Schroder Investment Solutions

Quarterly Bulletin

Q3 2023

Schroders

Marketing material

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

Q3 2023

The importance of diversification

The blend of assets in your portfolio is likely to be the dominant influence on your long-term returns. Spreading your investments across a variety of markets can help you to achieve your investment objectives while taking less risk than investing in any single market. The table below shows the varying level of market returns, on a calendar year basis, since 2018. The best performing asset class in any one calendar year (at the top) can potentially deliver the worst returns in the following year (at the bottom). Spreading investments across a range of markets helps avoid 'putting all your eggs in one basket' and gives you a better chance of achieving more consistent returns.

Please remember that 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.

2018	2019	2020	2021	2022	YTD	Q3 2023
Global High Yield Bonds 1.9	US Equities 25.7	Asia Ex Japan Equities 21.2	Commodities 41.6	Commodities 41.9	US Equities 11.1	Commodities 20.8
Global Property 1.2	Europe ex UK Equities 20.0	US Equities 16.2	Global Property 28.4	UK Cash 1.4	Japanese Equities 9.5	Global High Yield Bonds 4.0
Global Treasury Bonds 1.1	UK Equities 19.2	EM Equities 14.7	US Equities 27.6	UK Equities 0.3	Europe ex UK Equities 6.8	Japanese Equities 3.4
UK Gilts 0.6	Global Property 18.3	UK Index-linked Gilts 11.0	UK Equities 18.3	Global High Yield Bonds -1.7	Commodities 5.7	UK Corporate Bonds 2.2
UK Cash 0.6	Japanese Equities 14.6	Japanese Equities 9.5	Europe ex UK Equities 16.7	Japanese Equities -4.1	UK Equities 4.5	UK Equities 1.9
US Equities 0.1	EM Equities 13.9	UK Corporate Bonds 9.1	UK Index-linked Gilts 4.2	Europe ex UK Equities -7.6	Global High Yield Bonds 3.5	UK Cash 1.3
UK Index-linked Gilts -0.3	Asia Ex Japan Equities 13.6	UK Gilts 8.3	Japanese Equities 2.0	US Equities -9.4	UK Cash 3.4	EM Equities 1.1
UK Corporate Bonds -2.2	Commodities 13.1	Europe ex UK Equities 7.5	Global High Yield Bonds 1.9	Asia Ex Japan Equities -9.6	UK Corporate Bonds 1.2	US Equities 0.8
Global Corporate Bonds -2.7	UK Corporate Bonds 11.0	Global Corporate Bonds 7.2	UK Cash 0.1	EM Equities -10.0	Global Corporate Bonds 0.7	Asia Ex Japan Equities 0.7
Japanese Equities -8.4	Global Corporate Bonds 10.6	Global Treasury Bonds 4.6	Global Corporate Bonds -1.0	Global Treasury Bonds -11.7	Global Treasury Bonds 0.6	UK Gilts -0.6
Commodities -8.5	Global High Yield Bonds 8.2	Global High Yield Bonds 3.7	EM Equities -1.6	Global Property -14.9	EM Equities 0.3	Global Property -1.7
Asia Ex Japan Equities -9.0	UK Gilts 6.9	UK Cash 0.2	Global Treasury Bonds -2.0	Global Corporate Bonds -15.3	Asia Ex Japan Equities -1.9	Global Corporate Bonds -1.8
EM Equities -9.3	UK Index-linked Gilts 6.4	UK Equities -9.8	UK Corporate Bonds -3.3	UK Corporate Bonds -19.3	UK Gilts -4.1	Global Treasury Bonds -2.0
UK Equities -9.5	Global Treasury Bonds 5.5	Global Property -11.0	Asia Ex Japan Equities -3.8	UK Gilts -23.8	Global Property -5.5	Europe ex UK Equities -2.0
Europe ex UK Equities -9.9	UK Cash 0.7	Commodities -26.1	UK Gilts -5.2	UK Index-linked Gilts -33.6	UK Index-linked Gilts -7.2	UK Index-linked Gilts -4.7

Source: Morningstar as at September 2023. Notes: All Indices in base currency.

Market commentary

Q3 2023

After strong gains for shares in the first half of 2023, global equities posted a negative return in Q3. Government bonds also declined in the quarter, with yields rising. Commodities were a notable outperformer with energy gaining amid oil production cuts from Saudi Arabia and Russia.

US equities were weaker in Q3. Investors entered the quarter optimistic that the Federal Reserve (Fed) had orchestrated a soft landing (when an economy transitions smoothly from a period of fast growth to a more stable and sustainable pace) for the economy, and that the era of policy tightening rates would soon end. That enthusiasm withered over August and September, however, as the prospect of a sustained period of higher rates sank in. Inflation, while ticking up in August, remains on a downward trend. Comments from Fed policymakers suggest a further rate hike is to come before the end of the year.

Eurozone shares fell in Q3 amid worries over the negative effects of interest rate rises on economic growth. However, data released at the very end of the period showed eurozone inflation slowed to a two-year low of 4.3% in the year to September, down from 5.2% in August. This could potentially pave the way for the European Central Bank (ECB) to put an end to interest rate rises. Some of the steepest declines came in the consumer discretionary sector given concerns over the knock-on effects of higher interest rates on consumers' disposable income. The information technology sector was also under pressure. While there has been much enthusiasm this year around the long-term potential of artificial intelligence, nearer-term concerns over consumer spending are also affecting demand for chips.

UK equities rose over the quarter. The large UK-quoted diversified energy and basic materials groups outperformed as they rebounded from weakness in the previous three-month period. They benefited from sterling weakness against a strong dollar. A sharp recovery in crude oil prices buoyed the energy groups in particular. A number of domestically focused areas of the market also recovered following poor performances over Q2. This occurred amid signs of improving UK consumer confidence and hopes that base interest rates may have peaked. As a result of these top-down trends a number of consumer discretionary areas recovered well, the housebuilders in particular. At the same time, certain travel and leisure companies, such as pub groups and transport operators, outperformed over the quarter, Meanwhile, more broadly, domestically focussed banks and UK-exposed real estate companies also recorded reasonable share price performances.

The Japanese equity market demonstrated resilience during the market correction (when the price of financial markets temporarily goes down after a period of going up) in the quarter. This correction was triggered by rising interest rates and bond yields in the US and Japan. In Japan, large growth stocks were impacted by the correction, resulting in a decline of 4.0% for the Nikkei 225 index. However, smaller stocks held up well, and value stocks experienced a surge. As a result, the TOPIX Total Return index generated a modestly positive return of 2.5% for the period. The performance gap between growth stocks and value stocks widened significantly, reflecting an extreme shift in the market trend.

Market commentary

Q3 2023

Asia ex Japan equities declined in the third quarter. Most markets in the MSCI Asia ex Japan Index ended the quarter in negative territory as concerns over the Chinese economy and fears over global economic growth weakened investor sentiment. Hong Kong, Taiwan, and South Korea were the weakest index markets, while Malaysia and India achieved growth in the quarter. Chinese stocks experienced sharp declines in August, with the country's property sector performing particularly badly as investors doubted that Beijing will deliver enough stimulus to put the world's second-largest economy back on track.

Despite a strong start, the MSCI Emerging Markets (EM) Index ended the quarter in negative territory, albeit ahead of the MSCI World. Concerns that strength in the US economy will keep interest rates higher for longer had a negative impact on risk appetite. This was combined with ongoing weakness in the Chinese economy and concerns about the property sector. Poland and Chile posted the biggest declines among index markets. Colombia, Hungary and Czech Republic all gained and outperformed the index, with India and UAE also posting strong performances. The best returns were from Egypt and Turkey.

During Q3 the US economy continued to surprise in its resilience, with the employment market remaining relatively robust and signs of improvement in the manufacturing sector. Concerns over rising US debt issuance weighed on the Treasury market. August saw Fitch Ratings downgrade the US's triple-A rating drop to double-A plus, citing the growing debt burden and an "erosion of governance" as reasons for its decision. Despite a significant rise in oil prices, there were better news on the inflation front, with year-on-year core measures easing across most economies. This allowed many major central banks to indicate a pause in further rate hikes. Both the Fed and the ECB raised rates in July by 0.25%, with the latter continuing to hike in September. The ECB suggested that this rate might be sufficient to guide inflation back to its target. Despite the Federal Reserve and the Bank of England keeping rates steady in September, the market anticipates a longer period of elevated rates. This was the key driver of higher yields (meaning lower bond prices) over the quarter.

The S&P GSCI Index (a composite index of commodity sector returns, representing an investable benchmark for the commodity markets), rose sharply in the third quarter, driven by significantly higher energy prices after Russia and Saudi Arabia cut oil production. Energy was the best-performing component in the quarter. Natural gas was the only segment to record a price fall in the quarter.

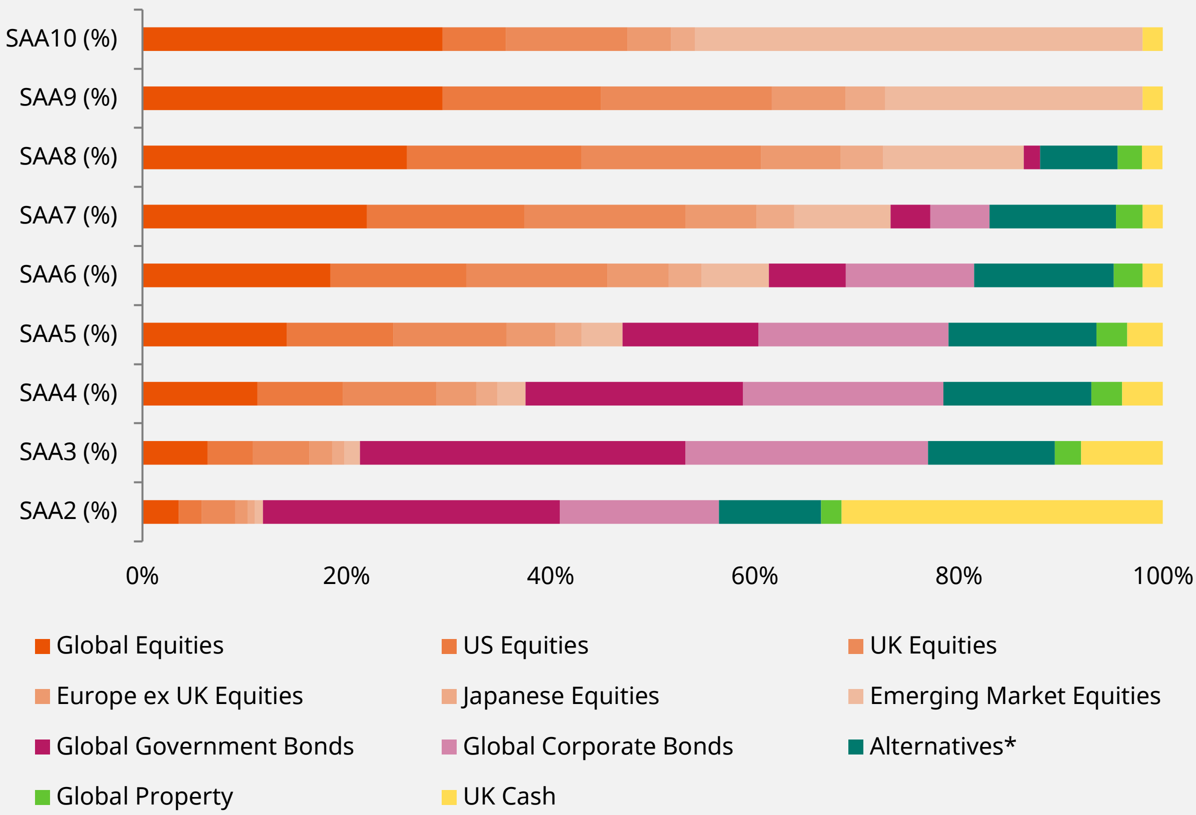
Source: Schroders. **Please note that any past performance mentioned in this document is not a guide to future performance and may not be repeated. Information is provided for illustrative purposes only and should not be considered as a recommendation to buy or sell.**

Asset allocation
Q3 2023

We have a robust asset allocation framework with the appropriate 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)



Source: Schroders as at April 2023. 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 and Real Assets.

