Schroder Investment Solutions

Quarterly Bulletin

Q4 2022

Schroders

Marketing material

Contents

Introduction

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

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

We then show you how your portfolio has performed.

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

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

We hope that you find this information useful.

Alex Funk
Chief Investment Officer
Schroder Investment Solutions

Market performance

Q4 2022

2018	2019	2020	2021	2022	YTD	Q4 2022
Global High Yield Bonds 1.9	US Equities 25.7	Asia Ex Japan Equities 21.2	Commodities 41.6	Commodities 41.9	Commodities 41.9	Europe ex UK Equities 11.5
Global Property 1.2	Europe ex UK Equities 20.0	US Equities 16.2	Global Property 28.4	UK Cash 1.4	UK Cash 1.4	UK Equities 8.9
Global Treasury Bonds 1.1	UK Equities 19.2	EM Equities 14.7	US Equities 27.6	UK Equities 0.3	UK Equities 0.3	UK Corporate Bonds 6.9
UK Gilts 0.6	Global Property 18.3	UK Index-linked Gilts 11.0	UK Equities 18.3	Global High Yield Bonds -1.7	Global High Yield Bonds -1.7	Japanese Equities 5.1
UK Cash 0.6	Japanese Equities 14.6	Japanese Equities 9.5	Europe ex UK Equities 16.7	Japanese Equities -4.1	Japanese Equities -4.1	Asia Ex Japan Equities 3.3
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	Europe ex UK Equities -7.6	Global Corporate Bonds 2.7
UK Index-linked Gilts -0.3	Asia Ex Japan Equities 13.6	UK Gilts 8.3	Japanese Equities 2.0	US Equities -9.4	US Equities -9.4	EM Equities 1.8
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	Asia Ex Japan Equities -9.6	UK Gilts 1.7
Global Corporate Bonds -2.7	UK Corporate Bonds 11.0	Global Corporate Bonds 7.2	UK Cash 0.1	EM Equities -10.0	EM Equities -10.0	UK Cash 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 -11.7	Global High Yield Bonds 0.2
Commodities -8.5	Global High Yield Bonds 8.2	Global High Yield Bonds 3.7	EM Equities -1.6	Global Property -14.9	Global Property -14.9	Global Treasury Bonds -0.2
Asia Ex Japan Equities -9.0	UK Gilts 6.9	UK Cash 0.2	Global Treasury Bonds -2.0	Global Corporate Bonds -15.3	Global Corporate Bonds -15.3	Global Property -0.6
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 Corporate Bonds -19.3	US Equities -0.7
UK Equities -9.5	Global Treasury Bonds 5.5	Global Property -11.0	Asia Ex Japan Equities -3.8	UK Gilts -23.8	UK Gilts -23.8	Commodities -4.0
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 -33.6	UK Index-linked Gilts -6.0

Source: Morningstar as at December 2022.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. The return may increase or decrease as a result of currency fluctuations.

Market commentary
Q4 2022

Stock markets rounded off a tumultuous year with gains in Q4. Asian shares were boosted by China's relaxation of its zero-Covid policy, while European equities also advanced strongly. Government bond yields edged up towards the end of Q4 (meaning prices fell). This reflected some market disappointment at major central banks reiterating plans to tighten monetary policy, even as inflation showed signs of peaking. Commodities gained in the quarter, led by industrial metals.

US equities made robust gains in Q4, with much of the progress made in November. Investors balanced ongoing caution from the Federal Reserve (Fed) with indications that the pace of policy tightening would slow, and signs that elevated inflation could be cooling. There were also especially strong corporate earnings in certain sectors. Annualised Q3 GDP for the US was confirmed at 3.2% in December, which was stronger than the second estimate of 2.9%. Most sectors rose over the quarter, a number climbing significantly. Energy stocks posted especially strong gains, with sector heavyweights Exxon and Chevron posting record profits in the quarter. Consumer discretionary was a notable exception, with Tesla's decline an outsized influence.

Eurozone shares notched up a strong advance in Q4, outperforming other regions. Gains came from a variety of sectors, notably economically-sensitive areas like energy, financials, industrials and consumer discretionary. More defensive parts of the market such as consumer staples lagged the wider market's advance. Equity gains were supported by hopes that inflation may be peaking in Europe as well as in the US. Annual inflation (as measured by the harmonised consumer price index) fell to 10.1% in November from 10.6% in October. Data showed that the eurozone economy grew by 0.3% quarter-on-quarter in Q3, slowing from 0.8% growth in Q2.

UK equities rose over the quarter, helped in part by the country emerging from its September crisis. Markets had been volatile in September as the former prime minister and chancellor announced huge fiscal stimulus, with little detail on how it would be funded. Many of the policies announced in that September 'mini-budget' were reversed and the new chancellor Jeremy Hunt used the Autumn Statement in November to promise the country would tighten its belt in the future. His assertions were supported by fiscal and economic forecasts from the independent Office for Budgetary Responsibility (OBR).

After rising for most of October and November, the Japanese stock market declined in December. Nevertheless, the total return for the fourth quarter remained positive, at 3.3% in yen terms. Having weakened against the US dollar for most of 2022, the yen reversed direction from November, returning to levels last seen in July and August. The government was able to assemble an additional substantial fiscal package in the fourth quarter, through which it aims to bolster the nascent domestic recovery in 2023. There was also a positive development with the lifting of international travel restrictions from 11 October.

Asia ex Japan equities achieved robust gains in the fourth quarter, with almost all markets in the index ending the period in positive territory. China, Hong Kong and Taiwan all achieved strong growth over the quarter, with share price growth particularly strong in November after US President Joe Biden and Chinese leader Xi Jinping signalled a desire to improve US-China relations at a meeting ahead of the G20 summit in Indonesia. The recovery in Hong Kong and Chinese share prices continued in December after Beijing loosened its pandemic restrictions that have constrained China's economic growth since early 2020.

Market commentary

Q4 2022

Emerging market (EM) equities posted strong returns over Q4, helped by a weaker US dollar. Most of the MSCI EM index's returns were generated in November on optimism that as policy tightening from the Federal Reserve (Fed) slowed, any recession would be shallow and markets would begin to discount the recovery. Optimism faded somewhat in December, however, when the Fed re-iterated its commitment to fighting inflation. An earlier and more comprehensive than expected relaxation of the dynamic zero Covid policy by the Chinese authorities also boosted sentiment later in the quarter. The MSCI EM Index performed in-line with MSCI World.

Government bond yields edged up towards the end of Q4, reflecting some market disappointment at the hawkish tone (support the raising of interest rates to fight inflation) from some central banks, despite mounting evidence of slowing economic growth. The Fed raised rates twice during the quarter, ending at 4.5%. The Bank of England also announced two rate hikes, bringing the UK interest rate to 3.5% at the end of Q4, while the Bank of Japan announced a modification to its yield curve control policy. Credit spreads tightened across the quarter on improved risk sentiment. The credit spread is the difference in yield between bonds of a similar maturity but with different credit quality. Although strong performance was tempered slightly into year end, US and European investment grade and high yield credit generated positive returns and outperformed government bonds over the quarter. Investment grade bonds are the highest quality bonds as determined by a credit rating agency; high yield bonds are more speculative, with a credit rating below investment grade.

The S&P GSCI (global commodities) Index recorded a positive performance in the fourth quarter, with higher prices in industrial and precious metals offsetting weaker prices in agriculture. Industrial metals was the best-performing component of the index, with sharply higher prices in the quarter for nickel, lead and copper. In agriculture, coffee and wheat prices fell, while prices for sugar, cocoa, corn and soybeans gained. Within energy, strong price gains for unleaded gasoline and heating oil helped to offset a sharp decline in the price of natural gas.

