Schroder Investment Solutions

Quarterly Bulletin

Q3 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 report we provide a review of the performance of investment markets over the quarter, and provide you with the current market outlook from our multi-asset team.

This Quarterly Bulletin shows you how your portfolio has performed over the last three months.

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

Q3 2021

2016	2017	2018	2019	2020	YTD	Q3 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 40.2	Commodities 7.8
Commodities 32.8	EM Equities 25.4	Global Property 1.2	Europe ex UK Equities 20.0	US Equities 16.2	Global Property 16.9	Japanese Equities 7.3
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 16.7	Global High Yield Bonds 3.6
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 13.6	US Equities 2.6
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 11.0	UK Index-linked Gilts 2.3
Global Property 25.2	US Equities 10.4	UK Index-linked Gilts -0.3	EM Equities 13.9	UK Corporate Bonds 9.1	Japanese Equities 7.6	UK Equities 2.2
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	Global High Yield Bonds 4.8	Global Property 1.7
Japanese Equities 23.4	Global Corporate Bonds 4.6	Global Corporate Bonds -2.7	Commodities 13.1	Europe ex UK Equities 7.5	EM Equities 0.1	Europe ex UK Equities 0.5
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	UK Index-linked Gilts -0.7	Global Treasury Bonds 0.0
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	Global Corporate Bonds 0.0
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 Corporate Bonds -1.0
UK Gilts 10.1	Global Treasury Bonds 1.1	EM Equities -9.3	UK Index-linked Gilts 6.4	UK Equities -9.8	Asia Ex Japan Equities -2.2	UK Gilts -1.8
Global Corporate Bonds 5.8	Commodities -3.4	UK Equities -9.5	Global Treasury Bonds 5.5	Global Property -11.0	UK Corporate Bonds -3.8	EM Equities -5.8
Global Treasury Bonds 3.6	Global High Yield Bonds -3.6	Europe ex UK Equities -9.9	Global High Yield Bonds 2.4	Commodities -26.1	UK Gilts -7.4	Asia Ex Japan Equities -7.1

Source: Morningstar as at 30 September 2021.
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

Q3 2021

Developed market equities were flat overall in Q3. Declines in September erased prior gains. Emerging market equities underperformed amid a sell-off in China.

US equities notched up a small positive return in Q3. Strong earnings had lifted US stocks in the run up to August, when the Federal Reserve (Fed) seemed to strike a dovish tone, confirming its hesitance to tighten policy too fast. However, growth and inflation concerns late in the quarter meant US equities retraced their steps in September.

Eurozone equities were flat in Q3. The energy sector was one of the strongest performers, as was information technology with semiconductor-related stocks seeing a robust advance. Consumer discretionary stocks were among the weakest for the quarter, with luxury goods companies under pressure amid suggestions that China could seek greater wealth redistribution, which could hit demand.

UK equities rose over Q3 with the market driven by a variety of factors. While there were some clear sector winners (such as energy on the back of a recovery in crude oil prices) the difference between the best and worst-performing stocks, or dispersion, was quite marked.

The Japanese equity market traded in a range through July and August before rising in September. The yen showed little trend against the US dollar for most of the period before weakening at the very end of September to reach its lowest level since the start of the pandemic in early 2020.

Emerging market equities declined in Q3, which saw a sell-off in Chinese stocks, concern over continued supply chain disruptions, and worries over the implications of higher food and energy prices for some markets. US bond yields rose towards the end of the quarter. Regulatory actions in China were the initial trigger for market weakness. These were compounded by the re-imposition of some Covid-19 restrictions and supply chain disruption in August, worries about possible systemic financial system risks stemming from the potential collapse of Evergrande, and power shortages.

Government bond yields were little changed in the quarter. The US Federal Reserve said it would soon slow the pace of asset purchases. Among corporate bonds, high yield made positive returns, while investment grade credit was little changed.

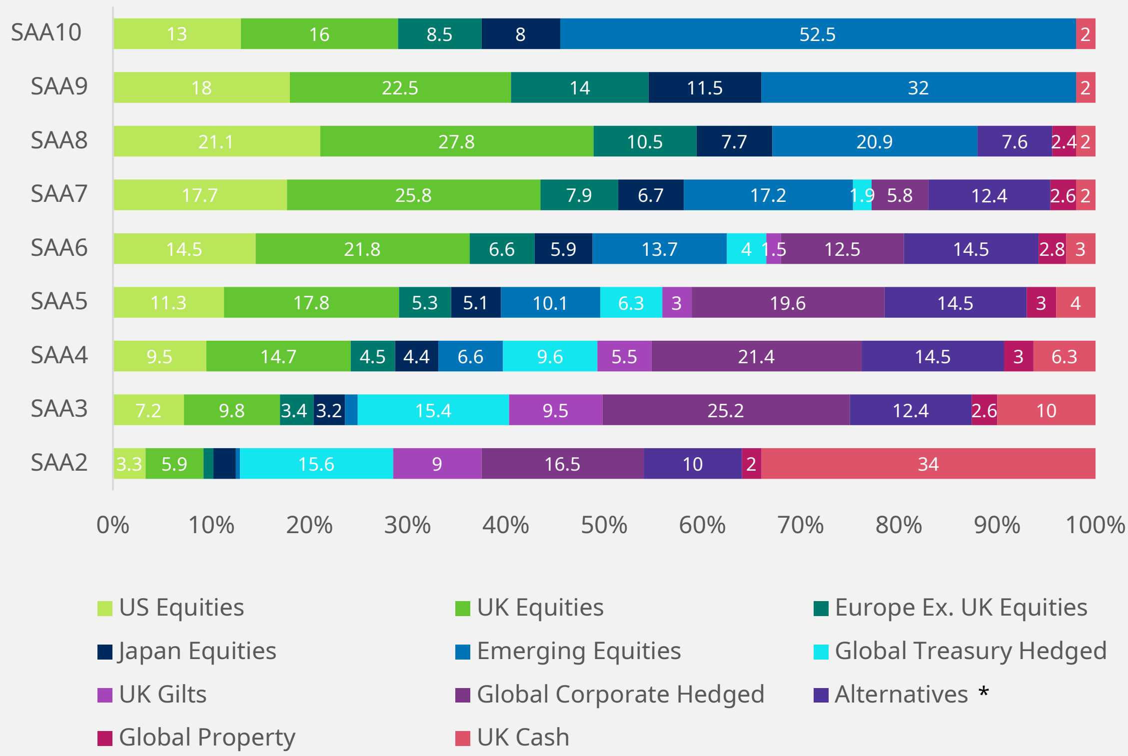
Source: Schroders. Please note that any **past performance mentioned in this document is not a guide to future performance and may not be repeated. Information is provided for illustrative purposes only and should not be considered as a recommendation to buy or sell.**

