Schroder Investment Solutions

Schroder Active Model Portfolios - Quarterly Bulletin

Q4 2021

Schroders

Marketing material

Contents

Introduction

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

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

We then show you how your portfolio has performed.

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

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

We hope that you find this information useful.

Alex Funk
Chief Investment Officer
Schroder Investment Solutions

Market performance

Q4 2021

2017	2018	2019	2020	2021	YTD 2021	Q4 2021
Asia Ex Japan Equities 29.4	Global High Yield Bonds 13.1	US Equities 25.7	Asia Ex Japan Equities 21.2	Commodities 41.6	Commodities 41.6	Global Property 9.9
EM Equities 25.4	Global Property 1.2	Europe ex UK Equities 20.0	US Equities 16.2	Global Property 28.4	Global Property 28.4	US Equities 9.4
Europe ex UK Equities 15.8	Global Treasury Bonds 1.1	UK Equities 19.2	EM Equities 14.7	US Equities 27.6	US Equities 27.6	Europe ex UK Equities 5.2
Japanese Equities 15.6	UK Gilts 0.6	Global Property 18.3	UK Index-linked Gilts 11.0	UK Equities 18.3	UK Equities 18.3	UK Index-linked Gilts 4.9
UK Equities 13.1	US Equities 0.1	Japanese Equities 14.6	Japanese Equities 9.5	Europe ex UK Equities 16.7	Europe ex UK Equities 16.7	UK Equities 4.2
US Equities 10.4	UK Index-linked Gilts -0.3	EM Equities 13.9	UK Corporate Bonds 9.1	Global High Yield Bonds 5.7	Global High Yield Bonds 5.7	UK Gilts 2.4
UK Corporate Bonds 4.9	UK Corporate Bonds -2.2	Asia Ex Japan Equities 13.6	UK Gilts 8.3	UK Index-linked Gilts 4.2	UK Index-linked Gilts 4.2	Commodities 1.1
Global Corporate Bonds 4.6	Global Corporate Bonds -2.7	Commodities 13.1	Europe ex UK Equities 7.5	Japanese Equities 2.0	Japanese Equities 2.0	Global High Yield Bonds 0.8
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	Global Corporate Bonds -1.0	UK Corporate Bonds 0.6
UK Gilts 1.8	Commodities -8.5	Global Corporate Bonds 10.6	Global Treasury Bonds 4.6	EM Equities -1.6	EM Equities -1.6	Global Treasury Bonds 0.1
Global Property 1.8	Asia Ex Japan Equities -9.0	UK Gilts 6.9	Global High Yield Bonds 3.7	Global Treasury Bonds -2.0	Global Treasury Bonds -2.0	Global Corporate Bonds 0.0
Global Treasury Bonds 1.1	EM Equities -9.3	UK Index-linked Gilts 6.4	UK Equities -9.8	UK Corporate Bonds -3.3	UK Corporate Bonds -3.3	Asia Ex Japan Equities -1.7
Commodities -3.4	UK Equities -9.5	Global Treasury Bonds 5.5	Global Property -11.0	Asia Ex Japan Equities -3.8	Asia Ex Japan Equities -3.8	EM Equities -1.8
Global High Yield Bonds -3.6	Europe ex UK Equities -9.9	Global High Yield Bonds 2.4	Commodities -26.1	UK Gilts -5.2	UK Gilts -5.2	Japanese Equities -5.2

Source: Morningstar as at 31 December 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

Q4 2021

Global equities were stronger in the final quarter of 2021 as investors focused on economic resilience and corporate earnings.

US equities rose in Q4. Overall gains were robust despite a weaker November, during which fears over rising cases of the Omicron variant of Covid-19 and the speed of the Federal Reserve's asset tapering had weighed. By year-end, these worries had largely subsided, while data continue to indicate that the economy overall remains stable and corporate earnings are robust.

Eurozone shares made gains in Q4, as a focus on strong corporate profits and economic resilience offset worries over the new Omicron variant. A number of countries did introduce restrictions on sectors such as travel and hospitality in order to try and reduce the spread of the new variant. The flash composite purchasing managers' index hit a nine-month low of 53.4 for December, as the service sector was affected by rising Covid cases. However, equity markets drew support from early data indicating a lower risk of severe illness.

UK equities rose over the quarter. Encouraging news around Omicron during December saw a number of economically sensitive areas of the market largely recoup the sharp losses they had sustained in the initial sell-off in late November, such as the banks. Some areas reliant on economies reopening, however, such as the travel and leisure and the oil and gas sector were unable to make up November's losses and ended the quarter lower.

After declines in October and November, the Japanese stock market regained some ground in December to end the quarter with a total return of -1.7%. The yen was generally weaker in the quarter.

Asia ex Japan equities recorded a modest decline in the fourth quarter. There was a broad market sell-off following the emergence of the Omicron variant of Covid-19 which investors feared could derail the global economic recovery.

The MSCI Emerging Markets Index lost value in Q4 and underperformed the MSCI World Index, with US dollar strength a headwind. Turkey was the weakest index market, amid extreme volatility in the currency. The central bank lowered its policy rate by a total of 400bps to 14%, despite ongoing above-target inflation which accelerated to 21.3% year-on-year in November.

Markets were buffeted over the quarter by persistent elevated inflation, hawkish central bank policy shifts and the emergence of the Omicron Covid-19 variant. In bond markets, 10-year government yields were largely unchanged. Yields followed a downward trajectory for most of the quarter before reversing in the final weeks of the year as sentiment improved. Yield curves flattened, with shorter-dated bonds hit as central banks turned more hawkish.

Market commentary
Q4 2021

The S&P GSCI Index recorded a moderately positive return in the fourth quarter despite a sharp decline in the price of natural gas. The industrial metals component was the best-performing segment in the quarter as the global economic recovery gathered pace. There were strong gains in the prices of zinc, nickel, lead and copper.