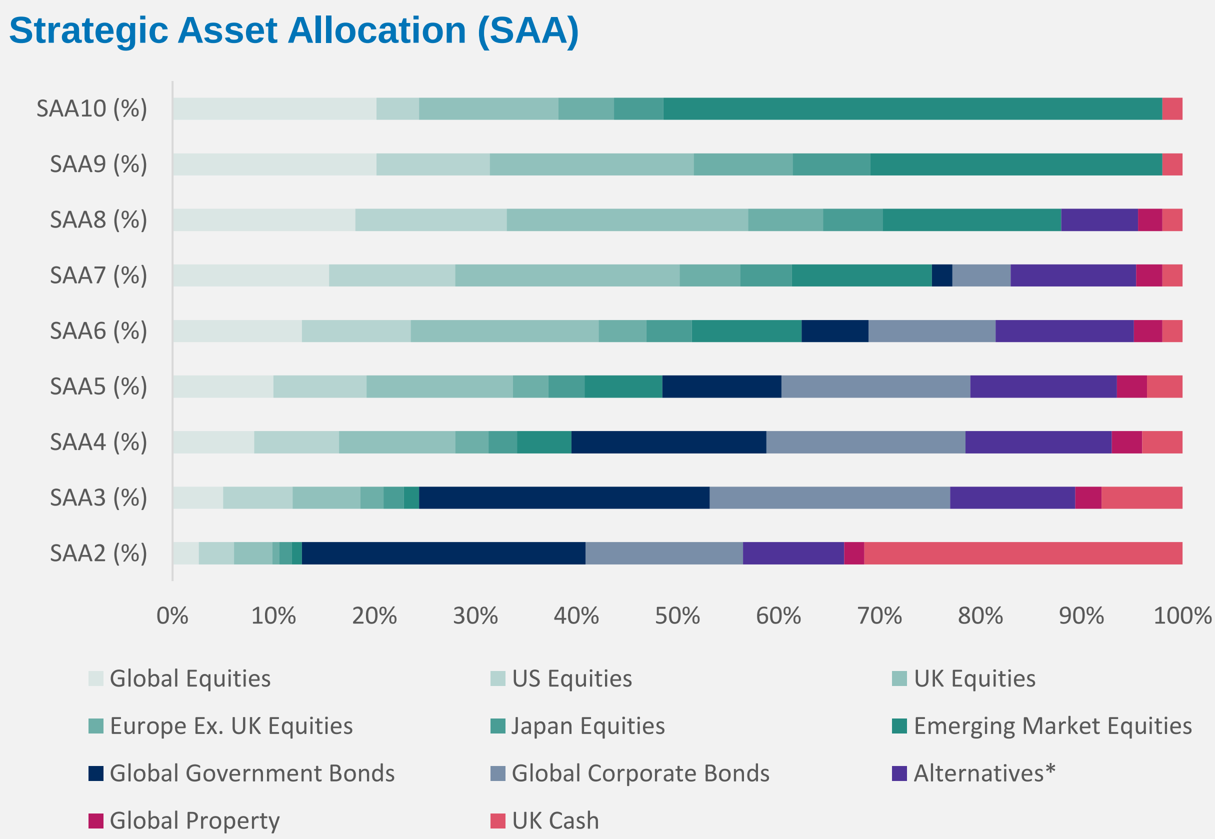
Source: Schroders. **Please note that any past performance mentioned in this document is not a guide to future performance and may not be repeated. Information is provided for illustrative purposes only and should not be considered as a recommendation to buy or sell.**

Asset allocation

Q4 2022

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.

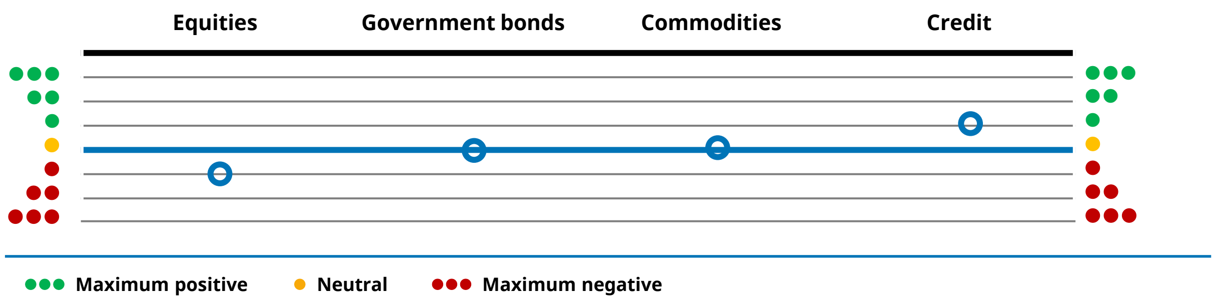


The chart illustrates the asset class diversification across the Schroder Active Model Portfolios 2-10. Please note that the illustration may not show our current asset allocation.

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

Asset class views

Q4 2022



MAIN ASSET CLASSES

Category	View	Comments
Equities	🔴 ▽	The latest bear market rally seems to have ended and we have moved negative again amid growing fears about recession and corporate earnings.
Government bonds	🟡	We see no reason for central banks to ease off the monetary pedal and continue with a neutral stance. Current valuations are now more realistic.
Commodities	🟡 ▽	China's tentative steps towards a reopening should prove a positive, yet an impending economic slowdown should prove a negative.
Credit	🟢	We favour investment grade over high yield given recessionary fears, and shift our preference from the US to Europe and emerging markets on valuation grounds.

EQUITIES

Category		View	Comments
US		🔴 ▽	After the recent rally, we downgrade as we see no catalyst for this to continue. While the US economy is proving remarkably resilient, current valuations appear expensive.
UK		🟡	Although the domestic environment remains challenging, the projected weakness in sterling should provide some protection to the equity market.
Europe		🟡	With a near-term crunch in energy supply averted, a long-term solution has still to be found. Despite the difficult environment, valuations appear better than other regions.
Japan		🔴 ▽	With recession fears building, Japanese equities are likely to be tested by the economically sensitive nature of the index. The recent strengthening in the yen will be an additional headwind.
Global Emerging Markets[1]		🟡	Recessionary risks are traditionally not supportive for emerging markets. However current valuations reflect this, and the Chinese reopening should be a boost. A stable, and perhaps weaker, dollar should also help. We therefore remain neutral.
Asia ex Japan	China	🟡	We keep our neutral view as valuations appear attractive relative to developed markets, and from the positive sentiment attributable to the gradual reopening of the economy.
	EM Asia ex China	🟡	The region should get a boost from a Chinese reopening, but fears over a global downturn dominate.

Source: Schroders, December 2022. Note: The views for equities, government bonds and commodities are based on return relative to cash in local currency. The views for corporate bonds and high yield are based on credit spreads (i.e. duration-hedged). The views for currencies are relative to the US dollar, apart from the US dollar which is relative to a trade-weighted basket. **Please note any past performance mentioned is not a guide to future performance and may not be repeated. The sectors, securities, regions and countries shown are for illustrative purposes only and are not to be considered a recommendation to buy or sell.**