Asset allocation

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)

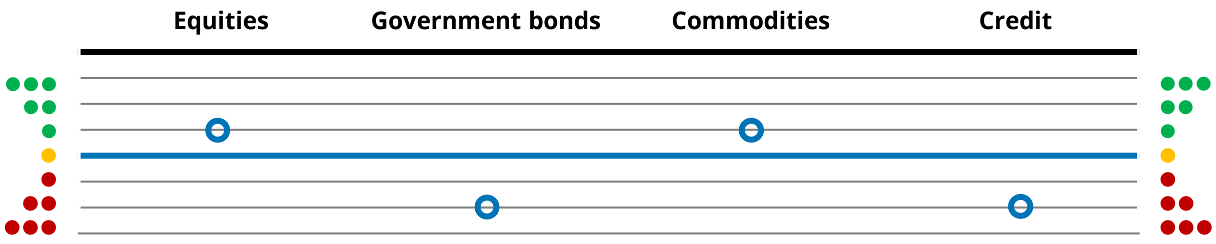


The chart illustrates the asset class diversification across the Schroder Active Model Portfolios 2-10. Please note that the illustration may not show our current asset allocation.

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

Asset class views

Q3 2021



●●● Maximum positive ● Neutral ●●● Maximum negative △ Up from last month ▽ Down from last month

MAIN ASSET CLASSES

Category	View	Comments
Equities	🟢	We remain positive with earnings expectations holding firm and real interest rates supporting valuations.
Government bonds	🔴🔴	The strength of economic momentum has diminished whilst peak liquidity (when the availability of funds is at its most ample) appears to be behind us. This will therefore be a key headwind going forward.
Commodities	🟢	Vaccine distribution and fiscal stimulus continue to drive stronger demand whilst supply conditions remain tight.
Credit	🔴🔴	We maintain our negative score, and although fundamentals are improving, valuations remain close to extreme levels across the board.

EQUITIES

Category	View	Comments
US	🟢	Upward earnings revisions are starting to moderate, suggesting a manageable hurdle for Q3 earnings. Companies continue to focus on shareholder friendly actions whilst consumer spending remains strong.
UK	🟠	We continue to hold our neutral view as we prefer to express our cyclical bias elsewhere.
Europe	🟢🟢	Europe is our preferred market as economic growth remains strong. This is supported by the rebound in the pace of vaccinations and the continued monetary support from the European Central Bank (ECB) (monetary support involves policymakers attempting to manage economic fluctuations through the use of interest rates and unconventional monetary policies such as quantitative easing).
Japan	🟠	Despite the strong recent rebound, we see little reason to expect the market to lead at this stage.
Global Emerging Markets[1]	🟠	Although valuations are attractive, vaccination rates remain low in many markets, suggesting their economic recoveries will be uncertain.
Asia ex-Japan China	🟠	We remain on the side-lines. While valuations have undoubtedly cheapened recently, they were previously trading at decade highs. Current levels therefore look fair, especially for long term investors.
EM Asia ex China	🟠 ▽	Whilst we continue to like the long-term story for Korea and Taiwan, investor sentiment has declined given global growth appears to be peaking. We therefore expect this to weigh on the market in the short term.

Source: Schroders, September 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.

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

Schroder Active Model Portfolios

Q3 2021

Schroder Active Model Portfolios performance

	Q3 2021	YTD	01/10/2020 - 30/09/2021	01/10/2019 - 30/09/2020	01/10/2018 - 30/09/2019	01/10/2017 - 30/09/2018	01/10/2016 - 30/09/2017	Since Common Inception (01/02/2008) - 30/09/2021
Schroder Active portfolio 2	**0.24**	**0.96**	**2.88**	**1.13**	**3.45**	**1.21**	**2.83**	**3.15**
UK CPI	0.99	2.97	3.08	0.53	1.71	2.42	2.96	2.30
Schroder Active portfolio 3	**0.57**	**2.55**	**6.64**	**1.36**	**6.38**	**3.41**	**4.68**	**5.62**
IA Mixed Investment 0-35% Shares	0.14	1.53	5.73	0.38	4.89	1.26	3.33	4.01
Schroder Active portfolio 4	**0.69**	**4.05**	**10.23**	**2.01**	**4.91**	**4.73**	**7.24**	**6.79**
Schroder Active portfolio 5	**0.80**	**5.50**	**13.34**	**2.47**	**3.76**	**6.27**	**9.39**	**7.38**
IA Mixed Investment 20-60% Shares	0.78	4.31	11.24	-1.23	4.13	2.64	6.19	4.76
Schroder Active portfolio 6	**0.97**	**6.79**	**16.67**	**4.10**	**4.33**	**6.79**	**12.25**	**8.52**
Schroder Active portfolio 7	**1.16**	**8.14**	**19.15**	**7.46**	**4.27**	**7.50**	**13.77**	**9.42**
IA Mixed Investment 40-85% Shares	1.33	8.09	16.77	-0.05	4.33	5.43	9.25	6.23
Schroder Active portfolio 8	**1.47**	**9.31**	**21.78**	**8.90**	**5.32**	**5.60**	**14.23**	**9.27**
Schroder Active portfolio 9	**1.54**	**9.66**	**24.08**	**12.14**	**6.32**	**5.13**	**16.69**	**9.73**
Schroder Active portfolio 10	**0.47**	**8.10**	**23.20**	**7.62**	**7.35**	**1.99**	**15.97**	**8.24**
IA Flexible Investment	1.32	8.91	18.53	1.04	3.17	5.50	10.46	6.22

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Schroder Active Model Portfolios

Q3 2021

Positive contributors to portfolio performance

Fund name	Fund performance (Q3 2021)	Commentary
Brown Advisory US Sustainable Growth	+7.46%	For a second consecutive quarter, this strategy has led the drive for positive returns. Stocks with greater earnings growth drove returns across the market, benefiting the overall portfolio. The manager, however, managed to outperform the Russell 1000 Growth index, reflecting good stock selection. Returns were driven by positioning in technology and healthcare, with the manager taking profits in both to manage risks and position sizing on the back of strong performance. The general value-growth divergence was also reflected in the portfolio itself, with consumer cyclical stocks (such as Amazon.com, Chegg, and Nike) leading the (minor) losses for the quarter.
JPM Japan	+9.02%	The Japan equity market delivered strong returns over the quarter. This was driven by a broad recovery in the Japan stock market, reflected by stocks from multiple sectors contributing positively to performance. The manager's stock selection also contributed to performance over and above the TOPIX market index. At the sector level, overweighting the services and precision instruments sectors were positive. Not holding Softbank also added value due to market's concerns over regulatory risks in China.
Nikko AM Japan Value	+5.38%	In line with the strong broad Japan stock market return for the quarter, this strategy also contributed to overall returns. However, given the market favouring faster growing companies, and this strategy's focus on valuations, it underperformed the market as a result of the bias towards owning cheaper companies. It was negatively impacted by adjustments to stocks that had made previous contributions to the portfolio, such as the marine shipping sector. The investment manager retains his conviction in the upside potential of the portfolio and believes that their companies continue to do well on a fundamental basis.