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.**

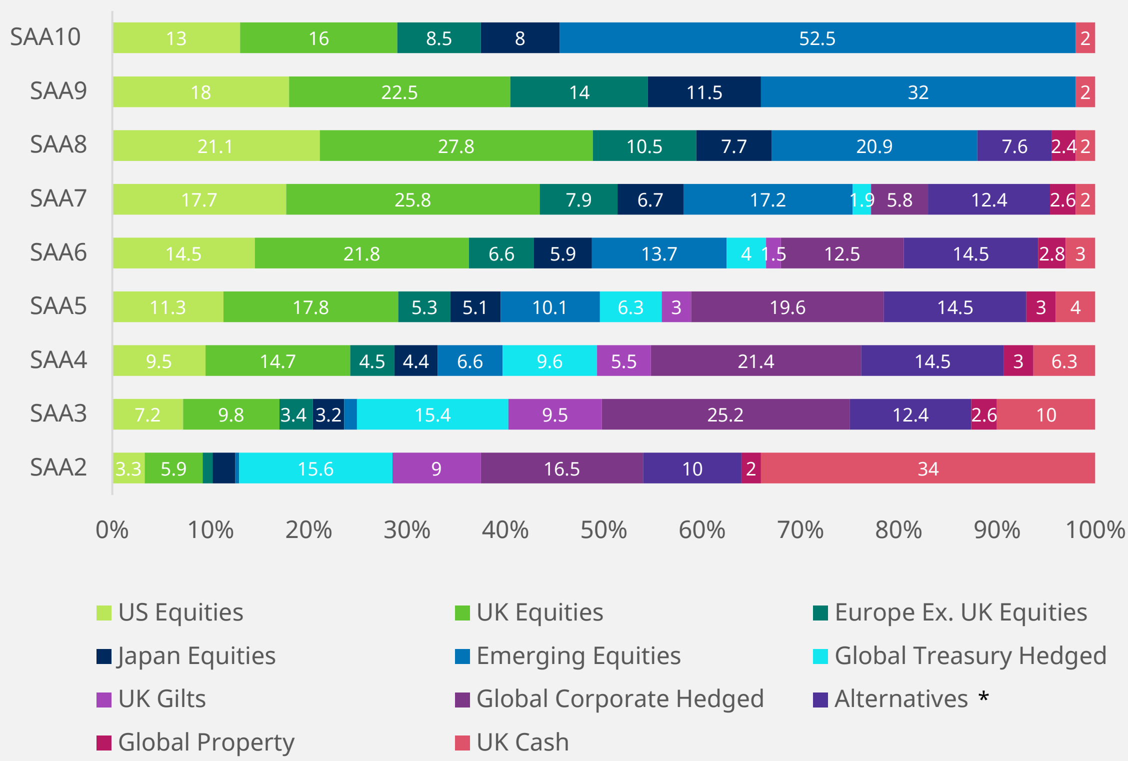
Asset allocation

Q4 2021

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

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

Strategic Asset Allocation (SAA)

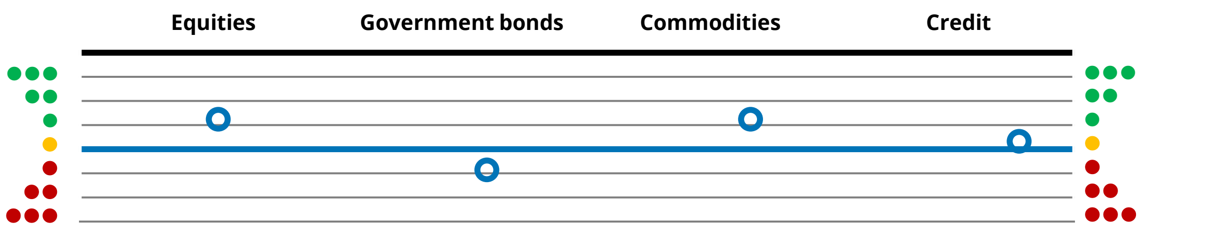


The chart illustrates the asset class diversification across the Schroder Active Model Portfolios 2-10. Please note that the illustration may not show our current asset allocation.

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

Asset class views

Q4 2021



🟢🟢🟢 Maximum positive 🟡 Neutral 🔴🔴🔴 Maximum negative

MAIN ASSET CLASSES

Category	View	Comments
Equities	🟢	With a solid corporate earnings outlook, we remain positive despite the Omicron variant having the potential to disrupt the road back to normality. Overall, we expect equity returns to be more muted than the last year, but still positive.
Government bonds	🔴	The recent rally has left valuations expensive with central bank tightening imminent. The slowing economic recovery and tighter monetary policies (central bank measures designed to stimulate the economy) have flattened real yield curves. A yield curve plots yields of bonds having equal credit quality but differing maturity dates, and its shape gives an idea of future interest rate changes and economic activity.
Commodities	🟢	We remain positive with the inflationary backdrop and supply constraints supportive. Furthermore, the market correction over the past month has improved the balance of risk and reward.
Credit	🟡	We have upgraded to neutral with credit spread widening across the board having improved valuations. Credit fundamentals continue to improve. The credit spread is the margin that a company issuing a bond has to pay an investor in excess of government yields and is a measure of how risky the market perceives the borrower to be.

EQUITIES

Category	View	Comments
US	🟢	The US continues to be one of our preferred markets. Valuations are rich but many companies in the market have pricing power and earnings appear robust.
UK	🟡	Tilts to sectors such as energy and financials make the UK more interesting, but we prefer to express these themes more directly.
Europe	🟡	Lockdown measures have been a headwind for the region, but appear mostly priced in and the European market could soon start to look beyond the restrictions.
Japan	🟡	Despite recent fiscal stimulus announcements (government spending and taxation policies designed to support economies), uncertainty introduced by Omicron lead us to stay neutral, given the government's use of tight restrictions to control previous outbreaks. The strengthening of the currency further weighs on the market.
Global Emerging Markets[1]	🟢	There are some signs of recovery finally showing in the region especially in countries outside China. We are upgrading our score to positive.
Asia ex-Japan China	🟡	Valuations now look fair with offshore markets having corrected further. We expect looser monetary policy in China next year.
EM Asia ex China	🟡	Strong recovery observed in Korea led by the technology sector. Supply chain issues are still a concern in the region.

Source: Schroders, December 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

Q4 2021

Schroder Active Model Portfolios performance

	Q4 2021	YTD	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	Since Common Inception[1] (01/02/2008) - 31/12/2021
Schroder Active portfolio 2	**0.64**	**1.63**	**1.63**	**3.48**	**4.51**	**-1.11**	**3.19**	**3.22**
UK CPI	2.34	5.39	5.39	0.59	1.30	2.10	2.97	2.43
Schroder Active portfolio 3	**1.05**	**3.66**	**3.66**	**6.20**	**9.43**	**-1.90**	**5.42**	**5.67**
IA Mixed Investment 0-35% Shares	1.03	2.57	2.57	3.98	8.80	-3.41	5.01	4.01
Schroder Active portfolio 4	**1.20**	**5.32**	**5.32**	**6.95**	**12.99**	**-3.87**	**7.98**	**6.84**
Schroder Active portfolio 5	**1.25**	**6.85**	**6.85**	**7.59**	**15.69**	**-5.45**	**11.01**	**7.42**
IA Mixed Investment 20-60% Shares	1.88	6.28	6.28	3.49	12.08	-5.11	7.20	4.81
Schroder Active portfolio 6	**1.39**	**8.30**	**8.30**	**10.06**	**18.32**	**-6.68**	**15.42**	**8.55**
Schroder Active portfolio 7	**1.50**	**9.80**	**9.80**	**13.76**	**20.69**	**-8.08**	**17.88**	**9.45**
IA Mixed Investment 40-85% Shares	2.78	11.10	11.10	5.50	15.94	-6.07	10.05	6.32
Schroder Active portfolio 8	**1.56**	**11.05**	**11.05**	**16.75**	**20.29**	**-9.20**	**18.81**	**9.31**
Schroder Active portfolio 9	**0.71**	**10.48**	**10.48**	**21.43**	**22.60**	**-10.49**	**22.41**	**9.69**
Schroder Active portfolio 10	**0.03**	**8.17**	**8.17**	**19.20**	**18.35**	**-10.30**	**22.61**	**8.18**
IA Flexible Investment	2.27	11.38	11.38	7.01	15.64	-6.64	11.09	6.28