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

Schroder Active Model Portfolios

Q4 2022

Schroder Active Model Portfolios performance

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	Q4 2022	YTD	01/01/2022 - 31/12/2022	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013	(01/02/2008) - 31/12/2022
Schroder Active Portfolio 2	**1.27**	**-5.32**	**-5.32**	**1.61**	**3.52**	**4.56**	**-1.28**	**3.35**	**5.42**	**1.43**	**3.90**	**2.92**	**45.73**
UK CPI Lagged	2.88	10.12	10.67	5.13	0.32	1.47	2.31	3.09	1.17	0.11	0.97	2.08	53.74
Schroder Active Portfolio 3	**2.05**	**-7.88**	**-7.88**	**3.64**	**6.24**	**9.48**	**-2.05**	**5.59**	**9.03**	**2.79**	**7.86**	**7.28**	**96.75**
IA Mixed Investment 0-35% Shares	2.31	-10.22	-10.22	2.57	3.98	8.80	-3.41	5.01	9.06	0.85	5.31	4.81	55.15
Schroder Active Portfolio 4	**2.74**	**-8.42**	**-8.42**	**5.30**	**6.99**	**13.05**	**-4.02**	**8.15**	**9.91**	**5.65**	**7.48**	**14.02**	**127.60**
Schroder Active Portfolio 5	**3.24**	**-8.82**	**-8.82**	**6.83**	**7.63**	**15.75**	**-5.59**	**11.18**	**11.10**	**5.90**	**7.89**	**14.24**	**144.39**
IA Mixed Investment 20-60% Shares	3.09	-9.67	-9.67	6.31	3.49	12.08	-5.11	7.20	10.57	1.51	5.04	9.21	73.82
Schroder Active Portfolio 6	**3.83**	**-9.13**	**-9.13**	**8.28**	**10.10**	**18.38**	**-6.83**	**15.59**	**12.48**	**5.84**	**7.72**	**16.42**	**181.90**
Schroder Active Portfolio 7	**4.35**	**-9.40**	**-9.40**	**9.78**	**13.79**	**20.75**	**-8.23**	**18.07**	**14.77**	**6.16**	**6.58**	**19.09**	**215.24**
IA Mixed Investment 40-85% Shares	3.00	-10.18	-10.18	11.22	5.50	15.94	-6.07	10.05	13.28	2.83	4.99	14.77	111.05
Schroder Active Portfolio 8	**4.80**	**-10.11**	**-10.11**	**11.02**	**16.78**	**20.36**	**-9.34**	**19.00**	**19.67**	**3.58**	**5.17**	**13.28**	**207.26**
Schroder Active Portfolio 9	**5.46**	**-11.52**	**-11.52**	**10.46**	**21.47**	**22.66**	**-10.63**	**22.60**	**24.34**	**1.14**	**5.20**	**6.43**	**217.36**
Schroder Active Portfolio 10	**4.66**	**-12.21**	**-12.21**	**8.15**	**19.23**	**18.41**	**-10.44**	**22.80**	**26.07**	**-3.00**	**3.13**	**1.03**	**159.68**
IA Flexible Investment	2.75	-9.12	-9.12	11.38	7.01	15.64	-6.64	11.09	14.16	2.09	4.83	14.82	112.01

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 November 2022. Portfolio returns may vary from individual investor returns due to timings and cash flows. CPI data is one month lagged (as at 30 November 2022).

Schroder Active Model Portfolios

Q4 2022

Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
JO Hambro UK Dynamic	13.34%	The final quarter of 2022 saw positive performance in UK Equities on the back of a very volatile September. The JO Hambro UK Dynamic fund was the top contributor to performance for the Active portfolios in Q4 2022. The strategy of the fund is to profit from understanding positive corporate change which is often under-appreciated by the overall stock market. This approach was particularly evident through holdings in the financial services, basic materials and industrial sectors. The top stock for the fund was the British multinational energy and services company, Centrica. The company had a return of 38.24% over the quarter after a strong trading statement and a boost from the announcement of an electricity windfall tax.
Ninety One UK Alpha	7.09%	The Bank of England's decision to reduce their pace of interest rate increases helped to support positive returns for the UK Equity market in the final quarter of 2022. The Ninety One UK Alpha fund, which typically holds at least 50% exposure to the FTSE 100, was among the UK Equity funds which benefitted from this move. The fund invests in quality businesses with strong financials and management, which can deliver long-term sustainable growth through any environment. Over the quarter, their holdings in the basic materials, healthcare and industrial sectors contributed to its return. A top stock for the fund was Rotork, a provider of flow control solutions for oil and gas, water and wastewater, power, chemical, process and industrial applications. Although the market remains challenging, it provides an opportunity for the manager to invest in companies with a lower valuation due to negative market sentiment rather than a deterioration in the fundamentals that define quality businesses.
JO Hambro Continental European	13.91%	European Equities had positive returns across all sectors in the final quarter of 2022, even against an uncertain backdrop. The JO Hambro Continental European fund, which invests predominantly in blue chip and medium sized companies, focuses on identifying factors which lead to strong company earnings growth. The manager employed this approach over the year and took advantage of market volatility to invest in positive thematic trends. For example, companies which are set to benefit from the European Green Deal account for approximately 17% of the fund. Holdings in the energy sector have been a top performance contributor so far and this continued over the quarter. The fund also benefited from holdings in the financial services, industrial and healthcare sectors.

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Schroder Active Model Portfolios
Q4 2022

Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
Artemis US Select	-4.41%	The final quarter of the year showed signs that inflation may have reached its highest level in the US and that the Federal Reserve could slow down the pace of its interest rate increases. This proved positive for US Equities although a weaker dollar meant that the Artemis US Select fund detracted from performance. Holdings within the technology, communication services and consumer cyclical sectors had negative returns as companies started to pull back on advertising and reduced expenditure on cloud computing. The healthcare, utilities and energy sectors had positive returns. Going forward, the manager believes they will benefit from companies where both the government and the corporate sector will allocate significant infrastructure expenditure as it brings productive capacity back to the US, mainly from China.
Neuberger Berman Uncorrelated Strategies	-3.18%	After positively contributing to performance over the course of 2022, the final quarter saw negative returns from the Neuberger Berman Uncorrelated Strategies fund. Allocations within their global macro and trend following strategies detracted from performance. Their equity market neutral strategy also detracted as macroeconomic factors had a greater influence on stock prices than the performance of individual companies or their earnings, sometimes even overriding these factors. The fund is designed to function as a risk diversifier within portfolios and has a low correlation to the equity and fixed income markets. The manager continues to carefully evaluate their exposures and attribution and view their risk levels to be quite conservative and appropriate for the current market.
Brown Advisory US Sustainable Growth	-4.73%	As seen over the course of 2022, growth-based stocks have been particularly hard hit. These are companies which are expected to generate positive returns based on future potential. Given the uncertainty in markets, we have seen these types of companies struggle as investors give preference to value stocks which are usually larger, more well-established businesses. A weaker dollar also affected the sterling returns of the fund. Performance detractors were for holdings in the technology, consumer cyclical and healthcare sectors with Amazon.com suffering the largest negative return. The Brown Advisory US Sustainable Growth fund was sold in our January 2023 rebalance and the proceeds were reinvested into Alliance Bernstein Sustainable US Equity Fund.

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Schroder Active Model Portfolios

Q4 2022

Portfolio updates

2022 proved to be a challenging year for investors across most asset classes but the final quarter generally saw positive returns. November in particular saw US Equities perform well as we saw signs that inflation may be stabilising. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all raised their respective policy interest rates by 0.50%, a step down from their previous increases of 0.75%.

Over the year we remained focused on long term outcomes to build portfolios that weather the storm and help investors achieve their investment goals. Some of the key investment decisions we made included our allocation to alternative assets, which added positively to returns and created a buffer relative to traditional asset classes. Portfolios also benefitted from our introduction of value equities, which invest in companies that appear to trade at a lower price, relative to their fundamentals. These companies benefited from higher energy prices and increasing interest rates. This was implemented through our Global Allocation and then further in the US Equity allocation.

We remain aware of our exposure to value and growth stocks and how they typically perform in this environment. The higher weighting to value-orientated strategies within our US and Global equity allocations is balanced by a higher weighting to growth-orientated strategies in Emerging Market equities. Going into Q1 of 2023 we are also increasing our growth exposure in Japan. We believe that higher-quality and defensive businesses will be resilient going forward and our equity allocations are positioned to take advantage of this.

Although we see signs that inflation pressures are easing and central banks are closer to ending their current cycle of interest rate increases, we remain cautiously optimistic about our fixed income allocation. Within our corporate bond allocations we have maintained our exposure to higher credit quality assets. These assets have the benefit of being attractively priced while also offering higher yields without taking on additional risk.

Our alternatives allocation consists of return enhancing and risk diversifying funds. We believe that these characteristics will continue to benefit investors during continued market volatility. We are currently tilted towards risk diversifying assets and will look for opportunities to carefully add to return enhancing assets.

Looking forward to 2023, we are monitoring several factors and will position portfolios accordingly to take advantage of the next phase in the economic cycle. Firstly, we are looking to see core inflation in the US continue on a downward trend. Secondly, the US labour market has had 2 jobs for every unemployed person. This has driven up wages alongside pressure from the increasing cost of living. The risk of higher wages is that this leads to more discretionary spending, which further drives up prices and therefore inflation. Lastly, markets have adjusted the prices of equities and bonds to reflect most of the expected interest rate increases by Central Banks. We remain cautious on earnings expectations as our base case is that developed markets enter a recession in 2023. A reduction in earnings would provide evidence of how deep the recession could be and allows the market to start looking past the recession and into recovery.

When we are faced with extreme market volatility and a downward trend in markets, the benefits of longer-term investing becomes even more apparent. We continue to manage your portfolios in a way that navigates volatile markets and capitalises on opportunities as they arise.