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Schroder Active Model Portfolios

Q3 2021

Negative contributors to portfolio performance

Fund name	Fund performance (Q3 2021)	Commentary
Jupiter Gold & Silver	-16.16%	It was a tough quarter for the strategy; both the asset classes and stock selection faced headwinds. Both the gold and silver prices came off over the quarter, with the largest detraction coming from the latter, specifically silver miners. We hold this strategy as a hedge against real interest rates becoming more negative, possibly via higher inflation combined with central banks being late to initiate a rate hiking cycle. Additionally, gold miners are more attractive from a fundamental perspective as well as have experienced a divergence from the gold price; both of these may offer upside opportunities. We continue to monitor these viewpoints.
JPM Emerging Markets	-5.81%	Emerging market equity broadly faced headwinds over the quarter given risk off sentiment, primarily driven by China (approximately 34% of the index). This sell-off primarily impacted faster growing companies - which is part of the market where this investment strategy resides – as a result of concerns around rising central bank interest rates in certain economies impacting stock market valuations. The strategy's exposure to financial services and energy stocks didn't offset the losses experienced in the consumer cyclical and consumer defensive sectors.
Fidelity Institutional Emerging Markets	-4.65%	Emerging market equity – a generally cyclical asset class - experienced headwinds over the quarter, primarily a result of risk-off sentiment; this was also evidenced by a stronger US Dollar. Concerns over China (Evergande and regulation changes in particular) have created uncertainty and thus volatility. China constitutes approximate 34% of the index and thus has a disproportionally large impact on outcomes for the asset class. The valuation divergence between value and growth companies remains wide, creating opportunities for the manager to exploit. Despite the loss, the manager was able to add benefit beyond the emerging market index, providing downside protection.

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Schroder Active Model Portfolios

Q3 2021

Portfolio updates

The longstanding market preference for owning faster growing companies over the past decade experienced some challenge over this past volatile quarter. Investors had to grapple with changes in interest rates, inflation, and the impact this has on fully valued stocks. The divergence between the performance of the value and growth investing styles was volatile, diverging only to reverse in the final few weeks.

During such periods of uncertainty - and the potential large changes in market dynamics that arise as a result - markets tend to be more volatile. It is in this context that we maintain our rebalancing position in a neutralised exposure between value and growth equity managers.

Over the quarter, transactions have been limited to the emerging market and alternative sleeves, with all the other sleeves being rebalanced back to target weights. Within the alternative sleeve, we made changes within the current selection managers to reflect a more conservative stance given that stock markets generally tend to be fully valued. Within emerging market equity our changes reflected a desire to obtain SMID cap exposure and reduce exposure to fully valued large-cap growth stocks in particular. The changes are outlined below.

Source: Schroder Investment Solutions Quarterly IC Meeting – September 2021

Schroder Active Model Portfolios

Q3 2021

Portfolio changes

Alternatives – Increased allocations to Montlake Crabel Gemini and Neuberger Berman Uncorrelated Strategies. Reduced exposure to Jupiter Gold & Silver, M&G Emerging Markets Bond, and Liontrust MA Diversified Real Assets. These changes reduce the sensitivity of the sleeve to global equity markets, and thus offer a greater degree of protection given our view that equity markets are fully valued.

Emerging Markets Equity – Disposal of Goldman Sachs Emerging Markets. Addition of Federated Hermes GEM's SMID. Marginally increased allocations to FSSA Asia Focus and Fidelity Institutional Emerging Markets to balance the allocation to the new smaller companies position. This repositioning in current managers also maintains our neutralised value-growth position.

New fund

Federated Hermes GEM's SMID

Federated Hermes, who manage over $640 Billion, have specialist offerings in both thematic and emerging markets. This particular strategy straddles both of these areas, making it an attractive offering for the solution. While this strategy has a recent inception date (8/10/2018), it was born out of the successful global emerging markets strategy we currently own (which was launched in December 2008). Since inception the strategy has offered compelling returns, and we expect this to continue thanks to specialist knowledge of the investment team.

From a portfolio management perspective, this strategy also reduces the valuation risk of the sleeve given the reduction in exposure to fully valued large-cap growth stocks.

Gary Greenberg (head of global emerging markets, who is retiring in June 2022) and Kunjal Gala (lead portfolio manager) are supported be a dedicated team of investment professionals; they are successfully navigating a stable handover period. The team is well-capitalised relative to the 50-80 stocks that will appear in the portfolio, allowing for the depth of work required to support their process. Additionally, we are comforted that certain stocks will overlap with the global equity mandate, thus providing an additional layer of oversight.

Kunjal and his team will look for high quality stocks, value stocks with a catalyst for improvement, and a margin of safety from a valuation and governance perspective. These combinations lead to a balanced portfolio. ESG is integrated directly via fundamental research; this process combines both quantitative and qualitative perspectives. A dashboard ranks all companies to assess each stocks ESG trajectory while analysts assess material ESG risks. They will invest in ESG improvers but will engage with all stocks to positively impact the management of the companies.

Source: Schroder Investment Solutions Quarterly IC Meeting – September 2021
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Schroder Income Model Portfolio

Q3 2021

Schroder Income Model Portfolio performance

	Q3 2021	YTD	01/10/2020 - 30/09/2021	01/10/2019 - 30/09/2020	01/10/2018 - 30/09/2019	01/10/2017 - 30/09/2018	01/10/2016 - 30/09/2017	Since Common Inception (01/04/2018) - 30/09/2021
Schroder Income portfolio	**1.49**	**6.49**	**12.43**	**-7.95**	**1.18**	**—**	**—**	**2.32**
IA Mixed Investment 20-60% shares	0.78	4.31	11.24	-1.23	4.13	2.64	6.19	4.99

Positive contributors to portfolio performance

Fund name	Fund performance (Q3 2021)	Commentary
Montanaro UK Income	+5.90%	Thanks to both good stock and sector selection, this strategy led the returns for the quarter. Marshalls, the only basic material stocks, provided a stand out return for the sector, which generally faced headwinds. The managers also steered clear of laggards in the communication services sector (BT Group and ITV), which bolstered performance. The largest overweight sector allocation continues to be technology, which fits in with their desire to invest in profitable and growing companies that also generate income.
Schroder US Equity Income Maximiser	+5.43%	While the S&P 500 performed well over the quarter, delivering a 3.05% return, the strategy provided good returns over and above this thanks to a drawdown in the stock market in the final week of the quarter. In market drawdowns, this strategy will outperform the index thanks to the income it generates through writing options. This was further evidenced by the correction experienced in mid-August, where the market fell and this strategy experience positive returns. We continue to monitor this strategy's ability deliver positive returns in an up-trending market, but retain our comfort in this position given its ability to provide downside protection.
Schroder Global Cities Real Estate	+4.46%	It was a strong month for real estate, but an exceptional month for this active strategy as it handsomely outperformed the benchmark. Operational updates for all the holdings have been incredibly strong. Standout sub-sectors have been logistics, self-storage, and residential. Each one of these is characterised by growing demand driven by structural factors in markets with low levels of supply. Additionally, management teams' confidence and guidance to the market is increasing.