Asset class views

Q3 2023

MAIN ASSET CLASSES

Equities	Government bonds	Commodities	Credit ▽
We remain neutral on equities. Although we believe there may be short-term opportunities for value, this is counteracted by negative medium-term indicators.	We maintain our positive view on government bonds, as interest rates should be close to peaking, and some central banks are pausing rate hikes.	We have kept our positive outlook on commodities as we expect prices to rise, particularly in energy as Saudi Arabia and Russia have cut oil production.	We have downgraded our view on credit to neutral as although valuations in the US have deteriorated, regions such as Europe continue to offer some value.

Key ● Long/positive ● Neutral ● Short/negative △ Up from last month ▽ Down from last month

EQUITIES

Category		View	Comments
US		●	Resilience in earnings means expectations have risen and allowed US equity prices to trade in a higher range. However, as inflation remains high, and the economy is expected to slow over the medium term, we remain neutral.
UK		●	UK equities have lagged other markets meaning valuations are now relatively attractive. However, concerns around stagflation lead us to remain neutral.
Europe		●	We remain negative on European equities, partly because of weak economic data coming out of Germany, as well as general weakness in the services and manufacturing sectors.
Japan		●	We remain positive on Japanese equities, as better fundamentals and a less restrictive monetary policy provide an opportunity for the market to outperform other regions.
Global Emerging Markets[1]		●	Emerging markets are often positively correlated with oil prices, which are currently rising. But as supply constraints will likely affect countries that are net importers of energy, we remain neutral.
Asia ex Japan	China	●	Although we believe the market is too pessimistic on China, recent trade data has been worse than expected meaning we remain neutral.
	EM Asia ex China	●	Despite slightly stronger global manufacturing data, we remain cautious, and therefore neutral.

Source: Schroders, September 2023. Note: The views for equities, government bonds and commodities are based on return relative to cash in local currency. **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.*

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 fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates.

Derivatives risk: Derivatives, which are financial instruments deriving their value from an underlying asset, may be used to manage the portfolio efficiently. The portfolio may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund.

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 fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares, meaning investors may not be able to have immediate access to their holdings.

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.

Schroder Active Model Portfolios

Q3 2023

Portfolio performance

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.

	Q3 2023	YTD	01/10/2022 - 30/09/2023	01/10/2021 - 30/09/2022	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	01/10/2015 - 30/09/2016	01/10/2014 - 30/09/2015	01/10/2013 - 30/09/2014	Since Common Inception (01/02/2008) - 30/09/2023
Schroder Active Portfolio 2	**-0.22**	**1.56**	**2.75**	**-5.91**	**2.90**	**1.18**	**3.51**	**1.33**	**2.97**	**6.05**	**2.33**	**3.75**	**2.63**
UK CPI (lagged)*	0.03	3.29	6.66	9.87	3.20	0.22	1.72	2.65	2.86	0.64	0.01	1.55	3.04
Schroder Active Portfolio 3	**-0.54**	**1.46**	**3.42**	**-8.79**	**6.66**	**1.41**	**6.43**	**3.54**	**4.84**	**11.23**	**3.54**	**7.12**	**4.60**
IA Mixed Investment 0-35% Shares	-0.33	0.35	2.67	-11.34	5.73	0.38	4.89	1.26	3.33	11.02	1.19	4.70	5.92
Schroder Active Portfolio 4	**-0.31**	**2.06**	**4.75**	**-9.80**	**10.24**	**2.07**	**4.97**	**4.86**	**7.39**	**13.16**	**5.29**	**7.53**	**5.62**
Schroder Active Portfolio 5	**-0.10**	**2.54**	**5.76**	**-10.58**	**13.36**	**2.52**	**3.82**	**6.40**	**9.54**	**15.17**	**4.53**	**8.14**	**6.13**
IA Mixed Investment 20-60% Shares	-0.11	1.11	4.24	-10.71	11.25	-1.23	4.13	2.64	6.19	12.48	0.52	5.35	5.61
Schroder Active Portfolio 6	**0.05**	**3.18**	**7.05**	**-11.27**	**16.69**	**4.16**	**4.38**	**6.93**	**12.41**	**17.22**	**4.75**	**7.79**	**7.15**
Schroder Active Portfolio 7	**0.15**	**3.72**	**8.18**	**-11.87**	**19.17**	**7.52**	**4.33**	**7.64**	**13.94**	**20.54**	**3.46**	**7.93**	**7.95**
IA Mixed Investment 40-85% Shares	-0.21	2.21	5.27	-10.27	16.76	-0.05	4.33	5.43	9.25	15.91	0.60	5.78	6.28
Schroder Active Portfolio 8	**0.22**	**4.28**	**9.25**	**-12.89**	**21.80**	**8.96**	**5.38**	**5.73**	**14.40**	**25.00**	**0.62**	**5.63**	**7.82**
Schroder Active Portfolio 9	**0.25**	**4.79**	**10.50**	**-15.51**	**24.10**	**12.20**	**6.38**	**5.26**	**16.86**	**31.15**	**-3.06**	**4.85**	**8.07**
Schroder Active Portfolio 10	**-0.04**	**3.45**	**8.28**	**-16.10**	**23.22**	**7.68**	**7.41**	**2.11**	**16.14**	**33.97**	**-8.27**	**3.42**	**6.61**
IA Flexible Investment	-0.20	1.96	4.76	-9.55	18.54	1.04	3.17	5.50	10.46	16.77	-0.59	5.74	6.40

Since common inception refers to the earliest launch date that all the portfolios have in common. The common inception figures are annualised.

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 September 2023. Portfolio returns may vary from individual investor returns due to timings and cash flows. CPI data is one month lagged (as at 31 August 2023).

Schroder Active Model Portfolios
Q3 2023

Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
JOHCM UK Dynamic Fund	5.46%	• Top contributor for a second consecutive quarter • Companies in the Utilities, Energy and Healthcare sectors drove performance After contributing to portfolio performance in the second quarter of 2023, the JO Hambro UK Dynamic Fund had positive returns for quarter three. This was driven by holdings in the Utilities, Energy and Healthcare sectors. The top contributing stock for the fund was Centrica, the British multinational energy and services company, this was followed by BP. Centrica continues to save cash with various strategic options for using this to enhance their growth. In Healthcare, the British multinational pharmaceutical and biotechnology company, GSK, contributed positively to returns. The manager, Alex Savvides, follows a pragmatic approach, looking for the best growth opportunities where he has a more positive view of the medium to long-term future revenues than the prevailing market opinion.
EdenTree Responsible & Sustainable Short Dated Bond Fund	2.76%	• Positive contributor to this quarter due to allocation to high quality credit bonds After detracting from performance last quarter, the EdenTree Responsible & Sustainable Short Dated Bond Fund contributed positively over the period. This was due to the fund's allocation to higher quality credit bonds. As a reminder, investment grade bonds are the highest quality non-government bonds as determined by a credit rating agency; high yield bonds are more risky, with a credit rating below investment grade. The credit quality is important in the face of recessionary risks as it influences the ability of a company to meet its debt obligations. The fund also has a lower duration relative to the benchmark. Duration is a measure of the sensitivity of a bond’s price to a change in interest rates. The shorter the duration, the less sensitive the bond price is to a change in interest rates.
Artemis US Select Fund	2.58%	• Top contributor for a second consecutive quarter • Communication services, utilities and healthcare sectors performed well over the quarter The Artemis US Select Fund was a top contributor for a second consecutive quarter in our US Equity allocation. The communication services, utilities and healthcare sectors performed well over the quarter, generating positive returns. The manager analyses companies based on the structural factors expected to promote their growth. They also integrate an assessment of a company’s current share price relative to the value they attribute to the business. Instead of forecasting whether the US will enter a recession, they focus on what opportunities exist when a recovery might begin. For example, they believe that healthcare companies will provide positive prospects over the rest of 2023.

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Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
Royal London International Government Bond Fund	-2.15%	• Bond prices declined over the quarter • Concerns over a growing debt burden of the US treasury market Despite the US Federal Reserve keeping interest rates unchanged in September, the market still anticipates that interest rates will remain higher for longer. This was a primary factor for the increase in bond yields and consequently, bond prices declined over the quarter. In August, the ratings agency, Fitch, downgraded their triple-A rated debt to double-A due to the US treasury market's growing debt levels. Meanwhile, the price of 10-year UK Gilts remained relatively stable throughout the quarter as the Bank of England also kept the base interest rate at 5.25%. In Europe, the yields of German 10-year debt also increased leading to a drop in bond prices.
Lazard Global Thematic Focus Fund	-2.68%	• After positive returns in the first half of the year, the fund underperformed this quarter • Exposure to thematic investment strategies including the transformative power of software and operating systems After contributing to portfolio performance for the first half of the year, the Lazard Global Thematic Fund detracted this quarter. The fund forms part of our Global Equity allocation which enables portfolios to gain exposure to thematic investment strategies that affect all investors on a global basis. The fund invests in companies across six themes including: smart capital expenditure, data & AI and energy transitions. Companies in the smart capital expenditure theme, such as Hexagon AB, Fanuc Corp and Cognex Corp were down over the period. This theme focuses on the transformative power of software and operating systems on physical assets, such as buildings, factories and infrastructure.
MontLake Crabel Gemini Fund	-2.83%	• Forms part of our alternatives allocation • The equity portion of the fund detracted from performance The Montlake Crabel Gemini fund forms part of our alternatives allocation and is structured to offer unique sources of returns with over 50 differentiated strategies. It was a challenging period for the strategies in the equity portion of the fund and this detracted from performance over the quarter. Energy and fixed income strategies generated positive returns. Factors such as rising interest rates, an uncertain economic outlook and continued inflationary pressures made it difficult for positive performance to outweigh the negative.

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Schroder Active Model Portfolios

Q3 2023

Portfolio updates

Interest rates: higher for longer

For most of this year, equity market returns have been rising while government bond prices have been drifting lower. However, during September both equities and bonds fell together. This was an unwelcome reminder of 2022. Investors had been anticipating interest rate cuts late this year or early next. That now looks unlikely as inflation remains high and central banks have indicated that interest rates will need to remain high for some time to bring it back to target. The latest US data generally points to an economy that is slowing but still expanding. Figures from China and Europe paint a different picture.

Cautious optimism about fixed income

Given the commitment from central banks to get inflation under control by increasing interest rates, we remain cautiously optimistic about our fixed income allocation. We expect the defensive characteristics of government bonds to re-assert themselves as inflationary pressures continue to fall. This offers protection against the potential for a further slowdown in growth. We continue to maintain a higher allocation to investment grade bonds which are the highest quality non-government bonds as determined by a credit rating agency. We also believe debt issued by emerging market governments, such as Brazil and India, can provide an opportunity for higher yields going forward.

A focus on resilience in equity markets

We expect that quality companies will be resilient going forward as they are less vulnerable to economic downturns and typically generate more consistent income. Examples include Unilever, the British multinational consumer packaged goods company, and Halma, the British global group of safety equipment companies that makes products for hazard detection and life protection. We also believe that an equal weight to value and growth orientated equity strategies, is prudent during the period before central banks begin to cut interest rates. Looking forward, equity markets will continue to assess what higher interest rates mean for consumer spending, corporate profitability and ultimately, share prices.

Risk diversifying characteristics remain beneficial

Our alternatives allocation invests in both risk diversifying and return enhancing strategies. Currently we are tilted towards risk diversifying strategies which include assets like hedge funds, insurance linked securities and specialised property. Risk diversifying assets tend not to move in the same direction as other assets. For example, if stocks go down, a risk diversifying asset might go up or stay the same. This is especially valuable during periods of market volatility when traditional asset classes (like equities and bonds) might all be declining at the same time. We continue to carefully assess opportunities to increase our allocation to return enhancing strategies. These are assets which have the potential to deliver returns that are higher than those of traditional assets in a portfolio and often carry a higher degree of risk.

Disciplined portfolio construction

During periods of volatility, diversification is a key defense in managing the frequency and magnitude by which your investments rise and fall. We continue to apply a disciplined approach to asset allocation, fund selection and risk management. We remain focused on protecting portfolios from economic challenges and taking advantage of opportunities as they arise. Each asset class is viewed as a stand-alone portfolio of best idea investments and the allocation to each fund is commensurate corresponds with their specific risk and reward profile.

Our allocation to higher yielding fixed income assets, quality equities and risk diversifying alternative assets is expected to benefit portfolios going forward.