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Schroder Active Model Portfolios

Q4 2022

Portfolio changes

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

The following fund additions and sales were made at our January 2023 rebalance:

The Jupiter UK Mid Cap fund was sold in line with our preference to increase our exposure to larger companies with defensive quality characteristics. We have been reducing our holding in the fund over the last 18 months given the higher yield environment, coupled with increased inflation and the markets current preference for value-based stocks. The proceeds of this sale have been allocated to the TB Evenlode Income fund. The fund has an approach which we believe will effectively navigate the impending recession risk and worsening growth and inflation environment. Key considerations in the stock selection process include balance sheet strength, sustainable free cash flow and a well covered dividend yield.

We switched our holding in the Brown Advisory US Sustainable Growth fund to the AllianceBernstein Sustainable US Equity fund. The Brown Advisory fund is a concentrated portfolio of high-quality companies with fundamental strengths. This has contributed to the positive return of the fund since its inclusion in portfolios in July 2020. We feel that it is a sensible time to realise the gains made and reposition the allocation. The AllianceBernstein fund seeks to generate strong financial returns through investing in companies with differentiated value propositions which contribute to positive social and environmental outcomes. The managers also focus on quality businesses but aim to actively trim positions to lock in profits and reduce valuation risk. We believe this prudent approach will benefit investors and offer resilience in a more challenging macro-economic environment.

Schroder Strategic Index Model Portfolios

Q4 2022

Schroder Strategic Index Model Portfolios Performance

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	Q4 2022	YTD	01/01/2022 - 31/12/2022	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013	(01/02/2011) - 31/12/2022
Schroder Strategic Index Portfolio 2	**0.91**	**-9.01**	**-9.01**	**1.82**	**3.90**	**6.28**	**-1.35**	**2.53**	**11.37**	**0.93**	**7.05**	**1.77**	**41.20**
UK CPI	2.88	10.12	10.67	5.13	0.32	1.47	2.31	3.09	1.17	0.11	0.97	2.08	38.75
Schroder Strategic Index Portfolio 3	**1.34**	**-11.82**	**-11.82**	**4.14**	**6.09**	**9.09**	**-2.00**	**4.49**	**16.70**	**2.03**	**11.33**	**4.27**	**73.60**
IA Mixed Investment 0-35% Shares	2.31	-10.22	-10.22	2.57	3.98	8.80	-3.41	5.01	9.06	0.85	5.31	4.81	39.87
Schroder Strategic Index Portfolio 4	**1.89**	**-10.97**	**-10.97**	**6.42**	**5.81**	**11.69**	**-3.29**	**6.73**	**17.10**	**3.00**	**10.26**	**10.10**	**92.06**
Schroder Strategic Index Portfolio 5	**2.24**	**-10.29**	**-10.29**	**8.06**	**5.46**	**15.10**	**-4.73**	**8.93**	**19.04**	**3.33**	**8.60**	**11.88**	**101.63**
IA Mixed Investment 20-60% Shares	3.09	-9.67	-9.67	6.31	3.49	12.08	-5.11	7.20	10.57	1.51	5.04	9.21	56.82
Schroder Strategic Index Portfolio 6	**2.64**	**-9.23**	**-9.23**	**9.93**	**5.63**	**16.47**	**-5.68**	**11.09**	**21.25**	**1.46**	**7.45**	**12.33**	**108.30**
Schroder Strategic Index Portfolio 7	**2.99**	**-8.12**	**-8.12**	**12.13**	**5.61**	**18.40**	**-7.35**	**13.15**	**24.04**	**0.29**	**5.88**	**15.23**	**119.10**
IA Mixed Investment 40-85% Shares	3.00	-10.18	-10.18	11.22	5.50	15.94	-6.07	10.05	13.28	2.83	4.99	14.77	86.44
Schroder Strategic Index Portfolio 8	**3.15**	**-7.19**	**-7.19**	**13.90**	**6.01**	**17.41**	**-6.94**	**15.06**	**26.98**	**-2.04**	**4.42**	**9.25**	**107.42**
Schroder Strategic Index Portfolio 9	**3.40**	**-7.09**	**-7.09**	**11.82**	**7.40**	**17.25**	**-7.77**	**17.53**	**28.90**	**-4.31**	**5.77**	**3.16**	**94.31**
Schroder Strategic Index Portfolio 10	**2.77**	**-7.65**	**-7.65**	**8.32**	**8.72**	**16.55**	**-7.89**	**18.94**	**32.76**	**-7.39**	**6.58**	**-1.78**	**78.46**
IA Flexible Investment	2.75	-9.12	-9.12	11.38	7.01	15.64	-6.64	11.09	14.16	2.09	4.83	14.82	85.96

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 November 2022. Portfolio returns may vary from individual investor returns due to timings and cash flows. CPI data is one month lagged (as at 30 November 2022).

Schroder Strategic Index Model Portfolios

Q4 2022

Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
HSBC FTSE All Share Index	8.52%	Relative to other regions, the UK Equity market has been resilient over 2022, particularly within the largest FTSE 100 companies. Banks and the oil majors have increased dividends as strong commodity markets and rising interest rates have driven strong earnings growth. These sectors conduct much of their trade in US dollars and the extraordinary run in the US currency has therefore been a further boost to their sterling earnings. Over the quarter, positive returns were generated within the financial services, basic materials and healthcare sectors. A top stock contributor was AstraZeneca, the multinational pharmaceutical and biotechnology company which has a return of 12.81% for the quarter.
Vanguard Global Corporate Bond Index	2.51%	After continued poor performance in the environment of tightening monetary policy and persistent inflation, the Vanguard Global Corporate Bond fund was a positive contributor for Q4. US and European investment grade bonds generated positive returns and outperformed government bonds over the quarter. Investment grade bonds are the highest quality bonds as determined by a credit rating agency. The Index includes global corporate bonds with maturities greater than one year and is a multi-currency index that includes bonds from developed and emerging markets issuers within the industrial, utility and financial sectors. Although this year has been a difficult period of performance, we are more positive on the yields available within this asset class and expect this allocation to benefit investors over the medium to long-term.
Fidelity Index Europe ex UK	12.37%	In addition to the devastating situation in Ukraine, rising inflation and fears about economic growth contributed to a difficult year for European Equities. The final quarter of the year saw a reversal of this with all sectors showing positive performance. The Fidelity fund aims to track the performance of the MSCI Europe ex UK Index where top contributions came from holdings in the financial services, industrials and consumer cyclical sectors. Gains were supported by the hopes that inflation may be peaking in the region although the European Central Bank (ECB) has warned that further interest rate increases can be expected.

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Schroder Strategic Index Model Portfolios

Q4 2022

Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
HSBC America Index	-2.52%	Most sectors in the US were up over the quarter with much of the progress being made in November. However, a weaker dollar meant that the return for the HSBC America Index in sterling terms was negative. Higher US government bond yields, specifically real yields, are detrimental to sectors such as technology and consumer discretionary, which are more sensitive to borrowing costs. Over the quarter, performance detractors were from holdings in the consumer cyclical, technology and communication services sectors. Tesla was the largest detractor as it suffered a 56.9% loss. The industrials, financial services and healthcare sectors saw positive returns over the quarter as did the energy sector, with Exxon and Chevron posting record profits in the quarter.
HSBC Global Government Bond Index	-0.70%	The themes driving market performance in 2022 continued to negatively affect the returns of global government bonds. In the final quarter of the year, government bond yields increased marginally, signalling the markets disappointment with continued interest rate increases by central banks. As interest rates rise, the price of bonds fall, and vice-versa. Duration is a way to measure how much a bond's price will be affected by changes in interest rates. The longer the duration, the more the price will be impacted by a change in the interest rate. The index has approximately 50% exposure to bonds with a duration of longer than 5 years and consequently these would feel the affects of rising interest rates to a larger degree. We are however more positive on longer duration bonds and as the market begins to put less weight on inflation, there will be good return potential across global fixed income markets.
iShares Global Property	-0.26%	The market continues to focus on the level and trajectory of inflation alongside assumptions over how the central banks will act to counteract this. Negative performance over the quarter came from holdings in the US and Japan with the largest detractor was Equity Residential, a publicly traded real estate investment trust that invests in apartments. Contributions came from some regions in Asia as well as Europe and the UK. Property still offers a reasonable yield as well as some protection against inflation in sub-sectors where rental increases are tied to inflation. Please note that the name and benchmark of this fund changed during the quarter. The fund objective, risk profile and Ongoing Charges Figure (OCF) /Total Expense Ratio (TER) will not change.

