicitly built-in. A specific sector the fund expects to benefit from is euro area bank stocks which could get a boost from interest income as rates finally resurface from negative territory.
MI TwentyFour AM Dynamic Bond	-8.85%	As central banks around the world have increased interest rates in an effort to withdraw liquidity from the market, fixed-income markets have naturally struggled. The relationship between bond prices and the cost of borrowing means that as rates rise, the price of bonds fall, and vice-versa. The fund invests in a range of assets across the fixed income spectrum and adopts a flexible approach to take advantage of prevailing market conditions as they change over time. The managers continue to monitor inflation indicators and ensure there is sufficient liquidity within the portfolio to ensure full flexibility. This will enable the managers to take advantage of opportunities as they arise.
Jupiter Strategic Bond	-8.51%	The themes driving market performance in 2022 have seen lower returns generated in the fixed income markets overall. As expected in these conditions, the fund experienced negative performance due to the exposure it has to higher duration bonds while its exposure to shorter duration bonds provided protection. The manager remains broadly diversified across various regions and different types of debt. The team have an unconstrained investment approach with an emphasis on special themes. This provides opportunities to perform in various monetary and fiscal environments.

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Schroder Income Portfolio

Q2 2022

Portfolio update

The second quarter of 2022 was dominated by worries over rising inflation and the actions taken by central banks to bring it under control. Against this backdrop, we have positioned portfolios for interest rate movements and thereby inflation expectations going forward.

We continue to hold alternative assets for risk diversification purposes. These include real assets (such as infrastructure, inflation-linked bonds, specialised property and hedge funds). These holdings provide a safety net within portfolios as other asset classes drop in value. For the Income Portfolio, the allocation to alternative assets provided a net return of 0.67% over the quarter.

We are cognisant of the challenges facing our underlying equity fund managers and continue to engage with them to ensure our positioning is appropriate. Given the broader macroeconomic conditions we believe a focus on higher-quality and defensive businesses will be beneficial.

These companies have strong balance sheets and the ability to defend profit margins by passing on higher costs to their customers. The portfolios are style agnostic and we remain aware of our exposure to value and growth stocks and will lean into value-orientated strategies in markets and regions where deemed appropriate and beneficial.

Our fixed income allocation is cautiously positioned and we remain underweight duration relative to the benchmark, Bloomberg Global Treasury (Hedged GBP). Duration is a measure of the sensitivity of a bond's price to a change in interest rates. The longer the duration, the more sensitive the price is to a change in interest rates. We believe that the market has already taken future interest rate hikes into account and we don't expect the pace or magnitude of interest rate rises to be as large as Central Banks are aiming for. For this reason, we have slightly increased the duration within portfolios to take advantage of the opportunity this provides for bond valuations.

We have also increased our allocation to corporate bond fund managers that are exposed to higher credit quality as measured by bond ratings. In a slowing economy, we believe that high-yield and non-investment grade bonds may continue to face headwinds.

During periods of volatility, diversification is a key defence in managing the frequency and magnitude by which your investments rise and fall. The blend of assets in a portfolio is the factor that is most likely to have the greatest influence on investment returns while taking into account the degree of risk accepted to achieve it. We believe that the best course of action is to maintain a long-term strategic outlook to protect portfolios from economic challenges and take advantage of opportunities as they arise.

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Schroder Income Portfolio

Q2 2022

Portfolio changes

No changes were made over the quarter.

We will be rebalancing back to target weights to capture the positive rebalancing premium from asset classes which performed well.

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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.

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

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