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Schroder Active Model Portfolios

Q3 2023

Portfolio changes

Strategic asset allocation involves setting target allocations for different asset classes based on an investor's long-term goals and risk tolerance. We rebalance our portfolios by adjusting the weights of the assets to maintain a desired level of risk or return. The portfolios were rebalanced to the strategic asset allocation weights as per our review in April. We also adjusted fund allocations in line with our current market views.

Innovation in the alternatives asset class

We have launched a single fund that invests in other funds across a broad range of global alternative investments. This fund will replace the current funds held in the alternatives asset class. The result is a sale of: Neuberger Berman Uncorrelated Strategies, MontLake Crabel Gemini, Waverton Real Assets and Trojan Ethical funds.

The proceeds from these sales will be allocated to the Schroder Alternative Portfolio. The fund currently holds 11 investments across five key groups: Private Equity, Hedge Funds, Commodities, Real Assets and Specialised Property. The fund is managed by the Schroder Investment Solutions team and will continue to implement the existing philosophy and process of the alternatives asset class in the Schroder Active Model Portfolios.

Diversification is a key benefit

Diversification is a key benefit of including alternatives in a multi-asset portfolio from both a risk and return perspective. Each asset type in the alternatives allocation has its own unique set of characteristics and associated risks. Typically, this means that their returns do not move in-line with traditional asset classes such as equities and bonds. The track record of the alternatives allocation relative to equities and bonds has been in line with the objective of providing diversified and uncorrelated returns.

In addition, there is a cost reduction of approximately 0.29% by allocating to the single fund. The estimated representative cost, excluding transaction costs, of the Schroder Alternative Portfolio is 1.18%. The current representative cost, excluding transaction costs, of the existing holdings in the alternative asset class in the Schroder Active Model Portfolios is 1.47%.

Schroder Blended Portfolios
Q3 2023

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

[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

Q3 2023

Portfolio performance

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from the 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.

	Q3 2023	YTD	01/10/2022 - 30/09/2023	01/10/2021 - 30/09/2022	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	01/10/2015 - 30/09/2016	01/10/2014 - 30/09/2015	01/10/2013 - 30/09/2014	Since Common Inception (01/04/2020) - 30/09/2023
Schroder Blended Portfolio 3 F Acc	**-0.91**	**1.07**	**1.91**	**-7.75**	**7.03**	—	—	—	—	—	—	—	**2.87**
IA Mixed Investment 0-35% Shares	-0.33	0.35	2.67	-11.34	5.73	0.38	4.89	1.26	3.33	11.02	1.19	4.70	1.28
Schroder Blended Portfolio 4 F Acc	**-0.57**	**1.72**	**2.88**	**-7.44**	**11.09**	—	—	—	—	—	—	—	**5.01**
Schroder Blended Portfolio 5 F Acc	**-0.33**	**2.24**	**3.59**	**-7.40**	**13.89**	—	—	—	—	—	—	—	**6.37**
IA Mixed Investment 20-60% Shares	-0.11	1.11	4.24	-10.71	11.25	-1.23	4.13	2.64	6.19	12.48	0.52	5.35	4.21
Schroder Blended Portfolio 6 F Acc	**-0.10**	**2.98**	**4.63**	**-6.84**	**16.60**	—	—	—	—	—	—	—	**8.29**
Schroder Blended Portfolio 7 F Acc	**0.04**	**3.62**	**5.48**	**-5.82**	**20.71**	—	—	—	—	—	—	—	**10.82**
IA Mixed Investment 40-85% Shares	-0.21	2.21	5.27	-10.27	16.76	-0.05	4.33	5.43	9.25	15.91	0.60	5.78	7.08
Schroder Blended Portfolio 8 F Acc	**0.16**	**4.27**	**6.32**	**-7.08**	**23.45**	—	—	—	—	—	—	—	**11.82**
IA Flexible Investment	-0.20	1.96	4.76	-9.55	18.54	1.04	3.17	5.50	10.46	16.77	-0.59	5.74	7.92

Typically, the performance of the Blended Portfolios can be estimated using a combination of the return from the Active and Strategic Index Portfolios. The return over short periods can however appear out of sync due to a pricing delay. The underlying funds within the Blended Portfolios and the Blended Portfolio itself, price at 12pm. This means that the price of the Blended Portfolio today, reflects the price of the underlying funds from yesterday. This becomes particularly evident in short term return figures when there are sharp price movements at the end of the month or end of the quarter. As an example, a large move at the end of September will be reflected in the price of the Blended Portfolio on the 1st of October and forms part of the October performance, even though it is attributable to September. This phenomenon averages out over longer return periods. Since common inception refers to the earliest launch date that all the portfolios have in common. The common inception figures are annualised.

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 September 2023. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Blended Portfolios

Q3 2023

Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
JOHCM UK Dynamic Fund	3.70%	• Top contributor for a second consecutive quarter • Companies in the Utilities, Energy and Healthcare sectors drove performance After contributing to portfolio performance in the second quarter of 2023, the JO Hambro UK Dynamic Fund had positive returns for quarter three. This was driven by holdings in the Utilities, Energy and Healthcare sectors. The top contributing stock for the fund was Centrica, the British multinational energy and services company, this was followed by BP. Centrica continues to save cash with various strategic options for using this to enhance their growth. In Healthcare, the British multinational pharmaceutical and biotechnology company, GSK, contributed positively to returns. The manager, Alex Savvides, follows a pragmatic approach, looking for the best growth opportunities where he has a more positive view of the medium to long-term future revenues than the prevailing market opinion.
HSBC FTSE All Share Index Fund	2.67%	• UK Equity market performed well over the quarter • Companies in the Industrials and Energy sectors drove performance The UK Equity market had positive performance over the quarter which was largely driven by sectors that ebb and flow with the overall economy but are not as severely impacted. These include companies in the Industrials and Energy sectors. Shell PLC and BP PLC were top contributors due to a sharp recovery in the price of crude oil. Basic materials company, Glencore PLC, also contributed over the period.
HSBC America Index Fund	1.24%	• Top contributor for a second consecutive quarter • Performance came from companies in the energy and communication service sectors • US companies outside the 'Magnificent Seven' (tech stocks) are starting to perform well The HSBC America Index was a top contributor for a second consecutive quarter. Performance contributors were from companies in the energy and communication service sectors. The returns in these sectors were also higher due to a weakening of the pound relative to a strengthening of the dollar. Alphabet (Google) and NVIDIA continued to do well but the other large technology companies, such as Apple and Microsoft, were down over the quarter. This suggests that we are beginning to see more companies outside of the so-called "Magnificent Seven" perform well which potentially signals a more sustainable recovery in the US. The "Magnificent Seven" are Apple, Microsoft, Alphabet (Google), Amazon, Tesla, Meta (Facebook) and NVIDIA.

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Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
HSBC Global Government Bond Fund	-2.45%	• Bond prices declined over the quarter Concerns over a growing debt burden of the US treasury market in the third quarter of 2023, the US Federal Reserve raised interest rates in July by 0.25% but then kept them unchanged in September. Despite this, the market still anticipates that interest rates will remain higher for a longer period and this was the key driver for bond yields moving higher. This meant that bond prices were lower over the quarter. US Government Bonds also faced challenges over the quarter as the ratings agency, Fitch, downgraded the triple-A rated debt to double-A. This was due to the growing debt burden of the US treasury market. The Bank of England also raised interest rates in August but kept them steady in September on the back of signs than inflation is beginning to slow. This helped 10-year UK Gilts to remain relatively stable over the quarter.
MontLake Crabel Gemini Fund	-2.83%	• Forms part of our alternatives allocation • The equity portion of the fund detracted from performance The Montlake Crabel Gemini fund forms part of our alternatives allocation and is structured to offer unique sources of returns with over 50 differentiated strategies. It was a challenging period for the strategies in the equity portion of the fund and this detracted from performance over the quarter. Energy and fixed income strategies generated positive returns. Factors such as rising interest rates, an uncertain economic outlook and continued inflationary pressures made it difficult for positive performance to outweigh the negative.
Lazard Global Thematic Focus Fund	-2.68%	• After positive returns in the first half of the year, the fund underperformed this quarter • Exposure to thematic investment strategies including the transformative power of software and operating systems After contributing to portfolio performance for the first half of the year, the Lazard Global Thematic Fund detracted this quarter. The fund forms part of our Global Equity allocation which enables portfolios to gain exposure to thematic investment strategies that affect all investors on a global basis. The fund invests in companies across six themes including: smart capital expenditure, data & AI and energy transitions. Companies in the smart capital expenditure theme, such as Hexagon AB, Fanuc Corp and Cognex Corp were down over the period. This theme focuses on the transformative power of software and operating systems on physical assets, such as buildings, factories and infrastructure.

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Schroder Blended Portfolios

Q3 2023

Portfolio updates

Interest rates: higher for longer

For most of this year, equity market returns have been rising while government bond prices have been drifting lower. However, during September both equities and bonds fell together. This was an unwelcome reminder of 2022. Investors had been anticipating interest rate cuts late this year or early next. That now looks unlikely as inflation remains high and central banks have indicated that interest rates will need to remain high for some time to bring it back to target. The latest US data generally points to an economy that is slowing but still expanding. Figures from China and Europe paint a different picture.

Cautious optimism about fixed income

Given the commitment from central banks to get inflation under control by increasing interest rates, we remain cautiously optimistic about our fixed income allocation. We expect the defensive characteristics of government bonds to re-assert themselves as inflationary pressures continue to fall. This offers protection against the potential for a further slowdown in growth. We continue to maintain a higher allocation to investment grade bonds which are the highest quality non-government bonds as determined by a credit rating agency. We also believe debt issued by emerging market governments, such as Brazil and India, can provide an opportunity for higher yields going forward.

A focus on resilience in equity markets

We expect that quality companies will be resilient going forward as they are less vulnerable to economic downturns and typically generate more consistent income. Examples include Unilever, the British multinational consumer packaged goods company, and Halma, the British global group of safety equipment companies that makes products for hazard detection and life protection. We also believe that an equal weight to value and growth orientated equity strategies, is prudent during the period before central banks begin to cut interest rates. Looking forward, equity markets will continue to assess what higher interest rates mean for consumer spending, corporate profitability and ultimately, share prices.

Risk diversifying characteristics remain beneficial

Our alternatives allocation invests in both risk diversifying and return enhancing strategies. Currently we are tilted towards risk diversifying strategies which include assets like hedge funds, insurance linked securities and specialised property. Risk diversifying assets tend not to move in the same direction as other assets. For example, if stocks go down, a risk diversifying asset might go up or stay the same. This is especially valuable during periods of market volatility when traditional asset classes (like equities and bonds) might all be declining at the same time. We continue to carefully assess opportunities to increase our allocation to return enhancing strategies. These are assets which have the potential to deliver returns that are higher than those of traditional assets in a portfolio and often carry a higher degree of risk.

Disciplined portfolio construction

During periods of volatility, diversification is a key defense in managing the frequency and magnitude by which your investments rise and fall. We continue to apply a disciplined approach to asset allocation, fund selection and risk management. We remain focused on protecting portfolios from economic challenges and taking advantage of opportunities as they arise. Each asset class is viewed as a stand-alone portfolio of best idea investments and the allocation to each fund is commensurate corresponds with their specific risk and reward profile.

Our allocation to higher yielding fixed income assets, quality equities and risk diversifying alternative assets is expected to benefit portfolios going forward.

Schroder Blended Portfolios

Q3 2023

Portfolio changes

Strategic asset allocation involves setting target allocations for different asset classes based on an investor's long-term goals and risk tolerance. We rebalance our portfolios by adjusting the weights of the assets to maintain a desired level of risk or return. The portfolios were rebalanced to the strategic asset allocation weights as per our review in April. We also adjusted fund allocations in line with our current market views.

Innovation in the alternatives asset class

We have expanded our allocation to include a broader range of global alternative investments. The result is a sale of: Neuberger Berman Uncorrelated Strategies, MontLake Crabel Gemini and Trojan Ethical funds.

The proceeds from these sales will be allocated to 11 investments across five key groups: Private Equity, Hedge Funds, Commodities, Real Assets and Specialised Property. The allocation is managed by the Schroder Investment Solutions team and they will continue to implement the existing philosophy and process of the alternatives asset class in the Schroder Blended Portfolios.