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Schroder Strategic Index Model Portfolios

Q4 2022

Portfolio updates

2022 proved to be a challenging year for investors across most asset classes but the final quarter generally saw positive returns. November in particular saw US Equities perform well as we saw signs that inflation may be stabilising. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all raised their respective policy interest rates by 0.50%, a step down from their previous increases of 0.75%.

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

Looking forward to 2023, we are monitoring several factors and will position portfolios accordingly to take advantage of the next phase in the economic cycle. Firstly, we are looking to see core inflation in the US continue on a downward trend. Secondly, the US labour market has had 2 jobs for every unemployed person. This has driven up wages alongside pressure from the increasing cost of living. The risk of higher wages is that this leads to more discretionary spending, which further drives up prices and therefore inflation. Lastly, markets have adjusted the prices of equities and bonds to reflect most of the expected interest rate increases by Central Banks. We remain cautious on earnings expectations as our base case is that developed markets enter a recession in 2023. A reduction in earnings would provide evidence of how deep the recession could be and allows the market to start looking past the recession and into recovery.

When we are faced with extreme market volatility and a downward trend in markets, the benefits of longer-term investing becomes even more apparent. We continue to manage your portfolios in a way that navigates volatile markets and capitalises on opportunities as they arise.

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 – December 2022.

Schroder Strategic Index Model Portfolios

Q4 2022

Portfolio changes

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

No specific fund changes were made 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 – December 2022.

Schroder Sustainable Model Portfolios

Q4 2022

Schroder Sustainable Model Portfolios 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.

	Q4 2022	YTD	01/01/2022 - 31/12/2022	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013	Since Common Inception (01/11/2020) - 31/12/2022
Schroder Sustainable Portfolio 3	**2.05**	**-9.23**	**-9.23**	**3.59**	**7.83**	**11.57**	**-2.62**	**6.55**	**10.22**	**2.67**	**7.76**	**6.15**	**-1.76**
IA Mixed Investment 0-35% Shares	2.31	-10.22	-10.22	2.57	3.98	8.80	-3.41	5.01	9.06	0.85	5.31	4.81	-3.43
Schroder Sustainable Portfolio 4	**2.78**	**-10.10**	**-10.10**	**5.89**	—	—	—	—	—	—	—	—	**1.10**
Schroder Sustainable Portfolio 5	**3.27**	**-10.62**	**-10.62**	**7.50**	**9.56**	**18.73**	**-4.55**	**11.78**	**11.34**	**4.52**	**6.25**	**14.78**	**3.29**
IA Mixed Investment 20-60% Shares	3.09	-9.67	-9.67	6.31	3.49	12.08	-5.11	7.20	10.57	1.51	5.04	9.21	3.63
Schroder Sustainable Portfolio 6	**3.90**	**-11.10**	**-11.10**	**9.06**	—	—	—	—	—	—	—	—	**5.36**
Schroder Sustainable Portfolio 7	**4.47**	**-11.52**	**-11.52**	**10.99**	**12.36**	**24.19**	**-5.75**	**14.36**	**15.75**	**5.51**	**4.41**	**21.59**	**8.16**
IA Mixed Investment 40-85% Shares	3.00	-10.18	-10.18	11.22	5.50	15.94	-6.07	10.05	13.28	2.83	4.99	14.77	9.79
Schroder Sustainable Portfolio 8	**4.94**	**-12.03**	**-12.03**	**12.22**	—	—	—	—	—	—	—	—	**9.91**
IA Flexible Investment	2.75	-9.12	-9.12	11.38	7.01	15.64	-6.64	11.09	14.16	2.09	4.83	14.82	11.57

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 November 2022. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Sustainable Model Portfolios

Q4 2022

Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
EdenTree Responsible & Sustainable UK Equity	9.92%	UK Equities finished the final quarter of 2022 with positive returns on the back of a very volatile September. This was reflected in the Sustainable portfolios as all three funds in the UK Equity asset class contributed to performance. Expectations that the Bank of England may be nearing the end of their interest rate increase cycle helped to improve consumer confidence. For Q4, the fund benefitted from holdings in the consumer cyclical, industrials and financial service sectors. The EdenTree Responsible & Sustainable UK Equity fund evaluates the companies they invest in on a three-to-five-year horizon, a period over which the true value of a business can be realised. The previous quarters of negative returns provided an opportunity to invest in such companies which have future growth prospects.
CT Responsible UK Equity	10.56%	Positive performance in UK Equities was largely driven by the Bank of England's decision to reduce their pace of interest rate increases. This helped to support the domestically focused areas of the UK equity market. The Columbia Threadneedle Responsible UK Equity fund is the second largest holding within the UK Equity asset class and it also contributed positively to performance for the Sustainable portfolios. The sectors which had the highest returns for the fund were from holdings in financial services, industrials and healthcare. A top stock contributor was AstraZeneca, the multinational pharmaceutical and biotechnology company which has a return of 12.81% for the quarter.
Royal London Sustainable Leaders	8.89%	In line with the themes driving performance for UK Equities, the Royal London Sustainable Leaders fund also had positive returns over the quarter. The fund focuses on investing in companies which demonstrate sustainable business practice and meet specific financial criteria. The manger believe that the factors influencing the drive to a more sustainable society have reached critical mass and if anything, are accelerating. Over the quarter, their holdings in the healthcare, industrials and financial services sector contributed to performance. One of the top contributors was Compass Group, the largest contract foodservice company in the world, employing over 500,000 people.

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Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
Neuberger Berman Uncorrelated Strategies	-3.18%	After positively contributing to performance over the course of 2022, the final quarter saw negative returns from the Neuberger Berman Uncorrelated Strategies fund. Allocations within their global macro and trend following strategies detracted from performance. Their equity market neutral strategy also detracted as macroeconomic factors had a greater influence on stock prices than the performance of individual companies or their earnings, sometimes even overriding these factors. The fund is designed to function as a risk diversifier within portfolios and has a low correlation to the equity and fixed income markets. The manager continues to carefully evaluate their exposures and attribution and view their risk levels to be quite conservative and appropriate for the current market.
Montlake Crabel Gemini	-2.53%	The Montlake Crabel Gemini fund forms part of our alternatives allocation which has provided protection for investors over the year but saw negative returns over the quarter. This is due to its investment philosophy which struggled in the volatile environment. The fund is structured to offer unique sources of returns with over 50 differentiated and stand-alone strategies. The fund has a multi-day timeframe where short, sharp corrections in the market can make it difficult for these strategies to perform. This was particularly evident in the commodities, foreign exchange, and fixed income sectors where multiple day positive returns were often quickly reversed.
Liontrust MA Diversified Real Assets	-2.70%	The Liontrust Diversified Real Assets fund detracted from performance before it was sold during the quarter. The fund invests in liquid real assets across sectors, such as infrastructure, property, renewables, gold and commodities. Although some of these sectors performed well, such as commodities, this was not enough to offset the weaker returns in other areas. The fund was replaced by the Waverton Real Assets fund after ongoing research identified it as a more appropriate implementation.

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Schroder Sustainable Model Portfolios

Q4 2022

Portfolio updates

2022 proved to be a challenging year for investors across most asset classes but the final quarter generally saw positive returns. November in particular saw US Equities perform well as we saw signs that inflation may be stabilising. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all raised their respective policy interest rates by 0.50%, a step down from their previous increases of 0.75%.

Over the year we remained focused on long term outcomes to build portfolios that weather the storm and help investors achieve their investment goals. Some of the key investment decisions we made included our allocation to alternative assets, which added positively to returns and created a buffer relative to traditional asset classes. Portfolios also benefitted from our introduction of value equities, which invest in companies that appear to trade at a lower price, relative to their fundamentals. These companies benefited from higher energy prices and increasing interest rates. This was implemented through our Global Allocation and then further in the US Equity allocation.