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Schroder Income Model Portfolio

Q3 2021

Negative contributors to portfolio performance

Fund name	Fund performance (Q3 2021)	Commentary
Schroder Asian Income	-2.63%	For a second consecutive quarter, this strategy has faced headwinds. The market has favoured fast growing companies in the region, while this strategy has a bias towards cheaper stocks that generate income. Accounting for the income style, the manager has been able to provide additional returns against an appropriate index. The greatest impact was experienced in financial services stocks. While the holdings in this sector are spread across multiple names, the market punished two insurance names associated with China: Ping An Insurance and China Life Insurance.
Ninety One Diversified Income	-1.55%	It was a tough quarter for the strategy with all asset classes, except emerging market debt, experiencing a negative return. This is a change from the funds strong one-year returns as the market digests uncertain news flows. Recent shifts in sentiment were initially triggered by the debt crisis at the Chinese property company Evergrande Group; however, the market quickly refocused towards fresh inflation pressures from rising commodity prices, the prospect of rate hikes and subsequent rising bond yields. The investment team expects growth to continue into 2022, but has expressed this view in a cautious manner. Current positioning is to hedge just under half of the equity assets while also holding cheaper out-of-the-money equity call options to retain upside.
Allianz Gilt Yield	-1.48%	The market was digesting news related to supply chain bottle necks and higher than expected inflation, with the concern that this may potentially translate into higher interest rates. This led to the UK government yield curve (the cost of borrowing money for different maturities) increasing across all points given the BoE's hawkish guidance. The UK government 10-year borrowing rate increased from 0.73% to 1.02%. Given that this strategy focusses on long-dated borrowings, it is extremely sensitive to interest rate changes. A 1% change across the yield curve leads to an approximately 11.1% change in the capital value of the bonds held. The manager continues to be less sensitive to rising interest rates than the benchmark and thus provided downside protection over the quarter.

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Schroder Income Model Portfolio

Q3 2021

Portfolio updates

The longstanding market preference for owning faster growing companies over the past decade experienced some challenge over this past volatile quarter. Investors had to grapple with changes in interest rates, inflation, and the impact this has on fully valued stocks. The divergence between the performance of the value and growth investing styles was volatile, diverging only to reverse in the final few weeks.

During such periods of uncertainty - and the potential large changes in market dynamics that arise as a result - markets tend to be more volatile. It is in this context that we aim to maintain a balance between value and growth equity managers, while still ensuring that income is delivered. A slight bias towards value remains in these solutions given the nature of the income mandate.

Over the quarter, transactions have been limited to the emerging market and alternative sleeves, with all the other sleeves being rebalanced back to target weights. Within the alternative sleeve, we made changes within the current selection managers to reflect a more conservative stance given that stock markets generally tend to be fully valued. Within emerging market equity our changes reflected a desire to obtain SMID cap exposure and reduce exposure to fully valued large-cap growth stocks in particular.
The changes are outlined below.

Alternatives – The addition of Montlake Crabel Gemini (a non-income producing strategy) to reduce the sensitivity of the sleeve to the general market. This new allocation was funded by a reduction in the four current holdings, with the greatest reductions in Liontrust MA Diversified Real Assets and Ninety One Diversified Income.

Source: Schroder Investment Solutions Quarterly IC Meeting – September 2021
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Schroder Income Model Portfolio

Q3 2021

Portfolio changes

These changes reduce the sensitivity of the sleeve to global equity markets, and thus offer a greater degree of protection given our view that equity markets are fully valued.

New funds

Montlake Crabel Gemini

Crabel (accessed via the Montlake platform), founded in 1987 and now with 88 members managing $7.2 Billion, is a global alternative investment firm specialising in systematic, automated trading of worldwide futures and foreign exchange. The firm has developed a diverse array of trading strategies designed to systematically capture market anomalies. Global headquarters are currently based in Los Angeles, but their operational headquarters are based in Milwaukee. The MontLake UCITS Platform was launched by MontLake in 2010.

While this strategy may not optically seem appropriate for an income mandate, its introduction reduces the sensitivity of the alternative sleeve to the general market, thus assisting to stabilise capital movements and income yields. It does so by way of a systematic portfolio of predominantly short holding period strategies, designed to target behavioral and structural market inefficiencies across a broadly diversified set of global futures and foreign exchange instruments.
We expect this strategy to perform well when equity and bond markets struggle in a trending manner, which is the exact time when an income mandate may need its returns to be bolstered.

Source: Schroder Investment Solutions Quarterly IC Meeting – September 2021
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Schroder Strategic Index Model Portfolios

Q3 2021

Schroder Strategic Index Model Portfolios performance

	Q3 2021	YTD	01/10/2020 - 30/09/2021	01/10/2019 - 30/09/2020	01/10/2018 - 30/09/2019	01/10/2017 - 30/09/2018	01/10/2016 - 30/09/2017	Since Common Inception (01/02/2011) - 30/09/2021
Schroder Strategic Index portfolio 2	**0.38**	**1.02**	**3.15**	**0.73**	**5.80**	**1.44**	**0.05**	**4.08**
UK CPI	0.99	2.97	3.08	0.53	1.71	2.42	2.96	1.97
Schroder Strategic Index portfolio 3	**0.78**	**2.71**	**6.42**	**1.22**	**6.83**	**3.60**	**1.72**	**6.38**
IA Mixed Investment 0-35% shares	0.14	1.53	5.73	0.38	4.89	1.26	3.33	4.14
Schroder Strategic Index portfolio 4	**1.00**	**4.67**	**9.86**	**0.99**	**5.81**	**5.10**	**4.13**	**7.28**
Schroder Strategic Index portfolio 5	**1.14**	**6.11**	**12.48**	**0.44**	**6.45**	**5.65**	**7.38**	**7.69**
IA Mixed Investment 20-60% shares	0.78	4.31	11.24	-1.23	4.13	2.64	6.19	5.12
Schroder Strategic Index portfolio 6	**1.36**	**7.55**	**15.44**	**0.58**	**5.67**	**5.83**	**9.45**	**7.87**
Schroder Strategic Index portfolio 7	**1.57**	**9.28**	**18.87**	**0.20**	**4.74**	**6.16**	**11.55**	**8.22**
IA Mixed Investment 40-85% shares	1.33	8.09	16.77	-0.05	4.33	5.43	9.25	6.80
Schroder Strategic Index portfolio 8	**1.72**	**10.57**	**21.37**	**-0.40**	**5.19**	**5.87**	**12.67**	**7.52**
Schroder Strategic Index portfolio 9	**1.06**	**9.52**	**21.05**	**0.48**	**4.95**	**5.27**	**14.69**	**6.95**
Schroder Strategic Index portfolio 10	**-0.59**	**7.14**	**18.77**	**1.71**	**5.49**	**4.07**	**14.94**	**6.25**
IA Flexible Investment	1.32	8.91	18.53	1.04	3.17	5.50	10.46	6.72