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Schroder Active Model Portfolios

Q4 2021

Positive contributors to portfolio performance

Fund name	Fund performance (Q4 2021)	Commentary
Jupiter Gold & Silver	+11.6%	Positive news flow from several of the underlying precious metal mining companies led to strong gains in the fourth quarter. Discovery Silver Corp, a Canada-based exploration and development company, focused on silver projects in Mexico, announced its technical team has reimagined Cordero, its flagship project with the optionality to expand into one of the largest primary silver mines in the world. Its share price returned 68% in the period. Elsewhere, Pretium Resources was a strong contributor, returning 45% as Australia's biggest gold producer, Newcrest Mining, said it would buy the rest of Pretium Resources in a deal that values the Canadian miner at $2.8 billion.
Schroder Global Cities Real Estate	+7.7%	Key positions in the fund remain an overweight to industrial and self-storage markets, which contributed to the fund's positive performance. Both sectors continue to benefit from e-commerce and remain undersupplied relative to ongoing demand. Residential stocks were also a top contributor due to increased household formation and lack of affordable supply. In the US, migration trends are leading to strong demand in the 'sun belt' for apartments and family homes.
Artemis US Select	+6.6%	As the Delta variant risk subsided in the US at the start of the period, the fund saw a welcome recovery in Norfolk Southern (rail transportation company), with December being particularly strong for the share price. Truck drivers remain in short supply, and the fund manager maintains the view the demand for logistics will filter out to companies like Norfolk Southern. Add to this the demand for green initiatives and the investment thesis for holding the company strengthens.

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Negative contributors to portfolio performance

Fund name	Fund performance (Q4 2021)	Commentary
JPM Emerging Markets	-5.5%	Emerging Markets in general faced a challenging 2021, ultimately ending the year lower, dragged down by China and a stronger US dollar. China is a key market in the fund, which naturally hurt, as did the market style (underperformance of quality, growth names), but also as a stock picking fund, individual exposures were the key impact. For example, holdings impacted by the increased regulatory pressure in China – New Oriental Education and Alibaba hurt performance.
Jupiter UK Mid Cap	-4.8%	The performance of the fund has been disappointing, with several high conviction positions suffering significant falls in their share prices. E-commerce business THG was seriously impacted following its trading update, which resulted in downgrades to earnings due to increased supply chain costs (a common theme at all online retailers) and adverse financial exchange movements. In addition to this, its Capital Markets Day event failed to provide any helpful financial disclosure on the three divisions within the business to allay bear arguments.
Nikko AM Japan Value	-4.4%	Although the market rallied following Japan's ruling party's victory in the lower house election at the end of October, the boost from expectations for the new administration's economic policies were soon offset by concerns regarding the new Omicron variant in November. In addition to the market falling, currency depreciation of the Yen relative to Sterling hurt performance. From a sector positioning perspective, the underweight in Information Technology was by far the largest detractor this quarter.

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Schroder Active Model Portfolios

Q4 2021

Portfolio updates

It was a volatile start to the fourth quarter, as shockwaves rippled through equity markets following a resurgence in COVID cases, as the new, more transmissible Omicron variant spread rapidly across the globe. The renewed uncertainty was short lived however as early evidence suggested the Omicron variant was less dangerous in terms of hospitalisation rates, which was enough to alleviate fears of another global shutdown. This set up for a strong rally in December, with global equities higher, capping off a great year for investors.

From an asset class perspective, the fourth quarter's performance themes resembled the year that preceded it. Gains by far were the largest in the US, as large cap growth names dominated the leader board. The UK and Europe also produced strong returns and very respectable gains for the year. Asian and Emerging Markets were left behind in the period, and for the year, as the ongoing struggles of a Chinese slowdown weighed on sentiment. Japan was the weakest of the major regions, delivering negative returns, which were compounded by a depreciating currency.

In fixed income markets, government bonds provided some ballast to the volatility seen in equity markets in October and November. December however proved to be a more challenging month for the asset class, as inflation and interest rates became top of the worry list for investors. In credit markets, corporate bonds lagged government bonds for the quarter, but still saw modestly positive total returns. High yield bonds were the standout performer, as credit spreads (the premium investors demand to hold the risky bonds over safer Treasury bonds) reduced, which helped them outperform investment grade credit both in Q4 and for 2021.

The alternative assets added value over the period, with the allocation to Gold and Silver leading the gains. Elsewhere, the short-term trend strategy and hedge fund allocation also contributed with positive returns.

Schroder Active Model Portfolios

Q4 2021

Portfolio changes

A recap of the key portfolios changes made in 2021:

Q1

The Investment Team implemented a sleeve approach (asset class/region) to its fund selection process, which incorporates 'best ideas' across risk profiles. A sleeve utilises the same composition of funds and ensures the strategic asset allocation guides the appropriate risk/return. It also helps the portfolios maintain a clear separation across risk profiles.

The team also took an active decision to reduce sensitivity to interest rates by reducing the duration in the fixed element of the portfolio. With the balance of probabilities skewed to potentially higher yields (or at least, limit reasons for lower yields), it was prudent to reduce risk and protect capital. We therefore introduced shorter dated bonds that are less exposed to market volatility.

Q2

The Investment team conducted a review of the Active strategies to appraise the style bias present in portfolios and revisited the rationale for holding a growth bias. The team concluded a more balanced approach was deemed appropriate, seeing upside opportunities for value stocks relative to growth based on the economic rebound and the relative valuation opportunities.

Q3

Transactions were limited to the emerging market and alternative sleeves, with all the other sleeves being rebalanced back to target weights. Within emerging market equity, changes reflected a desire to obtain small and mid cap exposure and reduce exposure to fully valued large-cap growth stocks. Within the alternative sleeve, changes within the current selection of managers were made to reflect a more conservative stance.

Q4

The team implemented a number of conversion this quarter having negotiated access to cheaper share classes.

Conversions

Ninety One UK Alpha

Brown Advisory US Sustainable Growth

Fidelity Emerging Markets

Neuberger Berman Uncorrelated Strategies

No other changes were implemented this quarter, but the portfolios will be rebalanced back to target weights.