Diversification is a key benefit

Diversification is a key benefit of including alternatives in a multi-asset portfolio from both a risk and return perspective. Each asset type in the alternatives allocation has its own unique set of characteristics and associated risks. Typically, this means that their returns do not move in-line with traditional asset classes such as equities and bonds. The track record of the alternatives allocation relative to equities and bonds has been in line with the objective of providing diversified and uncorrelated returns.

In addition, there is a cost reduction of approximately 0.29% by allocating to the new holdings. The estimated representative cost, excluding transaction costs, of the total allocation is 1.25%. The current representative cost, excluding transaction costs, of the existing holdings in the alternative asset class in the Schroder Blended Portfolios is 1.54%.

Schroder Global Multi-Asset Portfolios

Q3 2023

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 Global Multi-Asset Cautious Portfolio	30% to 45% of MSCI ACWI	0-35% shares average
Schroder Global Multi-Asset Moderately Cautious Portfolio	40% to 55% of MSCI ACWI	20-60% shares average
Schroder Global Multi-Asset Balanced Portfolio	50% to 65% of MSCI ACWI	20-60% shares average
Schroder Global Multi-Asset Growth Portfolio	65% to 80% of MSCI ACWI	40-85% shares average
Schroder Global Multi-Asset Adventurous Portfolio	75% to 90% of MSCI ACWI	40-85% shares average

[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.

The Global Multi-Asset Portfolios were previously called the Tactical Portfolios. The name change became effective on 2 May 2023.

Schroder Global Multi-Asset Portfolios

Q3 2023

Portfolio performance

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from the 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.

	Q3 2023	YTD	01/10/2022 - 30/09/2023	01/10/2021 - 30/09/2022	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	01/10/2015 - 30/09/2016	01/10/2014 - 30/09/2015	01/10/2013 - 30/09/2014	Since Common Inception (01/02/2017) - 30/09/2023
Schroder Global Multi-Asset Cautious Portfolio F Acc	**-1.38**	**1.24**	**2.84**	**-10.97**	**6.66**	**1.59**	**5.54**	**0.69**	—	—	—	—	**1.23**
IA Mixed Investment 0-35% Shares	-0.33	0.35	2.67	-11.34	5.73	0.38	4.89	1.26	3.33	11.02	1.19	4.70	0.87
Schroder Global Multi-Asset Moderately Cautious Portfolio F Acc	**-1.27**	**2.08**	**4.25**	**-10.44**	**10.60**	**-0.48**	**4.49**	**1.88**	—	—	—	—	**1.89**
Schroder Global Multi-Asset Balanced Portfolio F Acc	**-0.98**	**2.95**	**5.56**	**-10.02**	**13.50**	**-1.60**	**3.93**	**2.56**	—	—	—	—	**2.51**
IA Mixed Investment 20-60% Shares	-0.11	1.11	4.24	-10.71	11.25	-1.23	4.13	2.64	6.19	12.48	0.52	5.35	2.01
Schroder Global Multi-Asset Growth Portfolio F Acc	**-0.54**	**4.07**	**7.17**	**-9.05**	**16.23**	**-2.80**	**3.09**	**3.25**	—	—	—	—	**3.13**
Schroder Global Multi-Asset Adventurous Portfolio F Acc	**-0.11**	**5.17**	**8.62**	**-7.77**	**19.23**	**-3.81**	**2.29**	**2.85**	—	—	—	—	**3.65**
IA Mixed Investment 40-85% Shares	-0.21	2.21	5.27	-10.27	16.76	-0.05	4.33	5.43	9.25	15.91	0.60	5.78	3.81

Since common inception refers to the earliest launch date that all the portfolios have in common. The common inception figures are annualised.

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 September 2023. Portfolio returns may vary from individual investor returns due to timings and cash flows.

The Global Multi-Asset Portfolios were previously called the Tactical Portfolios. The name change became effective on 2 May 2023.

Schroder Global Multi-Asset Portfolios
Q3 2023

Positive contributors to portfolio performance

Asset class	Total return	Commentary
Japanese Equities	2.47%	Stronger fundamentals, namely greater financial stability, profitability and growth potential helped facilitate a rise in Japanese equities throughout Q3.
UK Equities	0.51%	The large UK-quoted diversified energy and basic materials groups outperformed, rebounding from weakness in Q2 and benefitting from sterling weakness against a strong dollar. Energy stocks also performed well following a sharp recovery in crude oil prices.
Commodities	9.58%	Energy was the best-performing sector after Russia and Saudi Arabia cut oil production which helped contribute to this rise in Q3.

Note: Japanese Equities = TOPIX Index Future, UK Equity =Schroder Prime UK Equity Fund, FTSE 100 Index Future. Commodities= iShares Diversified Commodity Swap. Returns are in base currency

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Negative contributors to portfolio performance

Asset class	Total return	Commentary
European ex UK Equities	-5.46%	Some of the steepest declines came in the consumer discretionary sector given concerns over the knock-on effects of higher interest rates on consumers' disposable income.
North American Equities	-7.66%	Investors entered the quarter optimistic that the Federal Reserve (Fed) had orchestrated a soft landing for the economy (a soft landing is where economic growth slows but a recession is avoided) and that the era of policy tightening rates would soon end. The enthusiasm waned over August and September, with the Fed signalling that a sustained period of higher rates is likely.
Emerging Market Equities	-5.31%	Concerns that strength in the US economy will keep interest rates higher for longer combined with ongoing weakness in the Chinese economy and concerns about the property sector had a negative impact on risk appetite.

Note: Europe ex UK Equities= Euro Stoxx 50 Index Future, North American Equities= S&P 500, Emerging Market Equities= MSCI Emerging Market Index. Returns are in base currency

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Schroder Global Multi-Asset Portfolios

Q3 2023

Portfolio updates

The Schroder Global Multi-Asset Portfolios fell in value in the third quarter (Q3) of 2023. Equity and bond markets both declined as hopes that the US would soon begin to cut interest rates faded. However, the portfolios' allocation to commodities and currency strategies rose in value, helping to offset some of the loses from equities and bonds.

We do not have a high level of conviction in how the next phase of the economic cycle will develop, so we have focused on balancing risk and have not held any significant positions away from the way assets are allocated within the Fund for the long term (the strategic asset allocation). However, under the surface we have continued to seek to take advantage of selective opportunities.

Within the portfolios' allocation to equities, we favoured US smaller companies versus larger US companies (represented by the Russell 2000 index and the S&P 500 index respectively) at the start of Q3. There were encouraging signs that a US recession had been avoided, at least in the medium term, and we believed this would give smaller US companies a chance to outperform larger companies. In order to diversify this position, we have built an allocation to US Financials stocks. Elsewhere, we favoured Japanese equities against German equities in September. Economic conditions in Japan have strengthened while there are signs of a deterioration in Germany.

Within the portfolios' allocation to fixed income, government bonds detracted from returns in Q3. We favoured US and German government bonds against UK government bonds in the portfolios. This was based on our view of continued high inflation in the UK relative to the US and Germany. However, a lower than expected UK inflation report in September worked against this position.

Positive performance from investment grade corporate bonds helped to offset some of the losses from government bonds. The portfolios' allocation to active corporate bond strategies contributed to returns, as did a tactical position in European investment grade corporate bonds.

The portfolios also held a position in emerging market debt (bonds issued by emerging economies such as China, Mexico, Brazil, India and Turkey in local currency) which ended the quarter flat. We believe that the relatively benign outlook for inflation in most emerging markets supports this position. However, we are mindful that the position is priced in local currency and we are less confident about how emerging market currencies will perform against the US dollar.

Within currencies, the portfolios favoured the US dollar over the Singapore dollar. The US dollar has benefitted from stronger domestic growth against a weaker global backdrop. Towards the end of the quarter we favoured the Canadian dollar over the Euro. The position aims to capture the divergence in growth between the two economies. Finally, commodities contributed positively to returns. We upgraded our outlook on commodities to positive in July as we expected supplies to tighten in the energy and agricultural sectors, which in turn would create upward pressure on prices.

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The Global Multi-Asset Portfolios were previously called the Tactical Portfolios. The name change became effective on 2 May 2023.

Schroder Global Multi-Asset Portfolios

Q3 2023

Outlook

As we move into the final quarter, we acknowledge our cyclical view shifted significantly mid-way through the year. Our baseline narrative of preparing for a slowdown and ultimately a recession, has been replaced by a soft-landing. In sharp contrast to 2022, global growth expectations are moving upwards, while inflation stabilises, after rising sharply last year. However, given the consensus move we believe there are several challenges to the continuation of the soft-landing narrative. Firstly, improvements are not universal across regions. Secondly, further falls in inflation will be harder to achieve as they require an easing of sticky service sector inflation. Thirdly, there are issues around how effective monetary policy is in the post pandemic world.

Having turned neutral on equities in June, we have been discussing whether we should alter this position. With recent market moves triggering a cheapening of equity valuations, we believe there is an opportunity for equities to move higher into year-end, supported by a stabilisation in rate volatility. Given the decent equity earnings, favourable seasonality (the tendency of financial markets to exhibit consistent patterns of demand and production over the calendar year) and stretched sentiment, we have now upgraded equities to positive. However, there is a divergence across regions; with Japan continuing to run hot and China still dealing with the consequences of over-investment in the real estate sector. Japan is a bright spot which continues to beat its own drum, with better fundamentals and a less restrictive monetary policy. In contrast, we maintain our negative stance on Europe following weak German economic data, coupled with a broader decline in the services and manufacturing sectors.

Moving to fixed income, we are neutral on government bonds, preferring the shorter end of the yield curve. The longer end remains unattractive given the ongoing level of inversion (where short-term bonds have higher yield than long-term bonds), and medium-term concerns over government debt levels and inflation.

In conclusion, our outlook for the world economy has improved, however next year is still forecast to be the weakest for more than a decade, excluding the pandemic year of 2020. That said, we think it is too early to position for a soft landing and we believe there is a window of opportunity for equities to move higher into year end.

The Global Multi-Asset Portfolios were previously called the Tactical Portfolios. The name change became effective on 2 May 2023.

Schroder Income Portfolio

Q3 2023

Investment objective

The Fund aims to provide an income of 3% to 5% per year and capital growth by investing in a diversified range of assets and markets worldwide with a target average annual volatility (a measure of how much the Fund's returns may vary over a year) over a rolling five year period of between 50% to 65% of that of global stock markets (represented by the MSCI All Country World index). This is not guaranteed and could change depending on market conditions.

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

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

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

Schroder Income Portfolio

Q3 2023

Performance

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	QTD	YTD	01/10/2022 - 30/09/2023	01/10/2021 - 30/09/2022	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	01/10/2015 - 30/09/2016	01/10/2014 - 30/09/2015	01/10/2013 - 30/09/2014	Since Inception (01/01/2011) - 30/09/2023
Schroder Income Portfolio	**-0.30**	**2.40**	**5.06**	**-6.83**	**22.42**	**-8.02**	**1.14**	**2.54**	**2.54**	**9.85**	**-0.75**	**4.60**	**4.13**
IA Mixed Investment 20-60% Shares	-0.11	1.11	4.24	-10.71	11.25	-1.23	4.13	2.64	6.19	12.48	0.52	5.35	3.64

Yield

The approximate current yield is 3.72%. This is an expression of the annual income (interest or dividends) divided by the current price of the fund. This measure is not an accurate reflection of the actual return that an investor will receive in all cases because bond and stock prices constantly change due to market factors. Please note the actual figure may be revised once the final interest and dividends payments have been declared by the underlying investments.

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 September 2023. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Income Portfolio

Q3 2023

Portfolio update

Interest rates: higher for longer

For most of this year, equity market returns have been rising while government bond prices have been drifting lower. However, during September both equities and bonds fell together. This was an unwelcome reminder of 2022. Investors had been anticipating interest rate cuts late this year or early next. That now looks unlikely as inflation remains high and central banks have indicated that interest rates will need to remain high for some time to bring it back to target. The latest US data generally points to an economy that is slowing but still expanding. Figures from China and Europe paint a different picture.

Cautious optimism about fixed income

Given the commitment from central banks to get inflation under control by increasing interest rates, we remain cautiously optimistic about our fixed income allocation. We expect the defensive characteristics of government bonds to re-assert themselves as inflationary pressures continue to fall. This offers protection against the potential for a further slowdown in growth. We continue to maintain a higher allocation to investment grade bonds which are the highest quality non-government bonds as determined by a credit rating agency. We also believe debt issued by emerging market governments, such as Brazil and India, can provide an opportunity for higher yields going forward.