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 September 2021. Model portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Strategic Index Model Portfolios

Q3 2021

Positive contributors to portfolio performance

Fund name	Fund performance (Q3 2021)	Commentary
HSBC American Index	+5.11%	US equity markets continued to gain ground, with the HSBC American Index rallying for a second quarter given strong economic and general company data. Returns were delivered by technology, communication services, and to a lesser degree utilities. While the sector composition of the market here has shifted over time to technology, reflecting their superior fundamentals over this period, key segments of the market continue to reflect a full valuation.
HSBC Japan Index	+6.71%	While the Japanese stock market experienced a rally over the quarter, the lower weight within the SAA tempered some of this upside (a benefit in previous two quarters). Technology and financial services led returns for the quarter. While the Japan stock market generally offers some upside potential, key segments of the market (such as large-cap fast growing companies) reflect a full valuation relative to their own history.
HSBC FTSE 250 Index	+ 4.27%	The positive returns over the quarter from the mid-cap segment of the UK market were driven primarily by its largest component, industrials (approximately a fifth of the index). Other large sectors, such as consumer cyclicals and financial services also provided positive returns, albeit tempered in comparison. Energy delivered strong returns as a result of rising commodity prices and bottlenecks in the energy production market; the small sector weight in the index meant that this has a less pronounced impact.

Schroder Strategic Index Model Portfolios

Q3 2021

Negative contributors to portfolio performance

Fund name	Fund performance (Q3 2021)	Commentary
iShares Emerging Markets	-4.36%	Emerging market equity – a generally cyclical asset class - experienced headwinds over the quarter, primarily a result of risk-off sentiment; this was also evidenced by a stronger US Dollar. Concerns over China (Evergande and regulation changes in particular) have created uncertainty and thus volatility. China constitutes approximate 34% of the index and thus has a disproportionally large impact on outcomes for the asset class. The valuation divergence between value and growth companies remains wide. Within value, financial services companies saw better performance than consumer cyclicals given that markets shifted over the quarter from a growth focus to an interest rate focus.
Vanguard UK Government Bond Index	-2.05%	Over the quarter, the market was digesting news related to supply chain bottle necks and higher than expected inflation, with the concern that this may potentially translate into higher interest rates. This led to the UK government yield curve (the cost of borrowing money for different maturities) increasing across all points given the BoE's hawkish guidance. The UK government 10-year borrowing rate increased from 0.73% to 1.02%. Given that the UK Government has long-dated borrowings, this index is extremely sensitivity to interest rate changes. A 1% change across the yield curve leads to an approximately 13.6% change in the capital value of the bonds in the index. Rising interest rate remains a risk, fixed income investments continue to offer protection against stock market drawdowns and thus increase overall portfolio return stability.
Vanguard Global Bond Index	-0.07%	Over the quarter, the market was digesting news related to supply chain bottle necks and higher than expected inflation, with the concern that this may potentially translate into higher interest rates. While interest rates generally rose, the Vanguard Global Bond index is about half as sensitive to rises in interest rates as compared to the UK Government Bond index, and thus the outcome for returns was only marginally negative – this was also supported by a higher starting yield. This index benefits from being diversified across countries, where interest rate changes were less pronounced on average. Rising interest rate remains a risk, fixed income investments continue to offer protection against stock market drawdowns and thus increase overall portfolio return stability.

Schroder Strategic Index Model Portfolios

Q3 2021

Portfolio updates

The longstanding market preference for owning faster growing companies over the past decade experienced some challenge over this past volatile quarter. Investors had to grapple with changes in interest rates, inflation, and the impact this has on fully valued stocks. The divergence between the performance of the value and growth investing styles was volatile, diverging only to reverse in the final few weeks.

During such periods of uncertainty - and the potential large changes in market dynamics that arise as a result - markets tend to be more volatile. While the Strategic Index solutions are agnostic in their desire to capitalise on such market dynamics, these shifts do still impact the solution due to the differing degrees of cyclicality of each country. We, however, make no effort to override the aggregate markets views.

Given the strong Japan performance over the quarter (followed by the FTSE 250, FTSE All Share, and Global Property market), we will be booking profits from these strategic allocations by rebalancing back to target weights. Capital will be rebalanced primarily into Emerging Markets, but smaller allocations will also be made to Global Bonds and UK Gilts. There are no other transactions over the quarter.

We have begun to review all global index providers ahead of next years annual Strategic Asset Allocation meeting. It is too premature to discuss our findings, but the results of months of detailed research may lead to small changes based on the underlying indices.

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

Q3 2021

Schroder Sustainable Model Portfolios performance

	Q3 2021	YTD	01/10/2020 - 30/09/2021	01/10/2019 - 30/09/2020	01/10/2018 - 30/09/2019	01/10/2017 - 30/09/2018	01/10/2016 - 30/09/2017	Since Common Inception (01/02/2008) - 30/09/2021
Schroder Sustainable portfolio 3	**1.23**	**2.59**	**6.46**	**4.46**	**6.87**	**3.07**	**5.09**	**5.78**
IA Mixed Investment 0-35% shares	0.14	1.53	5.73	0.38	4.89	1.26	3.33	4.01
Schroder Sustainable portfolio 5	**1.86**	**5.86**	**12.61**	**6.01**	**6.44**	**6.91**	**9.72**	**7.13**
IA Mixed Investment 20-60% shares	0.78	4.31	11.24	-1.23	4.13	2.64	6.19	4.76
Schroder Sustainable portfolio 7	**2.51**	**8.48**	**17.93**	**8.10**	**6.14**	**9.71**	**12.85**	**8.74**
IA Mixed Investment 40-85% shares	1.33	8.09	16.77	-0.05	4.33	5.43	9.25	6.23