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Schroder Income Model Portfolio
Q4 2021

Schroder Income Model Portfolios performance

	Q4 2021	YTD	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	Since Inception[1] (01/02/2008) - 31/12/2021
Schroder Income Portfolio	**2.58**	**9.28**	**9.28**	**-4.88**	**9.58**	**-**	**-**	**3.03**
IA Mixed Investment 20-60% Shares	1.88	6.28	6.28	3.49	12.08	-	-	5.17

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Schroder Income Model Portfolio

Q4 2021

Positive contributors to portfolio performance

Fund name	Fund performance (Q4 2021)	Commentary
Schroder Global Cities Real Estate	+7.8%	Key positions in the fund remain overweight to industrial and self-storage markets which contributed to the fund's positive performance. Both sectors continue to benefit from e-commerce and remain undersupplied relative to ongoing demand. Residential stocks were also a top contributor due to increased household formation and lack of affordable supply. In the US, migration trends are leading to strong demand in the 'sun belt' for apartments and family homes.
Artemis US Select	+6.6%	As the Delta variant risk subsided in the US at the start of the period, the fund saw a welcome recovery in Norfolk Southern (rail transportation company), with December being particularly strong for the share price. Truck drivers remain in short supply, and the fund manager maintains the view the demand for logistics will filter out to companies like Norfolk Southern. Add to this the demand for green initiatives and the investment thesis for holding the company strengthens.
BlackRock Continental European Income	+6.4%	The fund's overweight exposure to utilities aided returns as the sector saw a relief bounce following comments from the Spanish government it would introduce exemptions to a policy that was originally expected to claw back about EUR2.6 billion in revenues from companies that profit from rising power prices. In this context, the positions in Iberdrola, Enel and EDP all contributed positively.

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Schroder Income Model Portfolio

Q4 2021

Negative contributors to portfolio performance

Fund name	Fund performance (Q4 2021)	Commentary
Baillie Gifford Japanese Income Growth	-3.9%	Pola Orbis, the skincare company, was one of the largest detractors due to weaker domestic demand for cosmetics, which were likely impacted by Japan's continued state of emergency. Gaming company, Mixi, was another weak performer on the back of disappointing sales results. The team remain confident in these names going forward which suggest it's just a temporary setback. They did however act and reduce exposure to auto related names following a review of Toyota and related companies - in which they explored the implications of an accelerated shift towards electric vehicles.
M&G Emerging Markets Bond	-0.8%	A ramp-up in global inflationary pressure, a strong US dollar and country-specific risks (notably China) have all been headwinds for the asset class. It therefore wasn't surprising to see emerging market sovereign debt delivered negative returns, particularly local markets which suffered from a double whammy of both currency depreciation and higher rates. Corporate bonds fared better as the average credit quality of the corporate index is higher.
TwentyFour AM Dynamic Bond	-0.7%	October and November was a challenging month for credit, as volatility in rates weakened investor sentiment. During this period, the team took the opportunity to look for relative value switches to optimise the strategy. The fund remains focussed on assets at the shorter end of the credit curve, conscious of the market volatility remaining over the coming months.

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Schroder Income Model Portfolio

Q4 2021

Portfolio updates

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From an asset class perspective, the fourth quarter's performance themes resembled the year that preceded it. Gains by far were the largest in the US, as large cap growth names dominated the leader board. The UK and Europe also produce strong returns and very respectable gains for the year. Asian and Emerging Markets were left behind in the period, and for the year, as the ongoing struggles of a Chinese slowdown weighed on sentiment. Japan was the weakest of the major regions, delivering negative returns, which were compounded by a depreciating currency.

In fixed income markets, government bonds provided some ballast to the volatility seen in equity markets in October and November. December however proved to be a more challenging month for the asset class, as inflation and interest rates became top of the worry list for investors. In credit markets, corporate bonds lagged government bonds for the quarter, but still saw modestly positive total returns. High yield bonds were the standout performer, as credit spreads (the premium investors demand to hold the risky bonds over safer Treasury bonds) reduced, which helped them outperform investment grade credit both in Q4 and for 2021.

The alternative assets added value over the period, with the allocation to UK infrastructure leading the gains. Elsewhere, the diversified real assets strategy and global Real Estate Investment Trust (REIT) allocation also contributed with positive returns.

Schroder Income Model Portfolio

Q4 2021

Portfolio changes

A recap on the key portfolios changes made in 2021:

Q1

The Investment Team implemented a sleeve approach (asset class/region) to its fund selection process, which incorporates 'best ideas' across risk profiles. A sleeve utilises the same composition of funds and ensures the strategic asset allocation guides the appropriate risk/return. It also helps the portfolios maintain a clear separation across risk profiles.

The team also took an active decision to reduce sensitivity to interest rates by reducing the duration in the fixed element of the portfolio. With the balance of probabilities skewed to potentially higher yields (or at least, limit reasons for lower yields), it was prudent to reduce risk and protect capital. We therefore introduced shorter dated bonds that are less exposed to market volatility.

Q2

The Investment Team conducted a review of the income strategy to appraise the style bias present in portfolios and revisited the rationale for holding a growth bias. The team concluded a more balanced approach was deemed appropriate, seeing upside opportunities for value stocks relative to growth based on the economic rebound and the relative valuation opportunities.

Q3

Transactions were limited to the alternative sleeve, with all the other sleeves being rebalanced back to target weights. Within the alternative sleeve, changes within the current selection of managers were made to reflect a more conservative stance.

Q4

No changes were implemented this quarter, but the portfolios will be rebalanced back to target weights.

Schroder Strategic Index Model Portfolios

Q4 2021

Schroder Strategic Index Model Portfolios performance

	Q4 2021	YTD	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	Since Common Inception[1] (01/02/2011) - 31/12/2021
Schroder Strategic Index portfolio 2	**0.79**	**1.84**	**1.84**	**4.11**	**5.89**	**-0.16**	**1.70**	**4.37**
UK CPI	2.34	5.39	5.39	0.59	1.30	2.10	2.97	2.14
Schroder Strategic Index portfolio 3	**1.38**	**4.16**	**4.16**	**6.27**	**8.70**	**-0.96**	**3.65**	**6.63**
IA Mixed Investment 0-35% shares	1.03	2.57	2.57	3.98	8.80	-3.41	5.01	4.14
Schroder Strategic Index portfolio 4	**1.65**	**6.44**	**6.44**	**5.89**	**11.43**	**-2.64**	**6.30**	**7.41**
Schroder Strategic Index portfolio 5	**1.83**	**8.08**	**8.08**	**5.47**	**14.95**	**-4.38**	**8.76**	**7.77**
IA Mixed Investment 20-60% shares	1.88	6.28	6.28	3.49	12.08	-5.11	7.20	5.18
Schroder Strategic Index portfolio 6	**2.21**	**9.96**	**9.96**	**5.63**	**16.35**	**-5.42**	**10.91**	**7.96**
Schroder Strategic Index portfolio 7	**2.59**	**12.15**	**12.15**	**5.58**	**18.34**	**-7.21**	**12.97**	**8.33**
IA Mixed Investment 40-85% shares	2.78	11.10	11.10	5.50	15.94	-6.07	10.05	6.91
Schroder Strategic Index portfolio 8	**3.00**	**13.93**	**13.93**	**5.98**	**17.35**	**-6.80**	**14.88**	**7.69**
Schroder Strategic Index portfolio 9	**2.09**	**11.84**	**11.84**	**7.37**	**17.18**	**-7.63**	**17.35**	**7.04**
Schroder Strategic Index portfolio 10	**1.08**	**8.34**	**8.34**	**8.69**	**16.49**	**-7.75**	**18.75**	**6.26**
IA Flexible Investment	2.27	11.38	11.38	7.01	15.64	-6.64	11.09	6.78