We remain aware of our exposure to value and growth stocks and how they typically perform in this environment. The higher weighting to value-orientated strategies within our US and Global equity allocations is balanced by a higher weighting to growth-orientated strategies in Emerging Market equities. Going into Q1 of 2023 we are also increasing our growth exposure in Japan. We believe that higher-quality and defensive businesses will be resilient going forward and our equity allocations are positioned to take advantage of this.

Although we see signs that inflation pressures are easing and central banks are closer to ending their current cycle of interest rate increases, we remain cautiously optimistic about our fixed income allocation. Within our corporate bond allocations we have maintained our exposure to higher credit quality assets. These assets have the benefit of being attractively priced while also offering higher yields without taking on additional risk.

Our alternatives allocation consists of return enhancing and risk diversifying funds. We believe that these characteristics will continue to benefit investors during continued market volatility. We are currently tilted towards risk diversifying assets and will look for opportunities to carefully add to return enhancing assets.

Looking forward to 2023, we are monitoring several factors and will position portfolios accordingly to take advantage of the next phase in the economic cycle. Firstly, we are looking to see core inflation in the US continue on a downward trend. Secondly, the US labour market has had 2 jobs for every unemployed person. This has driven up wages alongside pressure from the increasing cost of living. The risk of higher wages is that this leads to more discretionary spending, which further drives up prices and therefore inflation. Lastly, markets have adjusted the prices of equities and bonds to reflect most of the expected interest rate increases by Central Banks. We remain cautious on earnings expectations as our base case is that developed markets enter a recession in 2023. A reduction in earnings would provide evidence of how deep the recession could be and allows the market to start looking past the recession and into recovery.

When we are faced with extreme market volatility and a downward trend in markets, the benefits of longer-term investing becomes even more apparent. We continue to manage your portfolios in a way that navigates volatile markets and capitalises on opportunities as they arise.

Schroder Sustainable Model Portfolios

Q4 2022

Portfolio changes

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

No specific fund changes were made over the quarter.

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Schroder Blended Portfolios

Q4 2022

Investment objective

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

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

Source: Schroders 2022. [1]The Fund seeks to achieve the target volatility range by varying the weighting of asset types. During the relevant rolling five year period the Fund's volatility may be higher or lower than the target range if the investment manager believes it is necessary to seek to mitigate potential losses. The Fund's potential gains and losses are likely to be constrained by the aim to achieve its target volatility range. [2]The comparator benchmarks have been selected because the Investment Manager believes that this benchmark is a suitable comparison for performance purposes. Global equities are expressed as MSCI All Countries World Index.

Schroder Blended Portfolios

Q4 2022

Schroder Blended Portfolios Performance

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	Q4 2022	YTD	01/01/2022 - 31/12/2022	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013	Since Common Inception (01/04/2020) - 31/12/2022
Schroder Blended Portfolio 3 F Acc	**0.83**	**-8.10**	**-8.10**	**3.82**	—	—	—	—	—	—	—	—	**9.23**
IA Mixed Investment 0-35% Shares	2.31	-10.22	-10.22	2.57	3.98	8.80	-3.41	5.01	9.06	0.85	5.31	4.81	4.18
Schroder Blended Portfolio 4 F Acc	**1.13**	**-7.82**	**-7.82**	**5.81**	—	—	—	—	—	—	—	—	**16.63**
Schroder Blended Portfolio 5 F Acc	**1.32**	**-7.75**	**-7.75**	**7.44**	—	—	—	—	—	—	—	—	**21.41**
IA Mixed Investment 20-60% Shares	3.09	-9.67	-9.67	6.31	3.49	12.08	-5.11	7.20	10.57	1.51	5.04	9.21	14.26
Schroder Blended Portfolio 6 F Acc	**1.60**	**-7.51**	**-7.51**	**9.16**	—	—	—	—	—	—	—	—	**28.31**
Schroder Blended Portfolio 7 F Acc	**1.79**	**-7.29**	**-7.29**	**12.13**	—	—	—	—	—	—	—	—	**38.28**
IA Mixed Investment 40-85% Shares	3.00	-10.18	-10.18	11.22	5.50	15.94	-6.07	10.05	13.28	2.83	4.99	14.77	24.32
Schroder Blended Portfolio 8 F Acc	**1.97**	**-7.56**	**-7.56**	**12.88**	—	—	—	—	—	—	—	—	**41.77**
IA Flexible Investment	2.75	-9.12	-9.12	11.38	7.01	15.64	-6.64	11.09	14.16	2.09	4.83	14.82	28.09

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.

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 November 2022. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Blended Portfolios

Q4 2022

Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
JO Hambro UK Dynamic	13.34%	The final quarter of 2022 saw positive performance in UK Equities on the back of a very volatile September. The JO Hambro UK Dynamic fund was the top contributor to performance for the Active portfolios in Q4 2022. The strategy of the fund is to profit from understanding positive corporate change which is often under-appreciated by the overall stock market. This approach was particularly evident through holdings in the financial services, basic materials and industrial sectors. The top stock for the fund was the British multinational energy and services company, Centrica. The company had a return of 38.24% over the quarter after a strong trading statement and a boost from the announcement of an electricity windfall tax.
HSBC FTSE All Share Index	8.52%	Relative to other regions, the UK Equity market has been resilient over 2022, particularly within the largest FTSE 100 companies. Banks and the oil majors have increased dividends as strong commodity markets and rising interest rates have driven strong earnings growth. These sectors conduct much of their trade in US dollars and the extraordinary run in the US currency has therefore been a further boost to their sterling earnings. Over the quarter, positive returns were generated within the financial services, basic materials and healthcare sectors. A top stock contributor was AstraZeneca, the multinational pharmaceutical and biotechnology company which has a return of 12.81% for the quarter.
MI TwentyFour Dynamic Bond	5.93%	The final quarter of the year showed signs that inflation may have reached its highest level in the US and that the Federal Reserve could slow down the pace of its interest rate increases. This helped to improve market sentiment and the MI TwentyFour Dynamic Bond experienced positive returns in Q4. The fund adopts a flexible approach to take advantage of prevailing market conditions as they change over time. The manager is active in identifying opportunities where they can purchase new bonds at lower prices and with higher yields. The fund has a current yield of 6.28%.

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Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
Neuberger Berman Uncorrelated Strategies	-3.18%	After positively contributing to performance over the course of 2022, the final quarter saw negative returns from the Neuberger Berman Uncorrelated Strategies fund. Allocations within their global macro and trend following strategies detracted from performance. Their equity market neutral strategy also detracted as macroeconomic factors had a greater influence on stock prices than the performance of individual companies or their earnings, sometimes even overriding these factors. The fund is designed to function as a risk diversifier within portfolios and has a low correlation to the equity and fixed income markets. The manager continues to carefully evaluate their exposures and attribution and view their risk levels to be quite conservative and appropriate for the current market.
HSBC America Index	-2.52%	Most sectors in the US were up over the quarter with much of the progress being made in November. However, a weaker dollar meant that the return for the HSBC America Index in sterling terms was negative. Higher US government bond yields, specifically real yields, are detrimental to sectors such as technology and consumer discretionary, which are more sensitive to borrowing costs. Over the quarter, performance detractors were from holdings in the consumer cyclical, technology and communication services sectors. Tesla was the largest detractor as it suffered a 56.9% loss. The industrials, financial services and healthcare sectors saw positive returns over the quarter as did the energy sector, with Exxon and Chevron posting record profits in the quarter.
Artemis US Smaller Companies	-5.41%	The US market continues to focus on the level and trajectory of inflation alongside assumptions over how the Federal Reserve will act to counteract this. Artemis anticipate a mild recession in the US and the portfolio has been moved to a more defensive positioning. The healthcare, financial services and consumer defensive sectors of the fund detracted from performance while contributions came from holding in the consumer cyclical, industrials and basic materials sectors. The manager has a balance between companies they believe can grow in a tougher economic environment, with companies which are emerging stronger from a post-covid era. An example is Axon Enterprises, in the Aerospace and Defence sector, which was a top contributor for the quarter.