A focus on resilience in equity markets

We expect that quality companies will be resilient going forward as they are less vulnerable to economic downturns and typically generate more consistent income. Examples include Unilever, the British multinational consumer packaged goods company, and Halma, the British global group of safety equipment companies that makes products for hazard detection and life protection. We also believe that an equal weight to value and growth orientated equity strategies, is prudent during the period before central banks begin to cut interest rates. Looking forward, equity markets will continue to assess what higher interest rates mean for consumer spending, corporate profitability and ultimately, share prices.

Risk diversifying characteristics remain beneficial

Our alternatives allocation invests in both risk diversifying and return enhancing strategies. Currently we are tilted towards risk diversifying strategies which include assets like hedge funds, insurance linked securities and specialised property. Risk diversifying assets tend not to move in the same direction as other assets. For example, if stocks go down, a risk diversifying asset might go up or stay the same. This is especially valuable during periods of market volatility when traditional asset classes (like equities and bonds) might all be declining at the same time. We continue to carefully assess opportunities to increase our allocation to return enhancing strategies. These are assets which have the potential to deliver returns that are higher than those of traditional assets in a portfolio and often carry a higher degree of risk.

Disciplined portfolio construction

During periods of volatility, diversification is a key defense in managing the frequency and magnitude by which your investments rise and fall. We continue to apply a disciplined approach to asset allocation, fund selection and risk management. We remain focused on protecting portfolios from economic challenges and taking advantage of opportunities as they arise. Each asset class is viewed as a stand-alone portfolio of best idea investments and the allocation to each fund is commensurate corresponds with their specific risk and reward profile.

Our allocation to higher yielding fixed income assets, quality equities and risk diversifying alternative assets is expected to benefit portfolios going forward.

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Schroder Income Portfolio

Q3 2023

Portfolio changes

Strategic asset allocation involves setting target allocations for different asset classes based on an investor's long-term goals and risk tolerance. We rebalance our portfolios by adjusting the weights of the assets to maintain a desired level of risk or return. The portfolios were rebalanced to the strategic asset allocation weights as per our review in April. We also adjusted fund allocations in line with our current market views.

Innovation in the alternatives asset class

We have expanded our allocation to include a broader range of global alternative investments. The result is a sale of: Neuberger Berman Uncorrelated Strategies, MontLake Crabel Gemini and Vontobel TwentyFour Absolute Return Credit funds.

The proceeds from these sales will be allocated to 11 investments across five key groups: Private Equity, Hedge Funds, Commodities, Real Assets and Specialised Property. The allocation is managed by the Schroder Investment Solutions team and they will continue to implement the existing philosophy and process of the alternatives asset class in the Schroder Blended Portfolios.

Diversification is a key benefit

Diversification is a key benefit of including alternatives in a multi-asset portfolio from both a risk and return perspective. Each asset type in the alternatives allocation has its own unique set of characteristics and associated risks. Typically, this means that their returns do not move in-line with traditional asset classes such as equities and bonds. The track record of the alternatives allocation relative to equities and bonds has been in line with the objective of providing diversified and uncorrelated returns.

In addition, there is a cost reduction of approximately 0.05% by allocating to the new holdings. The estimated representative cost, excluding transaction costs, of the total allocation is 1.20%. The current representative cost, excluding transaction costs, of the existing holdings in the alternative asset class in the Schroder Income Portfolio is 1.25%.

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Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
EdenTree Responsible & Sustainable Short Dated Bond Fund	2.76%	• Positive contributor to this quarter due to allocation to high quality credit bonds After detracting from performance last quarter, the EdenTree Responsible & Sustainable Short Dated Bond Fund contributed positively over the period. This was due to the fund's allocation to higher quality credit bonds. As a reminder, investment grade bonds are the highest quality non-government bonds as determined by a credit rating agency; high yield bonds are more risky, with a credit rating below investment grade. The credit quality is important in the face of recessionary risks as it influences the ability of a company to meet its debt obligations. The fund also has a lower duration relative to the benchmark. Duration is a measure of the sensitivity of a bond’s price to a change in interest rates. The shorter the duration, the less sensitive the bond price is to a change in interest rates.
City of London Investment Trust	2.15%	• UK Equities led performance over the quarter • City of London Investment Trust was the stand-out fund • The Fund also provides an income stream UK Equity was a top contributing asset class over the quarter, led by the City of London Investment Trust, managed by Job Curtis from Janus Henderson. The fund invests in companies which are UK based but with sales and profits that are not linked solely to the UK economy or the value of the pound. They are often global businesses and can benefit from growth in other markets. Companies in the basic materials, industrial and energy sectors were up over the period including top holdings such as HSBC, BAE Systems and British American Tobacco. Overall, the fund continues to provide an income to investors and as at 30 September 2023 has a 12-month trailing yield of 5.24%. This is the yield an investor would have received if they had held the fund over the last twelve months.
Vontobel TwentyFour Absolute Return Credit Fund	2.18%	• Forms part of our alternatives allocation Performance driven primarily due to its allocation to high quality bonds The Vontobel TwentyFour Absolute Return Credit Fund forms part of our alternatives allocation and aims to achieve a positive absolute return over a period of three years, by keeping a modest level of volatility. The fund contributed to performance over the quarter primarily due to its allocation to high quality bonds with an investment-grade credit rating. The manager also believes that it is prudent to keep a lower level of risk exposure in the financial sector due to stricter lending standards in the face of higher interest rates. This positioning is expected to lower the fund’s sensitivity to overall market movements making it less volatile.

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Schroder Income Portfolio

Q3 2023

Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
HSBC Global Government Bond Fund	-2.48%	• Bond prices declined over the quarter Concerns over a growing debt burden of the US treasury market in the third quarter of 2023, the US Federal Reserve raised interest rates in July by 0.25% but then kept them unchanged in September. Despite this, the market still anticipates that interest rates will remain higher for a longer period and this was the key driver for bond yields moving higher. This meant that bond prices were lower over the quarter. US Government Bonds also faced challenges over the quarter as the ratings agency, Fitch, downgraded the triple-A rated debt to double-A. This was due to the growing debt burden of the US treasury market. The Bank of England also raised interest rates in August but kept them steady in September on the back of signs than inflation is beginning to slow. This helped 10-year UK Gilts to remain relatively stable over the quarter.
Lazard Global Thematic Focus Fund	-2.68%	• After positive returns in the first half of the year, the fund underperformed this quarter • Exposure to thematic investment strategies including the transformative power of software and operating systems After contributing to portfolio performance for the first half of the year, the Lazard Global Thematic Fund detracted this quarter. The fund forms part of our Global Equity allocation which enables portfolios to gain exposure to thematic investment strategies that affect all investors on a global basis. The fund invests in companies across six themes including: smart capital expenditure, data & AI and energy transitions. Companies in the smart capital expenditure theme, such as Hexagon AB, Fanuc Corp and Cognex Corp were down over the period. This theme focuses on the transformative power of software and operating systems on physical assets, such as buildings, factories and infrastructure.
BlackRock Continental Europe Fund	-3.31%	• European equities impacted by rising interest rates • Companies in the Industrial, Consumer Defensive and Technology sectors underperformed The Fund continues to provide income to investors European equities struggled over the quarter as rising interest rates continued to impact economic growth. For the BlackRock Continental Europe Fund the largest detractors were from companies in the Industrial, Consumer Defensive and Technology sectors. At a country level, companies based in Germany, Switzerland and France had negative returns while Italy and Finland were positive. Overall, the fund continues to provide an income to investors and as at 30 September 2023 has a 12-month trailing yield of 4.26%. This is the yield an investor would have received if they had held the fund over the last twelve months.

Schroder Managed Defensive Fund

Q3 2023

Investment objective

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

Schroder Managed Defensive Fund

Q3 2023

Portfolio performance

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from the 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.

	Q3 2023	YTD	01/10/2022 - 30/09/2023	01/10/2021 - 30/09/2022	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	01/10/2015 - 30/09/2016	01/10/2014 - 30/09/2015	01/10/2013 - 30/09/2014	Since Common Inception (01/06/2018) - 30/09/2023
Schroder Managed Defensive F Acc	**-0.15**	**1.18**	**2.23**	**-7.49**	**5.68**	**-0.34**	**5.09**	—	—	—	—	—	**0.84**
UK Cash + 2%	1.41	3.68	4.28	1.96	2.08	2.83	3.05	2.70	2.48	2.74	2.68	2.61	2.84

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 September 2023. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Managed Defensive Fund

Q3 2023

Positive contributors to portfolio performance

Asset class	Total return	Commentary
Japanese Equities	2.58%	Stronger fundamentals, namely greater financial stability, profitability and growth potential helped facilitate a rise in Japanese equities throughout Q3.
UK Equities	0.94%	The large UK-quoted diversified energy and basic materials sectors outperformed, rebounding from weakness in Q2 and benefitting from sterling weakness against a strong dollar. Energy stocks also performed well following a sharp recovery in crude oil prices.

Note: Japanese Equities = TOPIX Index Future. UK Equities = FTSE 100 Index Future. Commodities = Bloomberg Commodity Index Total Return. Returns are in base currency

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Schroder Managed Defensive Fund

Q3 2023

Negative contributors to portfolio performance

Asset class	Total return	Commentary
European ex-UK Equities	-5.75%	Some of the steepest declines came in the consumer discretionary sector given concerns over the knock-on effects of higher interest rates on consumers' disposable income.
North American Equities	-4.48%	Investors entered the quarter optimistic that the Federal Reserve (Fed) had orchestrated a soft landing for the economy (a soft landing is where economic growth slows but a recession is avoided) and that the era of policy tightening rates would soon end. The enthusiasm waned over August and September, with the Fed signalling that a sustained period of higher rates is likely.
Emerging Market Equities	-5.50%	Concerns that strength in the US economy will keep interest rates higher for longer combined with ongoing weakness in the Chinese economy and concerns about the property sector had a negative impact on risk appetite.

Note: Europe ex UK Equities = Euro Stoxx 50 Index Future, North American Equities = S&P 500, Emerging Market Equities = MSCI Emerging Market Index. Returns are in base currency

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Schroder Managed Defensive Fund

Q3 2023

Portfolio updates

The Schroder Managed Defensive Fund fell in value in the third quarter (Q3) of 2023. Most equity and bond markets declined as hopes that the US would soon begin to cut interest rates faded. The Fund's allocation to commodities rose in value, helping to offset some of the losses from equities and bonds.

The Fund is designed to provide investors with some protection from large market falls. It aims to achieve this through a strategy that moves a proportion of assets held in higher risk assets (such as equities, bonds and alternatives) into cash when day-to-day market movements are higher than normal and reversing this when they return to normal levels. This strategy was used throughout Q3, helping to reduce losses as equity and bond markets fell together.

We do not have a high level of conviction in how the next phase of the economic cycle will develop. So we have focused on balancing risk and have not held any significant positions away from the way assets are allocated within the Fund for the long term (the strategic asset allocation). However, under the surface we have continued to seek to take advantage of selective opportunities.

Within the Fund's allocation to equities, our favoured region was the US, particularly larger US companies. There were encouraging signs that a US recession had been avoided, at least in the medium term, and we believed this would give US companies a chance to outperform other regions. Elsewhere, we increased the position in Japanese equities, as economic conditions in Japan have improved. Japanese equities contributed to returns in Q3. We reduced the Fund's allocation to European equities as there are signs of a deterioration in the German economy.

Within the Fund's allocation to fixed income, government bonds detracted from returns in Q3. We increased the Fund's exposure to shorter-dated US Treasuries. This was based on our view that the US Federal Reserve is going to keep interest rates on hold for the next few months and that the risks are well priced. Longer-dated Treasury bonds are less attractive given medium-term concerns over government debt levels and inflation. We also increased the Fund's allocation to German government bonds which held up better than other developed markets over Q3. There was little change to the Fund's exposure to other developed market government debt including the UK, Canada and Australia, over Q3.

We upgraded our outlook on commodities to positive in July and this asset class recorded positive returns in Q3. We expected that supplies in the energy and agricultural sectors would tighten, which in turn would create upward pressure on prices.