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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 31 December 2021. Model portfolio returns may vary from individual investor returns due to timings and cash flows. 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. [1]Please note, these common inception figures are annualised.

Schroder Strategic Index Model Portfolios

Q4 2021

Positive contributors to portfolio performance

Fund name	Fund performance (Q4 2021)	Commentary
HSBC American Index	+9.6%	Stocks overcame numerous headwinds, including a resurgence in COVID cases, the Federal Reserve withdrawing the Quantitative Easing (QE) programme, and a lack of additional stimulus from Washington, to hit new all-time highs. Tech as a sub-sector was one of the best performers over the quarter, with chipmakers especially strong. The only S&P 500 sector to post a negative return was communication services, as investors rotated out of internet-focused names and into more diversified technology companies such as Microsoft and Apple.
iShares Global Property Securities Equity Index	+8.5%	It's been a great year to be invested in property securities, with every real estate investment trust (REIT) sector recording positive returns in 2021. Self-storage topped the list of returns, followed by the industrial sector, as investors expect e-commerce to continue to grow and drive further demand for industrial warehousing. The office sector, continuing its adjustment to remote work and other ramifications of the pandemic, still posted positive returns.
HSBC European Index	+4.6%	European shares made gains in Q4, as a focus on strong corporate profits and economic resilience offset worries over the new Omicron variant. Utilities were among the top performers, as were luxury goods which also delivered strong gains, recovering from the summer sell-off which was sparked by a focus on “common prosperity” in China.

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Schroder Strategic Index Model Portfolios
Q4 2021

Negative contributors to portfolio performance

Fund name	Fund performance (Q4 2021)	Commentary
HSBC Japan Index	-4.5%	Renewed uncertainty over the new Covid variant and an influx of new issues including tightness in semiconductors and other supply chains alongside rising input costs have weighed on short-term earnings of Japanese companies. These temporary issues obscure the increasingly positive outlook for Japan where we see cash rich companies continuing to return funds to shareholders with a flurry of buybacks announced and higher dividend payments.
iShares Emerging Markets Equity Index	-1.2%	The Emerging Markets Index lost value in Q4 and underperformed the MSCI World Index, with US dollar strength a headwind. Turkey was the weakest index market, amid extreme volatility in the currency. China also finished in negative territory as concerns over slowing growth persisted. By contrast, Egypt was the best performing index market. Larger index weight constituents such as Taiwan, Indonesia and Mexico all recorded solid gains and outperformed.
Vanguard Global Corporate Bond Index	-0.5%	Corporate bonds finished the quarter with a slight loss. The performance however conceals the volatility seen in credit spreads (the extra return above government bond yields for taking on default risks). Credit spreads initially widened amid worries that the Omicron variant might inflict serious economic damage only to reverse and tighten in December as investors took comfort from early evidence suggesting the variant was less dangerous in terms of hospitalisation rates.

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Schroder Strategic Index Model Portfolios

Q4 2021

Portfolio updates

It was a volatile start to the fourth quarter, as shockwaves rippled through equity markets following a resurgence in COVID cases, as the new, more transmissible Omicron variant spread rapidly across the globe. The renewed uncertainty was short lived however as early evidence suggested the Omicron variant was less dangerous in terms of hospitalisation rates, which was enough to alleviate fears of another global shutdown. This set up for a strong rally in December, with global equities higher, capping off a great year for investors.

From an asset class perspective, the fourth quarter's performance themes resembled the year that preceded it. Gains by far were the largest in the US, as large cap growth names dominated the leader board. The UK and Europe also produced strong returns and very respectable gains for the year. Asian and Emerging Markets were left behind in period, and for the year, as the ongoing struggles of a Chinese slowdown weighed on sentiment. Japan was the weakest of the major regions, delivering negative returns, which were compounded by a depreciating currency.

In fixed income markets, government bonds provided some ballast to the volatility seen in equity markets in October and November. December however proved to be a more challenging month for the asset class, as inflation and interest rates became top of the worry list for investors. In credit markets, corporate bonds lagged government bonds for the quarter, but still saw modestly positive total returns. High yield bonds were the standout performer, as credit spreads (the premium investors demand to hold the risky bonds over safer Treasury bonds) reduced, which helped them outperform investment grade credit both in Q4 and for 2021.

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Schroder Strategic Index Model Portfolios

Q4 2021

Portfolio changes

A recap of the key portfolios changes made in 2021:

Q1

The Investment Team took the opportunity to increase exposure to UK mid cap companies. The FTSE 100 may be home to London's biggest listed companies, but its best performers can often be found further down the market cap scale.

Mid cap names offer superior value creation over their larger peers. This is a function of their ability to earn more attractive returns on capital employed, which can then be reinvested at higher growth rates.

Mid cap firms tend to be more dynamic than their blue-chip counterparts and often less complex, more focused businesses giving them a greater opportunity to scale.

Q2

No changes were implemented this quarter, but the portfolios were rebalanced back to target weights.

Q3

No changes were implemented this quarter, but the portfolios were rebalanced back to target weights.

Q4

No changes were implemented this quarter, but the portfolios were rebalanced back to target weights.