Positive contributors to portfolio performance

Fund name	Fund performance (Q3 2021)	Commentary
Brown Advisory US Sustainable Growth	+7.46%	For a second consecutive quarter, this strategy has led the drive for positive returns. Stocks with greater earnings growth drove returns across the market, benefiting the overall portfolio. The manager, however, managed to outperform the Russell 1000 Growth index, reflecting good stock selection. Returns were driven by positioning in technology and healthcare, with the manager taking profits in both to manage risks and position sizing on the back of strong performance. The general value-growth divergence was also reflected in the portfolio itself, with consumer cyclical stocks (such as Amazon.com, Chegg, and Nike) leading the (minor) losses for the quarter.
RWC Nissay Japan Focus	+7.28%	The Japan equity market delivered strong returns over the quarter. This was driven by a broad recovery in the Japan stock market, reflected by stocks from multiple sectors contributing positively to performance. The manager's added value via both sector and stock selection, providing performance over and above the TOPIX market index. At the sector level, having no allocation to the communication services sector was a benefit. Stock selection in both consumer cyclical and basic material sectors were strong.
Nikko AM Japan Value	+5.73%	In line with the strong broad Japan stock market return for the quarter, this strategy also contributed to overall returns. However, given the market favouring faster growing companies, and this strategy's focus on valuations, it underperformed the market as a result of the bias towards owning cheaper companies. It was negatively impacted by adjustments to stocks that had made previous contributions to the portfolio, such as the marine shipping sector. The investment manager retains his conviction in the upside potential of the portfolio and believes that their companies continue to do well on a fundamental basis.

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Schroder Sustainable Model Portfolios

Q3 2021

Negative contributors to portfolio performance

Fund name	Fund performance (Q3 2021)	Commentary
Federated Hermes Global Emerging Markets	-5.89%	Emerging market equity – a generally cyclical asset class - experienced headwinds over the quarter as a result of risk-off sentiment, as evidenced by a stronger US Dollar. Additionally, concerns over China (Evergande and regulation in particular) have created uncertainty and thus volatility, which impacts this index given China's approximate 34% weight. The valuation divergence between value and growth companies remains wide, evidenced by the strategies consumer cyclical stocks falling in price to a greater degree than other sectors. Stock selection was positive for the quarter, but no exposure to utilities or healthcare held the relative performance back.
Robeco Emerging Stars Equities	-4.0%	In line with emerging market strategies in general, performance of this strategy faced headwinds. Given the bias towards purchasing less expensive and lowly priced stocks, this strategy provided relative protection. Stock selection in communication services, healthcare, and consumer cyclical sectors helped to provide downside protection benefits. This helped to overcome the the general headwinds the communication services sector faced over the quarter.
Allianz Gilt Yield	-1.48%	The market was digesting news related to supply chain bottle necks and higher than expected inflation, with the concern that this may potentially translate into higher interest rates. This led to the UK government yield curve (the cost of borrowing money for different maturities) increasing across all points given the BoE's hawkish guidance. The UK government 10-year borrowing rate increased from 0.73% to 1.02%. Given that this strategy focusses on long-dated borrowings, it is extremely sensitive to interest rate. A 1% change across the yield curve leads to an approximately 11.1% change in the capital value of the bonds held. The manager continues to be less sensitive to rising interest rates than the benchmark and thus provided downside protection over the quarter.

Schroder Sustainable Model Portfolios

Q3 2021

Portfolio updates

The longstanding market preference for owning faster growing companies over the past decade experienced some challenge over this past volatile quarter. Investors had to grapple with changes in interest rates, inflation, and the impact this has on fully valued stocks. The divergence between the performance of the value and growth investing styles was volatile, diverging only to reverse in the final few weeks.

During such periods of uncertainty - and the potential large changes in market dynamics that arise as a result - markets tend to be more volatile. It is in this context that we aim to maintain a balance between value and growth equity managers, while still ensuring that our sustainability objectives are delivered - a slight bias towards growth and quality remains in these solutions given the nature of the sustainability theme.

Over the quarter, transactions have been limited to the emerging market and alternative sleeves, with all the other sleeves being rebalanced back to target weights. Within the alternative sleeve, we made changes within the current selection managers to reflect a more conservative stance given that stock markets generally tend to be fully valued. Within emerging market equity our changes reflected a desire to obtain SMID cap exposure and reduce exposure to fully valued large-cap growth stocks in particular. The changes are outlined below.

Source: Schroder Investment Solutions Quarterly IC Meeting – September 2021
For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Schroder Sustainable Model Portfolios

Q3 2021

Portfolio changes

Alternatives – Increased allocations to JPM Global Macro Sustainable and Trojan Ethical Fund. Maintain current exposure to Gravis Clean Energy Income. Sale of Pictet Global Environment Opps. These changes reduced the sensitivity of the sleeve to global equity markets, and thus offers a greater degree of protection given our view that equity markets are fully valued.

Emerging Markets – Addition of Federated Hermes GEM's SMID, funded by decreasing an allocation to the Federated Hermes Global EM strategy. Marginally increased the allocation to Robeco Emerging Stars to balance the allocation to the new smaller companies position, as well as to maintain our neutralised value-growth position.

New fund

Federated Hermes GEM's SMID

Federated Hermes, who manage over $640 Billion, have specialist offerings in both thematic and emerging markets. This particular strategy straddles both of these areas, making it an attractive offering for the solution. While this strategy has a recent inception date (8/10/2018), it was borne out of the successful global emerging markets strategy we currently own (which was launched in December 2008). Since inception the strategy has offered compelling returns, and we expect this to continue thanks to specialist knowledge of the investment team. From a portfolio management perspective, this strategy also reduces the valuation risk of the sleeve given the reduction in exposure to fully valued large-cap growth stocks.

Gary Greenberg (head of global emerging markets, who is retiring in June 2022) and Kunjal Gala (lead portfolio manager) are supported by a dedicated team of investment professionals; they are successfully navigating a stable handover period. The team is well-capitalised relative to the 50-80 stocks that will appear in the portfolio, allowing for the depth of work required to support their process. Additionally, we are comforted that certain stocks will overlap with the global equity mandate, thus providing an additional layer of oversight.

Kunjal and his team will look for high quality stocks, value stocks with a catalyst for improvement, and a margin of safety from a valuation and governance perspective. These combinations lead to a balanced portfolio. ESG is integrated directly via fundamental research; this process combines both quantitative and qualitative perspectives. A dashboard ranks all companies to assess each stocks ESG trajectory while analysts assess material ESG risks. They will invest in ESG improvers but will engage with all stocks to positively impact the management of the companies.