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Schroder Managed Defensive Fund

Q3 2023

Portfolio changes

As we move into the final quarter, we acknowledge our cyclical view shifted significantly mid-way through the year. Our baseline narrative of preparing for a slowdown and ultimately a recession, has been replaced by a soft-landing. In sharp contrast to 2022, global growth expectations are moving upwards, while inflation stabilises, after rising sharply last year. However, given the consensus move we believe there are several challenges to the continuation of the soft-landing narrative. Firstly, improvements are not universal across regions. Secondly, further falls in inflation will be harder to achieve as they require an easing of sticky service sector inflation. Thirdly, there are issues around how effective monetary policy is in the post pandemic world.

Having turned neutral on equities in June, we have been discussing whether we should alter this position. With recent market moves triggering a cheapening of equity valuations, we believe there is an opportunity for equities to move higher into year-end, supported by a stabilisation in rate volatility. Given the decent equity earnings, favourable seasonality (the tendency of financial markets to exhibit consistent patterns of demand and production over the calendar year) and stretched sentiment, we have now upgraded equities to positive. However, there is a divergence across regions; with Japan continuing to run hot and China still dealing with the consequences of over-investment in the real estate sector. Japan is a bright spot which continues to beat its own drum, with better fundamentals and a less restrictive monetary policy. In contrast, we maintain our negative stance on Europe following weak German economic data, coupled with a broader decline in the services and manufacturing sectors.

Moving to fixed income, we are neutral on government bonds, preferring the shorter end of the yield curve. The longer end remains unattractive given the ongoing level of inversion (where short-term bonds have higher yield than long-term bonds), and medium-term concerns over government debt levels and inflation.

In conclusion, our outlook for the world economy has improved, however next year is still forecast to be the weakest for more than a decade, excluding the pandemic year of 2020. That said, we think it is too early to position for a soft landing and we believe there is a window of opportunity for equities to move higher into year end.

Schroder Strategic Index Model Portfolios

Q3 2023

Portfolio performance

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	Q3 2023	YTD	01/10/2022 - 30/09/2023	01/10/2021 - 30/09/2022	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	01/10/2015 - 30/09/2016	01/10/2014 - 30/09/2015	01/10/2013 - 30/09/2014	Since Common Inception (01/02/2011) - 30/09/2023
Schroder Strategic Index Portfolio 2	**-0.67**	**1.92**	**2.84**	**-9.11**	**3.16**	**0.79**	**5.86**	**1.57**	**0.20**	**13.33**	**3.40**	**4.03**	**2.98**
UK CPI (lagged)*	0.52	3.04	0.85	-6.95	4.36	0.89	5.43	0.27	2.01	13.15	2.64	4.95	3.13
Schroder Strategic Index Portfolio 3	**-1.13**	**1.99**	**3.36**	**-11.77**	**6.43**	**1.28**	**6.89**	**3.73**	**1.87**	**19.74**	**4.88**	**6.54**	**4.69**
IA Mixed Investment 0-35% Shares	-0.33	0.35	2.67	-11.34	5.73	0.38	4.89	1.26	3.33	11.02	1.19	4.70	5.92
Schroder Strategic Index Portfolio 4	**-0.69**	**2.96**	**4.92**	**-11.17**	**9.87**	**1.04**	**5.87**	**5.23**	**4.28**	**20.38**	**4.27**	**7.68**	**5.61**
Schroder Strategic Index Portfolio 5	**-0.36**	**3.57**	**5.92**	**-10.65**	**12.50**	**0.49**	**6.51**	**5.78**	**7.55**	**22.34**	**2.02**	**7.88**	**6.08**
IA Mixed Investment 20-60% Shares	-0.11	1.11	4.24	-10.71	11.25	-1.23	4.13	2.64	6.19	12.48	0.52	5.35	5.61
Schroder Strategic Index Portfolio 6	**0.06**	**4.48**	**7.28**	**-9.61**	**15.46**	**0.63**	**5.73**	**5.96**	**9.62**	**24.31**	**-0.40**	**7.54**	**6.43**
Schroder Strategic Index Portfolio 7	**0.44**	**5.29**	**8.47**	**-8.47**	**18.89**	**0.26**	**4.79**	**6.30**	**11.72**	**26.96**	**-2.89**	**8.08**	**6.92**
IA Mixed Investment 40-85% Shares	-0.21	2.21	5.27	-10.27	16.76	-0.05	4.33	5.43	9.25	15.91	0.60	5.78	6.28
Schroder Strategic Index Portfolio 8	**0.82**	**6.01**	**9.39**	**-7.33**	**21.39**	**-0.34**	**5.25**	**6.00**	**12.84**	**30.23**	**-6.23**	**6.25**	**6.52**
Schroder Strategic Index Portfolio 9	**1.13**	**6.22**	**9.89**	**-8.28**	**21.07**	**0.54**	**5.00**	**5.40**	**14.86**	**32.19**	**-8.66**	**6.38**	**5.99**
Schroder Strategic Index Portfolio 10	**1.09**	**4.40**	**7.36**	**-9.16**	**18.78**	**1.77**	**5.55**	**4.20**	**15.11**	**36.47**	**-11.33**	**6.12**	**5.14**
IA Flexible Investment	-0.20	1.96	4.76	-9.55	18.54	1.04	3.17	5.50	10.46	16.77	-0.59	5.74	6.40

Since common inception refers to the earliest launch date that all the portfolios have in common. The common inception figures are annualised.

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 September 2023. Portfolio returns may vary from individual investor returns due to timings and cash flows. CPI data is one month lagged (as at 31 August 2023).

Schroder Strategic Index Model Portfolios

Q3 2023

Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
HSBC FTSE All Share Index Fund	2.67%	• UK Equity market performed well over the quarter • Companies in the Industrials and Energy sectors drove performance The UK Equity market had positive performance over the quarter which was largely driven by sectors that ebb and flow with the overall economy but are not as severely impacted. These include companies in the Industrials and Energy sectors. Shell PLC and BP PLC were top contributors due to a sharp recovery in the price of crude oil. Basic materials company, Glencore PLC, also contributed over the period.
Fidelity Index World Fund	1.02%	• US Equities led performance for this fund • Japanese equities also outperformed • Energy, financial services and the communication service sectors also performed well The US has continued to lead the performance of global equity markets and this contributed positively to the returns of the Fidelity Index World Fund. US Equities make up two thirds of the overall index and achieved a return of 0.94%. Japanese equities were also positive over the quarter, demonstrating resilience in the face of rising interest rates and bond yields. Although they only represent 6% of the overall index, growth over the quarter was 2.59%. At a global sector level, companies in the energy, financial service and communication service sectors performed well.
HSBC America Index Fund	1.24%	• Top contributor for a second consecutive quarter • Performance came from companies in the energy and communication service sectors • US companies outside the 'Magnificent Seven' (tech stocks) are starting to perform well The HSBC America Index was a top contributor for a second consecutive quarter. Performance contributors were from companies in the energy and communication service sectors. The returns in these sectors were also higher due to a weakening of the pound relative to a strengthening of the dollar. Alphabet (Google) and NVIDIA continued to do well but the other large technology companies, such as Apple and Microsoft, were down over the quarter. This suggests that we are beginning to see more companies outside of the so-called "Magnificent Seven" perform well which potentially signals a more sustainable recovery in the US. The "Magnificent Seven" are Apple, Microsoft, Alphabet (Google), Amazon, Tesla, Meta (Facebook) and NVIDIA.

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Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
Vanguard Global Corporate Bond Index Fund	-1.83%	• Global corporate bonds were negative over the quarter Global corporate bonds provided a slightly higher return relative to government bonds but were still negative over the quarter. The Vanguard Global Corporate Bond Index includes global corporate bonds issued by companies with maturities greater than one year. It is a multi-currency index that includes bonds from developed and emerging markets issuers within the Industrial, Utility and Financial sectors. Importantly, the credit quality of the fund is investment grade and this signals that the underlying bonds have a relatively low risk of default.
HSBC Global Government Bond Fund	-2.48%	• Bond prices declined over the quarter Concerns over a growing debt burden of the US treasury market in the third quarter of 2023, the US Federal Reserve raised interest rates in July by 0.25% but then kept them unchanged in September. Despite this, the market still anticipates that interest rates will remain higher for a longer period and this was the key driver for bond yields moving higher. This meant that bond prices were lower over the quarter. US Government Bonds also faced challenges over the quarter as the ratings agency, Fitch, downgraded the triple-A rated debt to double-A. This was due to the growing debt burden of the US treasury market. The Bank of England also raised interest rates in August but kept them steady in September on the back of signs than inflation is beginning to slow. This helped 10-year UK Gilts to remain relatively stable over the quarter.
Fidelity Index Europe ex UK Fund	-1.58%	• European manufacturing and service sector companies impacted returns • ASML Holding, a Dutch company producing computer chips, was the largest detractor to performance General weakness in the European economy, particularly in the manufacturing and service sectors, has impacted returns for European Equities. For the Fidelity Index Europe ex UK Fund, companies based in the Netherlands, France and Germany were the largest detractors of performance. At a sector level, consumer cyclical, technology and industrial companies were down over the quarter. Although the Netherlands is home to some leading chip equipment makers, ASML Holding was the largest overall detractor for the index. The company is a Dutch multinational corporation specialising in the development and manufacturing of photolithography machines which are used to produce computer chips. Going forwards these types of companies are expected to benefit from the growth potential of artificial intelligence (AI).

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Schroder Strategic Index Model Portfolios

Q3 2023

Portfolio updates

Interest rates: higher for longer

For most of this year, equity market returns have been rising while government bond prices have been drifting lower. However, during September both equities and bonds fell together. This was an unwelcome reminder of 2022. Investors had been anticipating interest rate cuts late this year or early next. That now looks unlikely as inflation remains high and central banks have indicated that interest rates will need to remain high for some time to bring it back to target. The latest US data generally points to an economy that is slowing but still expanding. Figures from China and Europe paint a different picture.

Cautious optimism about fixed income

We expect the defensive characteristics of government bonds to re-assert themselves as inflationary pressures continue to fall. This offers protection against the potential for a further slowdown in growth.

A focus on resilience in equity markets

We expect that quality companies will be resilient going forward as they are less vulnerable to economic downturns and typically generate more consistent income. Examples include Unilever, the British multinational consumer packaged goods company, and Halma, the British global group of safety equipment companies that makes products for hazard detection and life protection. Looking forward, equity markets will continue to assess what higher interest rates mean for consumer spending, corporate profitability and ultimately, share prices.

A focus on long term strategic asset allocation

When constructing the Strategic Index Portfolios, we do not express short-term views about the direction of markets. The portfolios maintain a robust asset allocation framework with an appropriate balance between asset classes, sectors and regions.

Schroder Strategic Index Model Portfolios

Q3 2023

Portfolio changes

Strategic asset allocation involves setting target allocations for different asset classes based on an investor's long-term goals and risk tolerance. We rebalance our portfolios by adjusting the weights of the assets to maintain a desired level of risk or return. The portfolios were rebalanced to the strategic asset allocation weights as per our review in April.

There were no fund additions or sales over the quarter.

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. For illustrative purposes only and should not be viewed as a recommendation to buy or sell. Source: Schroder Investment Solutions Quarterly IC Meeting – September 2023.

Schroder Sustainable Model Portfolios
Q3 2023

Portfolio performance

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	Q3 2023	YTD	01/10/2022 - 30/09/2023	01/10/2021 - 30/09/2022	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	01/10/2015 - 30/09/2016	01/10/2014 - 30/09/2015	01/10/2013 - 30/09/2014	Since Common Inception (01/11/2020) - 30/09/2023
Schroder Sustainable Portfolio 3	**-0.76**	**0.74**	**2.78**	**-10.19**	**6.47**	**4.51**	**6.93**	**3.20**	**5.24**	**12.74**	**4.01**	**5.64**	**-0.37**
IA Mixed Investment 0-35% Shares	-0.33	0.35	2.67	-11.34	5.73	0.38	4.89	1.26	3.33	11.02	1.19	4.70	5.92
Schroder Sustainable Portfolio 4	**-1.08**	**0.89**	**3.65**	**-11.37**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.67**
Schroder Sustainable Portfolio 5	-1.17	1.12	4.39	-12.12	12.63	6.07	6.50	7.05	9.89	15.61	2.85	6.74	1.49
IA Mixed Investment 20-60% Shares	-0.11	1.11	4.24	-10.71	11.25	-1.23	4.13	2.64	6.19	12.48	0.52	5.35	5.61
Schroder Sustainable Portfolio 6	**-1.53**	**1.36**	**5.26**	**-12.79**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2.26**
Schroder Sustainable Portfolio 7	-1.87	1.58	6.05	-13.35	17.95	8.16	6.20	9.85	13.02	20.83	1.82	6.52	3.26
IA Mixed Investment 40-85% Shares	-0.21	2.21	5.27	-10.27	16.76	-0.05	4.33	5.43	9.25	15.91	0.60	5.78	6.28
Schroder Sustainable Portfolio 8	**-2.21**	**1.85**	**6.79**	**-13.99**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3.91**
IA Flexible Investment	-0.20	1.96	4.76	-9.55	18.54	1.04	3.17	5.50	10.46	16.77	-0.59	5.74	6.40

Since common inception refers to the earliest launch date that all the portfolios have in common. The common inception figures are annualised.