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Schroder Sustainable Model Portfolios

Q4 2021

Schroder Sustainable Model Portfolios performance

	Q4 2021	YTD	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	Since Common Inception[1] (01/11/2020) - 31/12/2021
Schroder Sustainable portfolio 3	**0.97**	**3.61**	**3.61**	**7.78**	**11.52**	**-2.47**	**6.38**	**6.93**
IA Mixed Investment 0-35% shares	1.03	2.57	2.57	3.98	8.80	-3.41	5.01	6.44
Schroder Sustainable portfolio 4	**1.32**	**5.91**	**5.91**	—	—	—	—	**10.50**
Schroder Sustainable portfolio 5	**1.54**	**7.52**	**7.52**	**9.51**	**18.67**	**-4.40**	**11.60**	**13.12**
IA Mixed Investment 20-60% shares	1.88	6.28	6.28	3.49	12.08	-5.11	7.20	12.47
Schroder Sustainable portfolio 6	**1.93**	**9.08**	**9.08**	—	—	—	—	**15.59**
Schroder Sustainable portfolio 7	**2.31**	**11.01**	**11.01**	**12.32**	**24.13**	**-5.60**	**14.18**	**18.70**
IA Mixed Investment 40-85% shares	2.78	11.10	11.10	5.50	15.94	-6.07	10.05	18.67
Schroder Sustainable portfolio 8	**2.60**	**12.25**	**12.25**	—	—	—	—	**20.94**

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Schroder Sustainable Model Portfolios

Q4 2021

Positive contributors to portfolio performance

Fund name	Fund performance (Q4 2021)	Commentary
Legg Mason ClearBridge US Equity Sustainability Leaders	+11.1%	The funds overweight stance to Technology stocks was beneficial as the sector produced some of the strongest returns, with the likes of Microsoft and Apple returning 18% and 25% respectively. Outside of Technology, Trex Company, a major manufacturer of wood-alternative composite decking, railing, and other outdoor items made from recycled materials enjoyed a healthy 31% return on the back of its earnings beating consensus estimates.
Rockefeller US ESG	+6.2%	Technology stocks were one of the strongest performers over the quarter, with chipmakers especially strong. Micron Technology, a producer of computer memory and computer data storage, returned over 30% and was a leading contributor to performance. Applied Materials, a leader in materials engineering solutions used to produce virtually every new chip and advanced display in the world, was another standout performer worthy of mention, returning 21% for the quarter.
Royal London Sustainable Leaders	+6.1%	It's been another great quarter for the Sustainable Leaders fund, wrapping up an exceptionally strong year. UK speciality chemicals business Croda International was a standout position and the strongest performer. The company continues to benefit from the trend towards organic chemicals and is reaping the rewards from its acquisition in 2020 of a company that supplies lipids for vaccines. In addition to this, Ferguson, the North American plumbing and heating distributor with a significant US presence, performed well, benefitting from ongoing growth in the new-build housing market in the US.

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Negative contributors to portfolio performance

Fund name	Fund performance (Q4 2021)	Commentary
RWC Nissay Japan Focus	-14.2%	The strategy underperformed its benchmark by a considerable margin in the final quarter of 2021 as highly priced shares were generally given short shrift whenever the companies showed any sign of undershooting short-term expectations. An example here was M3 Inc. which produced slightly soft numbers in November, but the stock was excessively punished, as sell-side analysts emphasised consultant recruitment and training issues - against extraordinarily fast-growing business opportunities.
Nikko AM Japan Value	-4.4%	Although the market rallied following Japan's ruling party's victory in the lower house election at the end of October, the boost from expectations for the new administration's economic policies were soon offset by concerns regarding the new Omicron variant in November. In addition to the market falling, currency depreciation of the Yen relative to Sterling hurt performance. From a sector positioning perspective, the underweight in Information Technology was by far the largest detractor this quarter.
Federated Hermes Global Emerging Markets	-2.2%	The Fund underperformed its benchmark in Q4 2021, with stock selection in China and Brazil the main driver, offsetting the positive contribution from selected names in Mexico and South Africa. During the period, the team added several new positions which play to the structural electrification and decarbonisation themes including LG Chem (EV batteries/storage solutions), Freeport (pure-play on copper demand driven by electrification) and Press Metal, South East Asia's largest integrated aluminium producer, a beneficiary of the decarbonisation theme.

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Schroder Sustainable Model Portfolios
Q4 2021

Portfolio updates

It was a volatile start to the fourth quarter, as shockwaves rippled through equity markets following a resurgence in COVID cases, as the new, more transmissible Omicron variant spread rapidly across the globe. The renewed uncertainty was short lived however as early evidence suggested the Omicron variant was less dangerous in terms of hospitalisation rates, which was enough to alleviate fears of another global shutdown. This set up for a strong rally in December, with global equities higher, capping off a great year for investors.

From an asset class perspective, the fourth quarter's performance themes resembled the year that preceded it. Gains by far were the largest in the US, as large cap growth names dominated the leader board. The UK and Europe also produced strong returns and very respectable gains for the year. Asian and Emerging Markets were left behind in the period, and for the year, as the ongoing struggles of a Chinese slowdown weighed on sentiment. Japan was the weakest of the major regions, delivering negative returns, which were compounded by a depreciating currency.

In fixed income markets, government bonds provided some ballast to the volatility seen in equity markets in October and November. December however proved to be a more challenging month for the asset class, as inflation and interest rates became top of the worry list for investors. In credit markets, corporate bonds lagged government bonds for the quarter, but still saw modestly positive total returns. High yield bonds were the standout performer, as credit spreads (the premium investors demand to hold the risky bonds over safer Treasury bonds) reduced, which helped them outperform investment grade credit both in Q4 and for 2021.

The alternative assets added value over the period, with the allocation to absolute return strategies leading the gains. Elsewhere, the clean energy strategy and Global Real Estate Investment Trust (REIT) allocation also contributed with positive returns.

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Schroder Sustainable Model Portfolios

Q4 2021

Portfolio changes

A recap of the key portfolios changes made in 2021:

Q1

The Investment Team implemented a sleeve approach (asset class/region) to its fund selection process, which incorporates 'best ideas' across risk profiles. A sleeve utilises the same composition of funds and ensures the strategic asset allocation guides the appropriate risk/return. It also helps the portfolios maintain a clear separation across risk profiles.

The team also took an active decision to reduce sensitivity to interest rates by reducing the duration in the fixed element of the portfolio. With the balance of probabilities skewed to potentially higher yields (or at least, limit reasons for lower yields), it was prudent to reduce risk and protect capital. We therefore introduced shorter dated bonds that are less exposed to market volatility.

Q2

The Investment Team conducted a review of the sustainable strategy to appraise the style bias present in portfolios and revisited the rationale for holding a growth bias. The team concluded a more balanced approach was deemed appropriate, seeing upside opportunities for value stocks relative to growth based on the economic rebound and the relative valuation opportunities.

Q3

Transactions were limited to the emerging market and alternative sleeves, with all the other sleeves being rebalanced back to target weights. Within emerging market equity, changes reflected a desire to obtain small and mid cap exposure and reduce exposure to fully valued large-cap growth stocks. Within the alternative sleeve, changes within the current selection of managers were made to reflect a more conservative stance.

Q4

The team implemented a conversion this quarter having negotiated access to a cheaper share classes.

Conversion

Brown Advisory US Sustainable Growth

No other changes were implemented this quarter, but the portfolios will be rebalanced back to target weights.