Source: Schroder Investment Solutions Quarterly IC Meeting – September 2021
For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Schroder Blended Portfolios

Q3 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 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

Q3 2021

Schroder Blended Portfolios performance

	Q3 2021	YTD	01/10/2020 - 30/09/2021	01/10/2019 - 30/09/2020	01/10/2018 - 30/09/2019	01/10/2017 - 30/09/2018	01/10/2016 - 30/09/2017	Since Common Inception (01/04/2020) - 30/09/2021
Schroder Blended portfolio 3 F Acc	**0.70**	**2.58**	**7.03**	—	—	—	—	**17.43**
IA Mixed Investment 0-35% shares	0.14	1.53	5.73	0.38	4.89	1.26	3.33	14.85
Schroder Blended portfolio 4 F Acc	**0.81**	**4.20**	**11.09**	—	—	—	—	**24.60**
Schroder Blended portfolio 5 F Acc	**0.90**	**5.64**	**13.89**	—	—	—	—	**29.41**
IA Mixed Investment 20-60% shares	0.78	4.31	11.24	-1.23	4.13	2.64	6.19	24.11
Schroder Blended portfolio 6 F Acc	**1.06**	**6.67**	**16.60**	—	—	—	—	**35.56**
Schroder Blended portfolio 7 F Acc	**1.28**	**8.44**	**20.71**	—	—	—	—	**44.24**
IA Mixed Investment 40-85% shares	1.33	8.09	16.77	-0.05	4.33	5.43	9.25	34.52
Schroder Blended portfolio 8 F Acc	**1.46**	**10.12**	**23.45**	—	—	—	—	**49.63**
IA Flexible Investment	1.32	8.91	18.53	1.04	3.17	5.50	10.46	37.82

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Schroder Blended Portfolios

Q3 2021

Positive contributors to portfolio performance

Fund name	Fund performance (Q3 2021)	Commentary
HSBC American Index	+5.11%	US equity markets continued to gain ground, with the HSBC American Index rallying for a second quarter given strong economic and general company data. Returns were delivered by technology, communication services, and to a lesser degree utilities. While the sector composition of the market here has shifted over time to technology, reflecting their superior fundamentals over this period, key segments of the market continue to reflect a full valuation.
HSBC Japan Index	+6.71%	While the Japanese stock market experienced a rally over the quarter, the lower weight within the SAA tempered some of this upside (a benefit in previous two quarters). Technology and financial services led returns for the quarter. While the Japan stock market generally offers some upside potential, key segments of the market (such as large-cap fast growing companies) reflect a full valuation relative to their own history.
UK Buffettology	+5.54%	For a second consecutive quarter, the strategy continued to move the needle positively. The managers were able to add value in virtually all sectors across the portfolio, in part thanks to the strategy's allocation to smaller capitalisation stocks. While the zero allocation to the energy sector detracted from potential returns, this was more than offset in the overweight's in technology and industrials. The strong performance has meant that the market capitalisation of the average stock has increased over time, which we continue to monitor closely.

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Schroder Blended Portfolios

Q3 2021

Negative contributors to portfolio performance

Fund name	Fund performance (Q3 2021)	Commentary
Jupiter Gold & Silver	-16.14%	It was a tough quarter for the strategy; both the asset classes and stock selection faced headwinds. Both the gold and silver prices came off over the quarter, with the largest detraction coming from the latter, specifically silver miners. We hold this strategy as a hedge against real interest rates becoming more negative, possibly via higher inflation combined with central banks being late to initiate a rate hiking cycle. Additionally, gold miners are more attractive from a fundamental perspective as well as have experienced a divergence from the gold price; both of these may offer upside opportunities. We continue to monitor these viewpoints.
JPM Emerging Markets	-5.81%	Emerging market equity broadly faced headwinds over the quarter given risk off sentiment, primarily driven by China (approximately 34% of the index). This sell-off primarily impacted faster growing companies - which is part of the market where this investment strategy resides – as a result of concerns around rising central bank interest rates in certain economies impacting stock market valuations. The strategy's exposure to financial services and energy stocks didn't offset the losses experienced in the consumer cyclical and consumer defensive sectors.
Fidelity Index Emerging Markets	-5.55%	Emerging market equity – a generally cyclical asset class - experienced headwinds over the quarter, primarily a result of risk-off sentiment; this was also evidenced by a stronger US Dollar. Concerns over China (Evergande and regulation changes in particular) have created uncertainty and thus volatility. China constitutes approximate 34% of the index and thus has a disproportionally large impact on outcomes for the asset class. The valuation divergence between value and growth companies remains wide. Within value, financial services companies saw better performance than consumer cyclicals given that markets shifted over the quarter from a growth focus to an interest rate focus.

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Schroder Blended Portfolios

Q3 2021

Portfolio updates

The longstanding market preference for owning faster growing companies over the past decade experienced some challenge over this past volatile quarter. Investors had to grapple with changes in interest rates, inflation, and the impact this has on fully valued stocks. The divergence between the performance of the value and growth investing styles was volatile, diverging only to reverse in the final few weeks.

During such periods of uncertainty - and the potential large changes in market dynamics that arise as a result - markets tend to be more volatile. It is in this context that we maintain our rebalancing position in a neutralised exposure between value and growth equity managers.

Our economic cycle indicators convey that global surplus economic capacity should converge to normalised levels mid next year, suggesting a positive view on the economic cycle. However, this cycle may be shorter than historically experienced due to government interventions, supply constraints on the back of economic re-openings, and the labour market impacts.

Active-passive allocations within the solutions remain unchanged from last quarter. Our economic cycle indicator suggests overweighting passives, but we are taking a cautious stance. Rebalancing back to desired target allocations will lock in profits given that active managers have, on average, added value over the past quarter. Looking forward, emerging market equity may become more challenging for active managers to add value in. This counterintuitive statement is the result of an increasing concentration of the index in both single stock and country names, thus impacting the degree to which active managers can overweight the large incumbents. Our research here continues.

Over the quarter, transactions have been limited to the emerging market and alternative sleeves, with all the other sleeves being rebalanced back to target weights. Within the alternative sleeve, we made changes within the current selection managers to reflect a more conservative stance given that stock markets generally tend to be fully valued. Within emerging market equity our changes reflected a desire to obtain SMID cap exposure and reduce exposure to fully valued large-cap growth stocks in particular. The changes are outlined below.

Source: Schroder Investment Solutions Quarterly IC Meeting – September 2021
For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Schroder Blended Portfolios

Q3 2021

Portfolio changes

Alternatives – Increased allocations to Montlake Crabel Gemini and Neuberger Berman Uncorrelated Strategies. Reduced exposure to Jupiter Gold & Silver, M&G Emerging Markets Bond, and Liontrust MA Diversified Real Assets. These changes reduced the sensitivity of the sleeve to global equity markets, and thus offer a greater degree of protection given our view that equity markets are fully valued.

Emerging Markets Equity – Disposal of Goldman Sachs Emerging Markets. Addition of Federated Hermes GEM's SMID. Rotated capital from FSSA Global Emerging Markets Focus to FSSA Asia Focus for portfolio construction benefits. Rotated capital from Robeco Emerging Stars to Artemis SmartGARP to obtain a purer value exposure, which assisted us to maintain the neutralised value-growth position.