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 September 2023. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Sustainable Model Portfolios
Q3 2023

Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
EdenTree Responsible & Sustainable Short Dated Bond Fund	2.76%	• Positive contributor to this quarter due to allocation to high quality credit bonds After detracting from performance last quarter, the EdenTree Responsible & Sustainable Short Dated Bond Fund contributed positively over the period. This was due to the fund's allocation to higher quality credit bonds. As a reminder, investment grade bonds are the highest quality non-government bonds as determined by a credit rating agency; high yield bonds are more risky, with a credit rating below investment grade. The credit quality is important in the face of recessionary risks as it influences the ability of a company to meet its debt obligations. The fund also has a lower duration relative to the benchmark. Duration is a measure of the sensitivity of a bond's price to a change in interest rates. The shorter the duration, the less sensitive the bond price is to a change in interest rates.
Schroder Global Sustainable Value Fund	3.45%	• Top contributor for a second consecutive quarter • Companies in the Financial Services, Technology and Industrial sectors drove performance • Fund Manager believes that Verizon, a leader is the US mobile market, has positive long-term growth prospects The Schroder Global Sustainable Value Fund contributed to portfolio performance for the second consecutive quarter. Over the quarter, positive performance was generated in the Financial Services, technology and industrial sectors. At a country level, the UK, US and Belgium were top contributors for the fund. The fund continues to have a strict valuation discipline and focuses on the cheapest 20% of the market. In this part of the market, the manager is positive about the long-term prospects for defensive companies such as Verizon. Verizon is a leader in the US mobile market and has recently increased their 5G and network capabilities which is expected to support their growth over the next five years. This can result in the company having more income to continue investing in growth opportunities, pay down debt, or distribute dividends to shareholders.
Neuberger Berman Uncorrelated Strategies Fund	1.88%	• The Fund performed positively this quarter compared to last quarter • Forms part of our alternatives allocation After detracting from portfolio performance last quarter, the Neuberger Berman Uncorrelated Strategies Fund contributed this quarter. The fund forms part of our alternatives allocation and aims to generate returns in difficult markets for traditional asset classes such as equities and bonds. A top contributor was their short-term trading strategy which buys and sells investments usually within a few days or weeks to profit from small price changes in the market. Volatility in the fixed income market also provided an opportunity to generate positive returns.

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Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
Ninety One Global Environment Fund	-10.35%	• Underperformance in the clean energy sector • NextEra, world's largest wind and solar energy generator, saw negative performance The Ninety One Global Environment Fund was a detractor of performance over the quarter after underperformance in the clean energy sector. The fund targets companies with structural growth opportunities in the move to decarbonisation. The result is that holdings are predominantly in the utilities, industrial and basic material sectors which are expected to benefit over the long term. NextEra, headquartered in Florida and the world's largest generator of electricity from wind and solar, was down over the quarter. This was against a difficult backdrop for utilities as high interest rates persist, as well as the challenges of being a climate forward company in Florida. The manager believes that NextEra remains a market leader in renewable energy which offers scale and first mover advantages.
Lazard Global Thematic Focus Fund	-2.34%	• After positive returns in the first half of the year, the fund underperformed this quarter • Exposure to thematic investment strategies including the transformative power of software and operating systems After contributing to portfolio performance for the first half of the year, the Lazard Global Thematic Fund detracted this quarter. The fund forms part of our Global Equity allocation which enables portfolios to gain exposure to thematic investment strategies that affect all investors on a global basis. The fund invests in companies across six themes including: smart capital expenditure, data & AI and energy transitions. Companies in the smart capital expenditure theme, such as Hexagon AB, Fanuc Corp and Cognex Corp were down over the period. This theme focuses on the transformative power of software and operating systems on physical assets, such as buildings, factories and infrastructure.
Montanaro Better World Fund	-7.84%	• Invests globally in small and medium sized companies that focus on having a positive impact on the world • SolarEdge Technologies detracted from performance due to weak demand The Montanaro Better World Fund invests globally in small and medium sized companies that focus on having a positive impact on the world . Investments are made across six themes: environmental protection; green economy; healthcare; innovative technology; nutrition; wellbeing. Companies in the environmental protection and green economy themes have been particularly hit over the last quarter due to concerns about competition in areas like solar and wind. SolarEdge Technologies, which seeks to improve the way solar energy is produced, consumed, and managed across a wide range of applications and industries, detracted over the period. This was due to guidance from SolarEdge that they were expecting lower revenue on the back of weak demand. The manager believes that these issues are temporary and don't have concerns around the investment case for the company.

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Schroder Sustainable Model Portfolios

Q3 2023

Portfolio updates

Interest rates: higher for longer

For most of this year, equity market returns have been rising while government bond prices have been drifting lower. However, during September both equities and bonds fell together. This was an unwelcome reminder of 2022. Investors had been anticipating interest rate cuts late this year or early next. That now looks unlikely as inflation remains high and central banks have indicated that interest rates will need to remain high for some time to bring it back to target. The latest US data generally points to an economy that is slowing but still expanding. Figures from China and Europe paint a different picture.

Cautious optimism about fixed income

Given the commitment from central banks to get inflation under control by increasing interest rates, we remain cautiously optimistic about our fixed income allocation. We expect the defensive characteristics of government bonds to re-assert themselves as inflationary pressures continue to fall. This offers protection against the potential for a further slowdown in growth. We continue to maintain a higher allocation to investment grade bonds which are the highest quality non-government bonds as determined by a credit rating agency. We also believe debt issued by emerging market governments, such as Brazil and India, can provide an opportunity for higher yields going forward.

A focus on resilience in equity markets

We expect that quality companies will be resilient going forward as they are less vulnerable to economic downturns and typically generate more consistent income. Examples include Unilever, the British multinational consumer packaged goods company. We also believe that an equal weight to value and growth orientated equity strategies, is prudent during the period before central banks begin to cut interest rates. Looking forward, equity markets will continue to assess what higher interest rates mean for consumer spending, corporate profitability and ultimately, share prices.

Risk diversifying characteristics remain beneficial

Our alternatives allocation invests in both risk diversifying and return enhancing strategies. Currently we are tilted towards risk diversifying strategies which include assets like hedge funds, insurance linked securities and specialised property. Risk diversifying assets tend not to move in the same direction as other assets. For example, if stocks go down, a risk diversifying asset might go up or stay the same. This is especially valuable during periods of market volatility when traditional asset classes (like equities and bonds) might all be declining at the same time. We continue to carefully assess opportunities to increase our allocation to return enhancing strategies. These are assets which have the potential to deliver returns that are higher than those of traditional assets in a portfolio and often carry a higher degree of risk.

Disciplined portfolio construction

During periods of volatility, diversification is a key defense in managing the frequency and magnitude by which your investments rise and fall. We continue to apply a disciplined approach to asset allocation, fund selection and risk management. We remain focused on protecting portfolios from economic challenges and taking advantage of opportunities as they arise. Each asset class is viewed as a stand-alone portfolio of best idea investments and the allocation to each fund is commensurate corresponds with their specific risk and reward profile.

Our allocation to higher yielding fixed income assets, quality equities and risk diversifying alternative assets is expected to benefit portfolios going forward.

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Schroder Sustainable Model Portfolios

Q3 2023

Portfolio changes

Strategic asset allocation involves setting target allocations for different asset classes based on an investor's long-term goals and risk tolerance. We rebalance our portfolios by adjusting the weights of the assets to maintain a desired level of risk or return. The portfolios were rebalanced to the strategic asset allocation weights as per our review in April. We also adjusted fund allocations in line with our current market views.

There were no fund additions or sales over the quarter.

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Glossary

Absolute return
A type of investment strategy that aims to make a positive return on investment regardless of how well the overall market is performing. This means that even if the market is going down, an absolute return strategy will still try and make money.

Active fund/actively managed
A portfolio of investments that is selected by a professional investment manager and managed on an ongoing basis with the aim of achieving an outperformance objective.

Alpha
A measure of investment performance above the market. For example, an equity fund delivers returns of 9%. If the broader equity market has delivered 4%, the fund has delivered 5% of alpha.

Alternatives
A collective term for asset classes other than equities, bonds and cash. Alternatives include real estate, private equity, hedge funds and commodities.

Annualised return
The amount of money an investment makes on average each year (expressed as a percentage). For example, over three years a fund delivers returns of 4%, 6% and 3% - its annualised return is 4.3%.

Assets
Any financial instrument that has value and can be used to generate income or grow in value. This can include equities, bonds, property and commodities. The goal of investing in assets is to generate a return on investment, either through capital growth, income, or both.

Asset allocation
The target investment split between different asset classes in a portfolio. This is based on the long-term risk and return characteristics of asset classes and is designed to reflect an investor’s investment objectives and attitude to risk.

Benchmark
A standard, usually an investment index, that a fund's performance can be measured against. For example, a UK equity fund is managed against the FTSE100 index. If the fund does better than the index, it has outperformed; if the fund has done worse, it has underperformed.

Bonds
A type of fixed-income investment that allow investors to lend money to an issuer, such as a corporation (corporate bonds) or government (gilts or treasury bonds), in exchange for regular interest (coupon) payments and the return of their principal investment at maturity. Bonds are typically issued with a fixed interest rate and a specific maturity date, which can range from a few months to several decades.

Bottom up
An investment approach that focuses on analysing individual companies or securities, rather than making investment decisions based on broader economic or market trends.

Commodities
A type of asset class which are typically raw materials or primary agricultural products that can be bought and sold, such as copper, gold, oil. As an asset class, commodities can provide diversification benefits to an investment portfolio because they often have low correlation with other asset classes.

Component funds
Funds that are used as building blocks to create a diversified investment portfolio. These funds typically invest in a specific asset class or sector, such as large-cap stocks, small-cap stocks, or bonds. These funds are not available in the retail marketplace.

Consumer discretionary
A category of companies that provide goods and services that are considered non-essential or discretionary, meaning they are not necessary for basic living but are purchased by consumers when they have extra income. Examples include clothing and accessories, cars and entertainment. Companies in the consumer discretionary sector may be involved in the design, manufacture, marketing, and sale of these products and services.

Glossary continued

Consumer staples
A category of companies that provide goods and services that are considered essential or staples, meaning they are necessary for basic living and are purchased by consumers regardless of economic conditions. Examples include food, beverages, household products and healthcare products. Companies in the consumer staples sector may be involved in the production, processing, marketing, and distribution of these products and services.

Corporate bonds
A type of fixed income investment that companies issue to raise capital. When an investor buys a corporate bond, they are essentially lending money to the company that issued the bond. In return, the company promises to pay back the principal amount of the bond (the initial investment) plus interest over a set period of time.

Correlation
A statistic that measures the degree to which two investments (for example equities and bonds) move in relation to each other.

Coupon
Interest payment made to the bondholders by the issuer of a bond. It is usually paid out semi-annually or annually and is a percentage of the bond's face value. The coupon rate is the fixed interest rate that the bond issuer agrees to pay to the bondholders.

Currency exposure
A risk that an investment's value will be affected by changes in currency exchange rates.

Cyclical slowdown
A period of economic contraction that is part of the normal business cycle. In a typical business cycle, there are periods of expansion (when the economy is growing) and periods of contraction (when the economy is shrinking). A cyclical slowdown is a type of contraction that occurs when the economy slows down after a period of growth.

Credit
Debt investments that are issued by companies, governments, or other entities. Credit investments are essentially loans that investors make to the issuer, and in return, the issuer promises to pay back the principal amount of the loan plus interest over a set period of time.