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Schroder Blended Portfolios

Q4 2021

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 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]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

Q4 2021

Schroder Blended Portfolios performance

	Q4 2021	YTD	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	Since Common Inception[1] (01/04/2020) - 31/12/2021
Schroder Blended portfolio 3 F Acc	**1.21**	**3.82**	**3.82**	—	—	—	—	**18.86**
IA Mixed Investment 0-35% shares	1.03	2.57	2.57	3.98	8.80	-3.41	5.01	16.03
Schroder Blended portfolio 4 F Acc	**1.55**	**5.81**	**5.81**	—	—	—	—	**26.53**
Schroder Blended portfolio 5 F Acc	**1.70**	**7.44**	**7.44**	—	—	—	—	**31.61**
IA Mixed Investment 20-60% shares	1.88	6.28	6.28	3.49	12.08	-5.11	7.20	26.46
Schroder Blended portfolio 6 F Acc	**2.34**	**9.16**	**9.16**	—	—	—	—	**38.73**
Schroder Blended portfolio 7 F Acc	**3.41**	**12.13**	**12.13**	—	—	—	—	**49.16**
IA Mixed Investment 40-85% shares	2.78	11.10	11.10	5.50	15.94	-6.07	10.05	38.26
Schroder Blended portfolio 8 F Acc	**2.50**	**12.88**	**12.88**	—	—	—	—	**53.38**
IA Flexible Investment	2.27	11.38	11.38	7.01	15.64	-6.64	11.09	40.95

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Schroder Blended Portfolios

Q4 2021

Positive contributors to portfolio performance

Fund name	Fund performance (Q4 2021)	Commentary
Jupiter Gold & Silver	+11.6%	Positive news flow from several of the underlying precious metal mining companies lead to strong gains in the fourth quarter. Discovery Silver Corp, (a Canadian-based exploration and development company, focused on silver projects in Mexico), announced its technical team has reimagined Cordero, its flagship project with the optionality to expand into one of the largest primary silver mines in the world. Its share price returned 68% in the period. Elsewhere, Pretium Resources was a strong contributor, returning 45% as Australia's biggest gold producer, Newcrest Mining, said it would buy the rest of Pretium Resources in a deal that values the Canadian miner at $2.8 billion.
HSBC American Index	+9.6%	Stocks overcame numerous headwinds, including a resurgence in COVID cases, the Federal Reserve withdrawing the Quantitative Easing (QE) programme, and a lack of additional stimulus from Washington, to hit new all-time highs. Technology as a sub-sector was one of the best performers over the quarter, with chipmakers especially strong. The only sector to post a negative return was communication services, as investors rotated out of internet-focused names and into more diversified technology companies such as Microsoft and Apple.
Vanguard FTSE 100 Index	+4.2%	The FTSE 100 recorded its best year since 2016, as UK stocks recovered from the pandemic shock of 2020. Whilst tightening monetary policy and rising bond yields are likely to provide a headwind for some parts of the equity market, particularly highly valued growth stocks, the FTSE 100 is poised to benefit from these conditions with its exposure to financials, commodities and very moderately valued stocks across a diverse range of industries.

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Negative contributors to portfolio performance

Fund name	Fund performance (Q4 2021)	Commentary
JPM Emerging Markets	-5.5%	Emerging Markets in general faced a challenging 2021, ultimately ending the year lower, dragged down by China and a stronger dollar. China is a key market in the fund, which naturally hurt, as did the market style (underperformance of quality, growth names), but also as a stock picking fund, individual exposures were the key impact. For example, holdings impacted by the increased regulatory pressure in China – New Oriental Education and Alibaba hurt performance .
Jupiter UK Mid Cap	-4.7%	The performance of the fund has been disappointing, with several high conviction positions suffering significant falls in their share prices. E-commerce business THG was seriously impacted following its trading update, which resulted in downgrades to earnings due to increased supply chain costs (a common theme at all online retailers) and adverse financial exchange movements. In addition to this, its Capital Markets Day event failed to provide any helpful financial disclosure on the three divisions within the business to allay bear arguments.
HSBC Japan	–4.5%	Renewed uncertainty over the new COVID variant and an influx of new issues including tightness in semiconductors and other supply chains alongside rising input costs have weighed on short-term earnings of Japanese companies. These temporary issues obscure the increasingly positive outlook for Japan where we see cash rich companies continuing to return funds to shareholders with a flurry of buybacks announced and higher dividend payments.

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Schroder Blended Portfolios

Q4 2021

Portfolio updates

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Q1

The Investment Team implemented a sleeve approach (asset class/region) to its fund selection process, which incorporates 'best ideas' across risk profiles. A sleeve utilises the same composition of funds and ensures the strategic asset allocation guides the appropriate risk/return. It also helps the portfolios maintain a clear separation across risk profiles.

The team also took an active decision to reduce sensitivity to interest rates by reducing the duration in the fixed element of the portfolio. With the balance of probabilities skewed to potentially higher yields (or at least, limit reasons for lower yields), it was prudent to reduce risk and protect capital. We therefore introduced shorter dated bonds that are less exposed to market volatility.

Q2

The Investment Team conducted a review of the Blended strategy to appraise the style bias present in portfolios and revisited the rationale for holding a growth bias. The team concluded a more balanced approach was deemed appropriate, seeing upside opportunities for value stocks relative to growth based on the economic rebound and the relative valuation opportunities.

The team tilted the split of Active/Passive investments in favour of Passive. The Global Economic Indicator Tool was steering towards an increase on the premise the global economy is transitioning from the recovery phase into expansion. Picking up market beta during the expansion phase is deemed preferable.

Q3

Transactions were limited to the emerging market and alternative sleeves, with all the other sleeves being rebalanced back to target weights. Within emerging market equity, changes reflected a desire to obtain small and mid cap cap exposure and reduce exposure to fully valued large-cap growth stocks. Within the alternative sleeve, changes within the current selection of managers were made to reflect a more conservative stance.

Q4

No changes were implemented this quarter, but the portfolios will be rebalanced back to target weights.

Schroder Blended Portfolios

Q4 2021

Portfolio changes

It was a volatile start to the fourth quarter, as shockwaves rippled through equity markets following a resurgence in COVID cases, as the new, more transmissible Omicron variant spread rapidly across the globe. The renewed uncertainty was short lived however as early evidence suggested the Omicron variant was less dangerous in terms of hospitalisation rates, which was enough to alleviate fears of another global shutdown. This set up for a strong rally in December, with global equities higher, capping off a great year for investors.

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In fixed income markets, government bonds provided some ballast to the volatility seen in equity markets in October and November. December however proved to be a more challenging month for the asset class, as inflation and interest rates became top of the worry list for investors. In credit markets, corporate bonds lagged government bonds for the quarter, but still saw modestly positive total returns. High yield bonds were the standout performer, as credit spreads (the premium investors demand to hold the risky bonds over safer Treasury bonds) reduced, which helped them outperform investment grade credit both in Q4 and for 2021.