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Schroder Blended Portfolios

Q4 2022

Portfolio updates

2022 proved to be a challenging year for investors across most asset classes but the final quarter generally saw positive returns. November in particular saw US Equities perform well as we saw signs that inflation may be stabilising. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all raised their respective policy interest rates by 0.50%, a step down from their previous increases of 0.75%.

Over the year we remained focused on long term outcomes to build portfolios that weather the storm and help investors achieve their investment goals. Some of the key investment decisions we made included our allocation to alternative assets, which added positively to returns and created a buffer relative to traditional asset classes. Portfolios also benefitted from our introduction of value equities, which invest in companies that appear to trade at a lower price, relative to their fundamentals. These companies benefited from higher energy prices and increasing interest rates. This was implemented through our Global Allocation and then further in the US Equity allocation.

We remain aware of our exposure to value and growth stocks and how they typically perform in this environment. The higher weighting to value-orientated strategies within our US and Global equity allocations is balanced by a higher weighting to growth-orientated strategies in Emerging Market equities. Going into Q1 of 2023 we are also increasing our growth exposure in Japan. We believe that higher-quality and defensive businesses will be resilient going forward and our equity allocations are positioned to take advantage of this.

Although we see signs that inflation pressures are easing and central banks are closer to ending their current cycle of interest rate increases, we remain cautiously optimistic about our fixed income allocation. Within our corporate bond allocations we have maintained our exposure to higher credit quality assets. These assets have the benefit of being attractively priced while also offering higher yields without taking on additional risk.

Our alternatives allocation consists of return enhancing and risk diversifying funds. We believe that these characteristics will continue to benefit investors during continued market volatility. We are currently tilted towards risk diversifying assets and will look for opportunities to carefully add to return enhancing assets.

Looking forward to 2023, we are monitoring several factors and will position portfolios accordingly to take advantage of the next phase in the economic cycle. Firstly, we are looking to see core inflation in the US continue on a downward trend. Secondly, the US labour market has had 2 jobs for every unemployed person. This has driven up wages alongside pressure from the increasing cost of living. The risk of higher wages is that this leads to more discretionary spending, which further drives up prices and therefore inflation. Lastly, markets have adjusted the prices of equities and bonds to reflect most of the expected interest rate increases by Central Banks. We remain cautious on earnings expectations as our base case is that developed markets enter a recession in 2023. A reduction in earnings would provide evidence of how deep the recession could be and allows the market to start looking past the recession and into recovery.

When we are faced with extreme market volatility and a downward trend in markets, the benefits of longer-term investing becomes even more apparent. We continue to manage your portfolios in a way that navigates volatile markets and capitalises on opportunities as they arise.

Schroder Blended Portfolios

Q4 2022

Portfolio changes

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

The following fund additions and sales were made at our January 2023 rebalance:

The Jupiter UK Mid Cap fund was sold in line with our preference to increase our exposure to larger companies with defensive quality characteristics. We have been reducing our holding in the fund over the last 18 months given the higher yield environment, coupled with increased inflation and the markets current preference for value-based stocks. The proceeds of this sale have been allocated to the TB Evenlode Income fund. The fund has an approach which we believe will effectively navigate the impending recession risk and worsening growth and inflation environment. Key considerations in the stock selection process include balance sheet strength, sustainable free cash flow and a well covered dividend yield.

The R&M UK Listed Smaller Companies fund was added at 10% of the UK asset class in the Blended portfolios. This allocation was funded partly by the sale of the Jupiter UK Mid Cap fund as well as a reduction in the JO Hambro UK Dynamic fund. With the Blended portfolios including more active managers as of Q4, this provided the opportunity to align our preferred funds across the Active and Blended portfolios. The R&M fund follows a pragmatic approach and invests in smaller companies that offer compounding returns throughout the cycle. The investment process has a long-term track record and focuses on 3 factors when making investment decisions: potential, valuation, timing.

Our economic cycle analysis indicates that the current split between active and passive managers within Blended Portfolios remains appropriate. The analysis evaluates the state of the global economy using data on a broad range of components which tracks global activity trends. When the data indicates a negative outlook and a slowdown in the economy we typically allocate larger portions to active managers and vice versa. Overall, the portfolios have 60% exposure to active funds and 40% exposure to passive funds. Within each asset class, the split between active and passive managers can differ. We allocate to active managers where we believe they will add the most value. For example, in our Emerging Equities allocation, we have an 85% allocation to active. This is in comparison to an allocation of 30% active managers in US Equities.

Schroder Tactical Portfolios

Q4 2022

Investment objective

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

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

Source: Schroders 2022. [1]The Funds seek to achieve the target volatility range by varying the weighting of asset types. During the relevant rolling five year period the Fund's volatility may be higher or lower than the target range if the investment manager believes it is necessary to seek to mitigate potential losses. The Fund's potential gains and losses are likely to be constrained by the aim to achieve its target volatility range. [2]The comparator benchmarks have been selected because the Investment Manager believes that this benchmark is a suitable comparison for performance purposes. Global equities are expressed as MSCI All Countries World Index.

Schroder Tactical Portfolios

Q4 2022

Schroder Tactical Model Portfolios 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.

	Q4 2022	YTD	01/01/2022 - 31/12/2022	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013	Since Common Inception (01/02/2017) - 31/12/2022
Schroder Tactical Portfolio 3 F Acc	**1.57**	**-11.09**	**-11.09**	**4.60**	**5.79**	**8.45**	**-4.31**	—	—	—	—	—	**7.15**
IA Mixed Investment 0-35% Shares	2.31	-10.22	-10.22	2.57	3.98	8.80	-3.41	5.01	9.06	0.85	5.31	4.81	5.56
Schroder Tactical Portfolio 4 F Acc	**2.12**	**-10.39**	**-10.39**	**7.09**	**4.55**	**10.27**	**-5.72**	—	—	—	—	—	**11.01**
Schroder Tactical Portfolio 5 F Acc	**2.53**	**-9.85**	**-9.85**	**8.83**	**3.94**	**12.45**	**-7.49**	—	—	—	—	—	**14.61**
IA Mixed Investment 20-60% Shares	3.09	-9.67	-9.67	6.31	3.49	12.08	-5.11	7.20	10.57	1.51	5.04	9.21	12.95
Schroder Tactical Portfolio 6 F Acc	**2.99**	**-8.89**	**-8.89**	**10.82**	**3.29**	**13.59**	**-8.67**	—	—	—	—	—	**18.02**
Schroder Tactical Portfolio 7 F Acc	**3.28**	**-7.80**	**-7.80**	**12.99**	**2.84**	**14.38**	**-10.51**	—	—	—	—	—	**20.73**
IA Mixed Investment 40-85% Shares	3.00	-10.18	-10.18	11.22	5.50	15.94	-6.07	10.05	13.28	2.83	4.99	14.77	25.56

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 November 2022. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Tactical Portfolios

Q4 2022

Positive contributors to portfolio performance

Asset class	CTR[1] (T5)	Absolute return	Commentary
UK Equities	1.30%	9.55%	Domestic issues aplenty but relatively attractive valuations and projected weakness in sterling are supportive factors.
Global Equities	0.63%	2.32%	The latest bear market rally seems to have ended but the apparent peak in interest rates in many countries is cause for some optimism.
Emerging Market Equities	0.46%	8.79%	Recessionary risks are traditionally not supportive for emerging markets. Yet current valuations reflect this and China's re-opening should help. A stable, and perhaps weaker, dollar would likely provide further support.

Note: UK Equities = Schroder UK Multi-Factor Equity Fund, Schroder Prime UK Equity Fund, FTSE 100 Index Future. Global equities = Sustainable Multi-Factor Equity Fund, Schroder Global Equity Fund, Schroder Global Equity Completion Fund. Emerging Market Equities = MSCI Emerging Market Equity Index Futures. [1]Contribution to Return for Schroder Tactical Portfolio 5.

Negative contributors to portfolio performance

Asset class	CTR[1] (T5)	Absolute return	Commentary
Government Bonds	-0.00%	-0.09%	An imminent economic slowdown should provide support for yields, which are now trading at more realistic levels.

Note: Government bonds = Schroder Global Sovereign Bond Tracker Component Fund, US 10y Government Bonds. [1]Contribution to Return for Schroder Tactical Portfolio 5.