Credit spreads
The difference in the income return on an investment between two types of debt investments, typically bonds. The spread is calculated by subtracting the income return of a lower-risk investment from the income return of a higher-risk investment.

Debt ceiling
The legal limit on the amount of money that a government is allowed to borrow to fund its operations.

Defensive stocks
Stocks of companies that tend to do well during tough economic times. These companies are often in industries that provide essential goods or services that people need no matter what's going on with the economy, like utilities, healthcare, and consumer staples. Defensive stocks are considered less risky than other stocks because they are less sensitive to changes in the economy.

Derivatives
Derivatives are financial instruments that get their value from other things, like equities, bonds, or commodities. They can be used for different purposes, like protecting against changes in the price of an asset, trying to make money by predicting the future price of an asset, or getting exposure to an asset without actually owning it.

Diversification
Spreading your money across different types of investments, such as equities, bonds, and property, instead of putting all your money in just one type of investment. By doing this, you can reduce the overall risk of your investment portfolio.

Dividends
Payments that some companies make to their shareholders as a way to share their profits. When you own a share of a company's stock, you are a part-owner of that company. As a shareholder, you may be entitled to a portion of the company's profits in the form of dividends. Companies typically pay dividends to their shareholders on a regular basis, such as quarterly or annually.

Downside
The potential loss that an investor may incur from an investment. It is the opposite of upside, which refers to the potential gain that an investor may achieve from an investment.

Glossary continued

Dovish
A policy stance that is supportive of low interest rates and other measures designed to stimulate economic growth. For example, by lowering interest rates to make borrowing cheaper and encourage businesses and consumers to spend more. This can help to stimulate economic growth and reduce unemployment.

Duration
The sensitivity of the price of a bond to changes in interest rates. A bond with a longer duration will typically be more sensitive to changes in interest rates than a bond with a shorter duration.

Economic cycle
The natural pattern of growth and contraction that happens in the economy over time. It has four stages: expansion, peak, contraction, and trough. During the expansion phase, the economy is growing, and during the contraction phase, the economy is shrinking.

Emerging markets
Countries that have fast-growing economies and may be going through the process of industrialisation. Examples include Brazil, Russia, India and China (often referred to as BRIC).

Equities
Also known as stocks or shares, equities represent an ownership interest in an entity, such as a company. In other words, if you own equity in a company, you own part of that business.

ESG
Stands for Environmental, Social and Governance. It’s a way for investors to evaluate companies based on how they impact the environment, society, and their own internal policies. Investors use ESG criteria to make investment decisions that align with their values and beliefs.

Exchange Traded Funds (ETFs)
Funds that track indices, sectors or commodities and are bought and sold on the stock exchange.

Fixed income
A type of investment that provides a fixed or predictable return in the form of regular interest payments. Fixed income investments are typically issued by governments, corporations, or other entities as a way to raise capital to fund their operations or growth. The most common type of fixed income investment are bonds.

Futures
Financial contracts that stipulate that an asset that must be bought or sold for a predetermined price on a future date.

Gilts
A type of fixed income investment issued by the UK government. They are considered to be among the safest investments available. They have a fixed interest rate and a specific maturity date, which can range from a few months to several decades.

Government bonds
Essentially IOUs issued by a government to borrow money from investors. When you buy a government bond, you're basically lending money to the government for a set period of time, and in return, you'll receive interest payments. Government bonds are considered to be safe investments because the risk of the government defaulting on its debt is very low.

Growth investing
Investing in companies that are expected to offer future growth prospects that are above the average in their industry or sector.

Hawkish
A policy stance that is supportive of higher interest rates and other measures designed to control inflation. For example, a central bank may take a hawkish stance by raising interest rates in order to slow down economic growth and prevent inflation from rising too quickly.

Hedge fund
Funds that target high positive returns in any market environment through the use of non-traditional portfolio management techniques. They are typically only suitable for sophisticated investors as hedge funds can be more complex compared to traditional investments such as mutual funds.

Glossary continued

High yield bonds
Issued by companies that have a lower credit rating than investment-grade bonds. These companies typically have a higher risk of defaulting on their debt obligations, which is why high income return bonds are considered to be a higher-risk investment. Because of the higher risk involved, they generally offer higher yields than investment-grade bonds to compensate investors for the added risk.

Index
A standard that a fund's performance can be measured against. For example, a UK equity fund is managed against the FTSE100 index.

Index-linked gilts
Bonds issued by the UK government that are designed to protect investors against inflation. Unlike conventional gilts, which pay a fixed rate of interest, the interest payments on index-linked gilts are adjusted for inflation.

Indices
A type of financial measure that tracks the performance of a group of investments, such as equities, bonds, or commodities. An index is designed to provide a snapshot of how the overall market or a specific segment of the market is performing. Also know as indexes.

Inflation
Inflation is when the prices of goods and services go up over time. This means that the same amount of money can buy fewer things than before. Inflation can be caused by various factors, such as an increase in the amount of money in circulation or changes in consumer demand. Inflation is measured using a price index, which tracks the prices of a basket of goods and services.

Investment Association (IA)
A trade association for the UK's investment management industry. The IA maintains a set of benchmarks for different types of investment products. A benchmark is a standard against which the performance of an investment product can be measured.

Investment grade bonds
Investment grade bonds are a type of bond that is considered to be a safer investment because the issuer has a good credit rating so more likely to be able to pay back the money they have borrowed. They are usually issued by large, well-established companies or governments with a strong track record of financial stability.

Investment style
A set of investment strategies and techniques used by fund managers to manage portfolios. There are several different investment styles, each with its own approach to investing and set of characteristics. See Value and Growth investing.

Investment trusts
A type of collective investment fund that pools money from many investors to buy a portfolio of different assets, such as equities, bonds, and property. They are similar to mutual funds, but are structured as companies and are traded on stock exchanges like individual stocks.

Liquidity
The degree to which how quickly an asset can be bought or sold without impacting its price. For example, shares in very large corporations are highly liquid as they can be bought and sold almost as soon as you request. Property is illiquid since buying or selling property can take months if not years.

Market capitalisation
A measure of a company's size, calculated by multiplying the total number of shares a company has in issue by its current share price. Companies are commonly classified as either small cap, mid cap or large cap.

Market cycle
The term used for the cyclical and repeating pattern of markets which has four phases: slowdown, recession, recovery and expansion. See economic cycle.

Glossary continued

Multi-asset
A type of investment strategy that involves investing in a diversified portfolio of different asset classes, such as equities, bonds, property, and commodities. The goal of a multi-asset investment strategy is to achieve a balance between risk and return by spreading investments across different asset classes that behave differently in different market conditions.

Mutual funds
Mutual funds pool money from a large number of investors with similar goals into a single investment product. They are managed by a dedicated investment professional (commonly know as the portfolio or fund manager) and can invest in tens to thousands of securities from a specific asset class or a range of asset classes.

Net Asset Value (NAV)
A term used to describe the value of all the investments held by a fund, minus any fees, expenses, or other liabilities. It's usually calculated on a per-share basis, which means it represents the value of one share in the fund. The NAV is calculated at the end of each trading day.

Option
A financial contract that gives the holder the right, but not the obligation, to buy or sell an underlying asset at a specific price, on or before a specific date.

Ongoing Charge Figure (OCF)
The OCF is a measure of the total costs associated with managing and operating an investment portfolio. These costs include the management fees and additional expenses of the underlying funds but exclude any advice, platform charges, transaction fees or incidental costs.

Outperformance
Where an investment or investment portfolio has achieved a higher return than a benchmark or peer group over a specified period of time.

Passive fund/Passively managed
A fund that aims to track the performance of a market index.

Platform
A digital tool that allows investors to access a range of investment products and services from different providers in one place.

Policy tightening
Policy tightening is when a government or central bank take steps to slow down the economy and control inflation. This is done by increasing interest rates, which makes it more expensive to borrow money and can slow down spending and investment.

Portfolio
A collection of investments.

Private equity
Investments in companies that are not publicly traded and are not easily accessible to individual investors. Private equity firms raise money from investors, such as pension funds and wealthy individuals, and use that money to buy companies or to invest in companies to help them grow and become more profitable. Private equity firms typically hold their investments for several years before selling them for a profit.

Property
Property, as an asset class, refers to real estate investments that are intended to generate income and/or capital growth. Property investments can take many forms, including residential, commercial, industrial, and retail properties.

Proprietary
Something that is developed and owned by a particular company and is not available to competitors.

Quantitative easing (QE)
A monetary policy tool used by central banks to stimulate the economy. In QE, the central bank buys financial assets, such as government bonds, from banks and other financial institutions, thereby increasing the money supply in the economy. By increasing the money supply, the central bank aims to lower interest rates and encourage lending, which in turn can boost economic activity and inflation. QE is typically used when traditional monetary policy tools, such as adjusting interest rates, have become ineffective.

Quality stocks
Stocks of companies that are considered to be financially stable, profitable, and well-managed.

Glossary continued

Real assets
A type of investment that refers to physical assets such as property, commodities, natural resources, and infrastructure. Unlike financial assets such as equities and bonds, real assets have intrinsic value because they have a tangible presence in the real world.

Real estate
Investments in physical property, such as land, buildings, and other structures. This can take many forms, such as buying and renting residential or commercial properties, investing in real estate investment trusts (REITs), or investing in real estate development projects.

Real return
The money an investment makes taking into account inflation (expressed as a percentage). If an investment grows in value by 5% over one year, and the rate of inflation is 2%, the real return is 3%.

Rebalancing
Increasing and reducing exposure to asset classes within a portfolio to reflect any changes in the expected long-term returns from asset classes.

Recession
A period of economic decline characterised by a decrease in gross domestic product (GDP), employment, and trade lasting for at least two consecutive quarters.

Real Estate Investment Trusts (REITs)
A type of investment fund that owns and operates income-generating residential and commercial properties.

Sector analysis
The process of evaluating and comparing different sectors of the economy as potential investments. The most commons sectors are: Consumer Discretionary, Consumer Staples, Energy, Financials, Healthcare, Materials and Industrials.

Share class
Refers to a specific type of share that is issued. Each share class has unique characteristics, such as voting rights, fees, and dividend payments. Share classes give investors different options for investing in a company and this can impact fees and expenses as well as returns.

Slowdown
A period of reduced economic activity characterized by a decline in indicators such as gross domestic product (GDP), employment, and consumer spending.

Stagflation
A combination of stagnant economic growth, high unemployment, and high inflation. It is a situation where an economy experiences a slowdown or stagnation in economic output (GDP), along with rising prices and a decrease in purchasing power.

Stocks
Also known as equities or shares, represent ownership in a company. When an investor buys a share of stock, they are buying a small piece of ownership in that company.

Strategic asset allocation (SAA)
The target investment split between different asset classes in a portfolio. This is based on the long-term risk and return characteristics of asset classes and is designed to reflect an investor's investment objectives and attitude to risk. The target asset allocation may be adjusted periodically (rebalanced) to reflect changes in market conditions.

Thematics
An investment strategy that focuses on investing in companies that are expected to benefit from a particular trend or theme, such as technological innovation.

Top down
An investment approach that starts with an analysis of broader economic and market trends, and then uses this analysis to guide investment decisions.

Total return
The total return of an investment comprises any capital appreciation (or depreciation) plus any income from interest or dividends over a period of time.

UK CPI
UK Consumer Price Index. It is a measure of inflation that tracks the changes in the price of a basket of goods and services purchased by households in the UK.

Glossary continued

Underweight
When an asset or investment is underweight in a portfolio, it means that the allocation to that asset is lower than the benchmark or target allocation.
Overweight: When an asset or investment is overweight in a portfolio, it means that the allocation to that asset is higher than the benchmark or target allocation.

Upside
The potential gain that an investor may achieve from an investment. It is the opposite of downside which refers to the potential loss that an investor may incur from an investment.

Value investing
Investing in companies that are seen to be undervalued relative to their current trading price. We believe they offer greater return potential in comparison to more expensive areas of the market.

Volatility
A measure of how much the Fund's returns may vary over a year.

Yield
The income return on an investment, usually expressed as a percentage of the amount invested.

Yield curve
The relationship between the yield (or interest rate) and the maturity of a series of fixed income investments.

Yield spreads
The difference in yield between two different types of fixed-income investments, such as bonds. Yield spreads are often used as a measure of the risk associated with a particular investment, with higher spreads indicating higher risk.

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