The alternative assets added value over the period, with the allocation to Gold and Silver leading the gains. Elsewhere, the Short-term Trend strategy and Hedge Fund allocation also contributed with positive returns.

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Schroder Tactical Portfolios

Q4 2021

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 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

Q4 2021

Schroder Tactical Portfolios performance

	QTD	YTD	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	Since Common Inception[1] (01/06/2018) - 31/12/2021
Schroder Tactical portfolio 3 F Acc	**1.71**	**4.60**	**4.60**	**5.79**	**8.45**	**-4.31**	—	**4.11**
IA Mixed Investment 0-35% shares	1.03	2.57	2.57	3.98	8.80	-3.41	5.01	3.33
Schroder Tactical portfolio 4 F Acc	**2.07**	**7.09**	**7.09**	**4.55**	**10.27**	**-5.72**	—	**4.40**
Schroder Tactical portfolio 5 F Acc	**2.35**	**8.83**	**8.83**	**3.94**	**12.45**	**-7.49**	—	**4.70**
IA Mixed Investment 20-60% shares	1.88	6.28	6.28	3.49	12.08	-5.11	7.20	4.50
Schroder Tactical portfolio 6 F Acc	**2.81**	**10.82**	**10.82**	**3.29**	**13.59**	**-8.67**	—	**4.91**
Schroder Tactical portfolio 7 F Acc	**3.31**	**12.99**	**12.99**	**2.84**	**14.38**	**-10.51**	—	**5.10**
IA Mixed Investment 40-85% shares	2.78	11.10	11.10	5.50	15.94	-6.07	10.05	6.81

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Schroder Tactical Portfolios
Q4 2021

Positive contributors to portfolio performance

Asset class	CTR[1] (T5)	Absolute return	Commentary
Global Equities	1.64%	7.73%	Global equities were stronger in Q4 as investors focused on economic resilience and corporate earnings. Strong performance from the Schroder Sustainable Multi-Factor Equity Fund bolstered returns.
UK Equities	0.82%	4.64%	Encouraging news around Omicron during December saw a number of economically sensitive areas of the market recoup the sharp losses they had sustained in the initial sell-off in late November, such as banks.
North American Equities	0.22%	6.76%	Overall gains were robust despite a weaker November, during which fears over rising cases of the Omicron variant of COVID and the speed of the Federal Reserve's asset tapering had weighed on the asset class.

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; North American equities = S&P 500 Index Future. [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	-0.10%	-1.39%	Broad emerging market equities lost value in Q4 and underperformed their developed market counterpart. US dollar strength was a headwind.
Japanese Equities	-0.08%	-1.82%	After declines in October and November, the Japanese stock market regained some ground in December but remained negative in Q4. Despite recent fiscal stimulus announcements, uncertainty remains around the new COVID variant, given the government's use of tight restrictions to control previous outbreaks.
Corporate Bonds	-0.04%	-0.16%	Corporate bonds lagged government bonds in Q4. In investment-grade, the US market saw modestly positive total returns (local currency), but Europe weakened.

Note: Emerging market equities = MSCI EM Index Future; Japanese equities = TOPIX Index Futures; Corporate Bonds = Schroder Global Corporate Bond Managed Credit Component, Schroder ISF Global Corporate Bond. [1]Contribution to Return for Schroder Tactical Portfolio 5.

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Schroder Tactical Portfolios
Q4 2021

Portfolio updates

The Schroder Tactical Portfolios delivered positive returns over the quarter, with developed equity markets the main driver of performance. Government bonds added value, whilst corporate debt posted marginally negative contributions.

Looking at our models, we have entered a more mature and nuanced phase of the economic cycle. Economic activity and consumer demand remain healthy, but valuations are stretched and there is uncertainty around inflation, the process of monetary policy normalisation and, of course, further COVID outbreaks. Against this backdrop, we expect equity returns to be more muted but still positive. The portfolio therefore remained overweight equities, however this position was reduced into year-end.

In October, the portfolio made a tactical allocation to the global energy sector which provided a hedge against the risks posed to economic growth resulting from higher energy prices. As Q4 progressed, the portfolio closed its overweight UK versus German equities position in November. Part of the rationale for the trade was to benefit from Sterling weakness, however this did not play out as expected against a strong earnings season. Whilst we believe there is further upside in terms of equity valuations, the prudent move was to limit exposure to cyclical (growth-sensitive) areas until sufficient information on the new Omicron variant became available. With this in mind, towards the end of Q4 the overweight US small caps vs large caps position was also closed. The portfolio added back to US large caps where the balance of risk was more favourable; a move which has proven beneficial.

Bond markets were buffeted by persistent, elevated inflation and hawkish central bank policy shifts in Q4. The portfolio implemented a tactical overweight position in UK gilts versus German Bunds in October. This opportunity was created by a more hawkish Bank of England (BoE) versus the European Central Bank (ECB), and the potential headwinds from a European energy crisis. We believed ECB market pricing would likely catch up due to ongoing inflation fears, or BoE hawkishness would result in headwind fears bringing gilt yields lower (and bond prices higher). The portfolio took profits on the trade following a sharp rally in November after our prediction of a compression in expectations between the BoE and the ECB played out.

An overweight Australian and Canadian 10-year vs the US 10-year position was also closed at a profit after the long side of the trade played out as expected, and the appeal of the short US 10-year position waned. Within credit markets, a position in European high yield credit was also added as valuations improved, underpinned by accommodative ECB policy.

A commodities position was reintroduced in Q4 based on a number of factors, both shorter and more medium-term, including the assumption that Omicron effects will be transitory and demand for oil will remain strong, combined with ongoing supply constraints.

In currencies, the general theme throughout the quarter was a preference for the US dollar. This served as a hedge against the risk of tighter liquidity and contributed positively to performance. The tilt towards Sterling versus the Swiss franc (CHF) was closed after the position recovered from its lows and the Swiss National Bank highlighted concerns around the appreciation of the CHF. Small positions in Russian ruble, and Brazilian real were also closed.

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Schroder Tactical Portfolios

Q4 2021

Outlook

In recent years, we have compared the global economy to a "wobbly bicycle", where a lack of economic momentum left us vulnerable to being blown off course by any gust of wind. The pandemic forced governments to put stabilisers on the wobbly bicycle, allowing us some reprieve from cyclical volatility. Those stabilisers will be coming off in 2022 and the private sector will have to take on the baton of growth. The more technically-minded would describe the potential distribution of outcomes we are seeing at the moment as "platykurtic", a more muted upside with elevated risks. In more simple terms, this is not a time for big bets and we have a more diversified stance than we did last year.

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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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