New fund

Federated Hermes GEM's SMID

Federated Hermes, who manage over $640 Billion, have specialist offerings in both thematic and emerging markets. This particular strategy straddles both of these areas, making it an attractive offering for the solution. While this strategy has a recent inception date (8/10/2018), it was borne out of the successful global emerging markets strategy we currently own (which was launched in December 2008). Since inception the strategy has offered compelling returns, and we expect this to continue thanks to specialist knowledge of the investment team. From a portfolio management perspective, this strategy also reduces the valuation risk of the sleeve given the reduction in exposure to fully valued large-cap growth stocks.

Gary Greenberg (head of global emerging markets, who is retiring in June 2022) and Kunjal Gala (lead portfolio manager) are supported by a dedicated team of investment professionals; they are successfully navigating a stable handover period. The team is well-capitalised relative to the 50-80 stocks that will appear in the portfolio, allowing for the depth of work required to support their process. Additionally, we are comforted that certain stocks will overlap with the global equity mandate, thus providing an additional layer of oversight.

Kunjal and his team will look for high quality stocks, value stocks with a catalyst for improvement, and a margin of safety from a valuation and governance perspective. These combinations lead to a balanced portfolio. ESG is integrated directly via fundamental research; this process combines both quantitative and qualitative perspectives. A dashboard ranks all companies to assess each stocks ESG trajectory while analysts assess material ESG risks. They will invest in ESG improvers but will engage with all stocks to positively impact the management of the companies.

Source: Schroder Investment Solutions Quarterly IC Meeting – September 2021
For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Schroder Tactical Portfolios

Q3 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. 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 performance

	QTD	YTD	01/10/2020 - 30/09/2021	01/10/2019 - 30/09/2020	01/10/2018 - 30/09/2019	01/10/2017 - 30/09/2018	01/10/2016 - 30/09/2017	Since Common Inception (01/06/2018) - 30/09/2021
Schroder Tactical portfolio 3 F Acc	**0.89**	**2.84**	**6.66**	**1.59**	**5.54**	**0.69**	**—**	**3.90**
IA Mixed Investment 0-35% shares	0.14	1.53	5.73	0.38	4.89	1.26	3.33	3.27
Schroder Tactical portfolio 4 F Acc	**1.10**	**4.92**	**10.60**	**-0.48**	**4.49**	**1.88**	**—**	**4.10**
Schroder Tactical portfolio 5 F Acc	**1.12**	**6.34**	**13.50**	**-1.60**	**3.93**	**2.56**	**—**	**4.34**
IA Mixed Investment 20-60% shares	0.78	4.31	11.24	-1.23	4.13	2.64	6.19	4.26
Schroder Tactical portfolio 6 F Acc	**1.32**	**7.79**	**16.23**	**-2.80**	**3.09**	**3.25**	**—**	**4.41**
Schroder Tactical portfolio 7 F Acc	**1.43**	**9.37**	**19.23**	**-3.81**	**2.29**	**2.85**	**—**	**4.47**
IA Mixed Investment 40-85% shares	1.33	8.09	16.77	-0.05	4.33	5.43	9.25	6.46

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 September 2021. Since common inception refers to the launch date of the 'newest' portfolio within the portfolio range. This is the first common date that all the portfolios have as being live.

Schroder Tactical Portfolios

Q3 2021

Positive contributors to portfolio performance

Asset class	CTR[1] (T5)	Absolute return	Commentary
Global equities	0.44%	2.15%	Despite little progress in global equity markets over the quarter, strong performance from the Schroder global equity fund led to higher returns.
UK equities	0.27%	1.63%	UK equities rose over Q3. Small and mid cap equities performed very well as they continued to be a sweet spot for M&A activity. The relatively high energy weighting also supported the UK market.
Japanese equities	0.21%	5.00%	Japanese equities rallied on hopes of further stimulus, following the election of a new prime minister, and economic reopening as Covid cases declined.

Note: Global equities = Sustainable Multi-Factor Equity Fund, Schroder Global Equity Fund, Schroder Global Equity Completion Fund UK equities = FTSE 100 Index Future, UK Multi-Factor Equity Component Fund; Japanese equities bonds = Topix Index Futures. [1]Contribution to Return for Schroder Tactical Portfolio 5.

Negative contributors to portfolio performance

Asset class	CTR[1] (T5)	Absolute return	Commentary
Emerging Market equities	-0.74%	-8.63%	Emerging market equities sold off in Q3. To the sell-off in China were added supply chain disruptions, worries over higher food and energy prices, and the rise in US bond yields.
Government bonds	-0.06%	-0.17%	Government bond yields were almost unchanged for the quarter, as an initial decline reversed in September amid a hawkish shift from central banks.
Pacific ex Japan equities	0.01%	2.07%	Despite relatively strong performance from the index, the small amount of exposure to the region led to a minimal contribution.

Note: Emerging market equities = MSCI EM Index Future; Government Bonds = Government Bond futures, Schroder Global Sovereign Bond Tracker Component Fund; Pacific ex Japan equities = SPI 200 index future. [1]Contribution to Return for Schroder Tactical Portfolio 5.

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Schroder Tactical Portfolios

Q3 2021

Portfolio updates

Within the government bond universe, the portfolio remains underweight across the main developed markets where valuations remain expensive. We did reduce the underweight in July, after the position underperformed, taking a disciplined approach following the rise in US government bond prices. Elsewhere, we added a tilt towards Australian 10 year vs UK 10 year government bonds, a position which we took some profits on in September after a period of good performance. We continued to reduce allocations to investment grade credit reflecting limited return potential.

In currencies, we continue to generate higher yields through exposure to a small selection of emerging market currencies, namely, Brazilian real and Russian rouble – trades we added to the portfolio in July. A general theme throughout the quarter was a tilt towards the US dollar, predominantly versus the euro. This is intended as a 'protective' position in the portfolio as we move into a potential era of less government support. Towards the end of the quarter, we
also closed the overweight position in the Japanese yen, and added a UK sterling versus Swiss franc trade.

Whilst we continue to be positive on commodities, we decided to prudently reduce the overweight position in July and take profit given the strong performance seen throughout 2021.

Outlook

Our models continue to point to the "recovery" phase of the economic cycle with a shift into the "expansion" phase on a 6-month view. This leads us to maintain our core positions - overweight equities and underweight bonds. Given the strong returns from equities over the last 12 months, we have reduced the extent of our overweight position but remain positive as we expect the Fed to be slow to react to rising inflation and for corporate earnings to remain supportive. Furthermore, with limited returns available from corporate credit, "the only way is equity" to generate returns. All in all, as this economic cycle matures and we head towards the "expansion" phase, we see more limited opportunities for top-down macro views.

For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

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.

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