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Schroder Tactical Portfolios

Q4 2022

Portfolio updates

The Schroder Tactical Portfolios posted positive returns in the final quarter of 2022. Overall, equity markets were stronger, bond yields were higher and credit spreads moved tighter.

Our stance on equities remained cautious over Q4 as we believe that expectations for corporate earnings remain too high and do not yet appropriately reflect the risks of a recession. The portfolios therefore remained underweight equities, however the composition of the underweight position changed.

From a regional perspective, we closed the portfolio's overweight position in US equities in October. Our preference for the region had waned given the challenges posed by higher interest rates and what we perceived to be overly optimistic earnings expectations. We instead see better value outside of the US and implemented an overweight European equity versus US equity position. European banks remain in rude health and we believe that diverging macro stories and the continued headwinds faced by the US's tech-heavy equity market can lead to European outperformance.

Within fixed income, we took profits on the portfolio's overweight US high yield credit position in December. This reflected a shift in preference from high yield to investment grade credit, with the former being more vulnerable to falling corporate earnings. We rotated the high yield exposure into European investment grade to take advantage of attractive valuations and superior quality in Europe relative to the US.

The overweight position we maintained in commodities for most of the quarter was closed in December to offset some of the cyclical (growth-sensitive) exposure in the portfolios.

Turning to currencies, the euro versus Canadian dollar position was closed early in the quarter to book profits. Canada has led the way recently in weaker economic growth data, whilst the euro has benefitted from better risk sentiment. Also in October, an overweight US dollar and euro versus sterling position was added to the portfolios. This was based on the view that the Bank of England had a lower probability of meeting market expectations on interest rate hikes than their US and European peers. This, coupled with a bleak macro outlook in the UK, made a strong structural case for a weaker sterling. These positions were closed in December.

An overweight Australian dollar versus sterling position was added in December. We believed that market pricing on Australian rate hikes appeared to have softened excessively, providing an attractive entry point. The trade also reflects our continued view of a structurally weaker sterling, with an implementation that was less sensitive to macro risks.

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Schroder Tactical Portfolios

Q4 2022

Outlook

After a dismal 2022 for global markets, we think there are grounds for cautious optimism as we enter 2023. Although the coming year is expected to be one of recession for advanced economies, businesses, consumers and markets seem to have adjusted to this prospect. The mindsets of investors have moved from "denial" to "acceptance" in terms of their expectations of central bank hikes, and market expectations now look more reasonable.

That said, it won't be plain sailing from here; inflation risks persist, corporate earnings forecasts need to come down to properly reflect a recession and geopolitical risk is never far away. Nevertheless, a lot of bad news is already priced in to markets and there is a wide dispersion in valuations. This is good terrain for flexible active multi-asset strategies.

Inflation is the key to market performance in 2023. There are signs that it has peaked, particularly in the US but it is clear that a recession is required to bring Consumer Price Inflation (CPI) back to target levels. We have looked at economic cycles going back to the 1960s and found that reducing inflation from current levels has always required a fall in GDP of up to 4%. Provided inflation does come down, we could start to see a more benign environment for markets. But if inflation persists, most likely due to strong labour markets, then we have a problem on our hands. Rates might have to adjust higher, and markets would have to reassess valuations once again.

Despite the risks, compared to the volatility of 2022, we expect interest rates and therefore fixed income, to be more stable in 2023. The appeal of bonds has changed from being their diversification benefits, to their yields. In credit, corporate fundamentals are strong and although some deterioration is expected as we approach recession, a lot of bad news is already priced in.

We don't think equity valuations are as attractive as bond valuations, and we need earnings expectations to come down further given recessionary risks. One of the interesting features of the current market cycle is that while share prices have collapsed, earnings have so far mostly been remarkably robust as companies have retained pricing power (passing on higher costs to consumers through higher prices). However, there are indications that consumers are cutting spending and revenue looks likely to fall in 2023, creating an earnings downgrade cycle that is yet to be fully reflected in valuations. There is also potentially more opportunity among regions. After years of unrelenting outperformance by the US, driven by the strength of the technology sector, markets outside the US now look cheap.

In conclusion, we are approaching a new phase in the cycle, one in which investors will need to be more discerning and selective, both on countries and companies. There will be an increased divergence between the winners and losers in both fixed income and equity markets. Whilst the near term economic outlook is bleak, we should remember that historically some of the best opportunities occur in the midst of recessions.

Schroder Managed Defensive Fund

Q4 2022

Investment objective

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

Source: Schroders 2022.

Schroder Managed Defensive Fund

Q4 2022

Schroder Managed Defensive Fund Performance

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	Q4 2022	YTD	01/01/2022 - 31/12/2022	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013	Since Inception (01/06/2018) - 31/12/2022
Schroder Managed Defensive F Acc	**1.04**	**-8.99**	**-8.99**	**5.54**	**1.84**	**8.89**	—	—	—	—	—	—	**3.32**
UK Cash + 2%	0.58	2.03	2.03	2.07	2.62	3.00	2.88	2.42	2.71	2.69	2.63	2.56	11.96

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 30 November 2022. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Managed Defensive Fund

Q4 2022

Positive contributors to portfolio performance

Asset class	CTR[1]	Absolute return	Commentary
North American Equity	0.22%	5.44%	Despite the recent rally, we don't see a catalyst for this continuing. While the US economy is proving remarkably resilient, we have doubts that current valuation levels are justified.
Europe ex UK Equities	0.10%	14.01%	Valuations are appealing, corporate balance sheets are strong, and China's reopening should provide a boost, with a near-term crunch in energy supply averted so far.
UK Equities	0.06%	7.77%	Domestic issues aplenty but relatively attractive valuations and projected weakness in sterling are supportive factors.

Note: North American equities = S&P 500 Index Future. Europe ex UK Equities = Euro Stoxx 50 Index Future. UK Equities = FTSE 100 Index Future. [1]Contribution to Return for Schroder Managed Defensive Fund. Returns and contributions are in base currency.

Negative contributors to portfolio performance

Asset class	CTR[1]	Absolute return	Commentary
Government Bonds	-0.13%	-1.27%	An imminent economic slowdown should provide support for yields, which are now trading at more realistic levels.

Note: Government Bonds = UK Gilt Treasuries, German Bunds, US Treasuries, Australia Government Bonds, Canadian Government Bonds. [1]Contribution to Return for Schroder Managed Defensive Fund. Returns and contributions are in base currency.

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Schroder Managed Defensive Fund

Q4 2022

Portfolio updates

The Schroder Managed Defensive Fund posted positive returns in the final quarter of 2022.

The Fund's volatility cap mechanism, which was activated in the middle of June, remained in place throughout Q4 as volatility in markets remained elevated. The volatility cap acts as de-risking mechanism which systematically reduces the Fund's invested exposure and raises cash exposure during periods of heightened volatility.

Where the Fund does have invested exposure, it remains conservatively positioned. From an equity standpoint, despite contributing to Fund returns over Q4, rising interest rates continued to put pressure on valuations and recessionary risks weighed on earnings. We believe equity valuations do not fully reflect the drop in corporate earnings we expect to see in 2023.

At the same time, we recognise that regions outside of the US offer more compelling valuations, so we rotated some exposure from the US into the UK and Europe.

Turning to fixed income, government bond positions detracted from performance over Q4 as yields edged up towards the end of quarter. This reflected market disappointment following statements from some central banks indicating that they would not be easing off the monetary tightening pedal. Given this, we remained neutral on government bonds, preferring those with higher yields to reduce portfolio risk.

From a regional perspective, in November the Fund tilted some exposure towards UK Gilts following more recent fiscal policy stability from the new Sunak administration. We also believe the Bank of England will be restricted in raising rates materially given the impact this would have on mortgages.

The Fund maintained its allocation to commodities over the quarter. Despite a slowing economy acting as a headwind, commodities offer protection in the event that high inflation persists for longer and should perform well amid increased demand from China, stemming from a relaxation in Covid policy.

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Schroder Managed Defensive Fund

Q4 2022

Portfolio changes

After a dismal 2022 for global markets, we think there are grounds for cautious optimism as we enter 2023. Although the coming year is expected to be one of recession for advanced economies, businesses, consumers and markets seem to have adjusted to this prospect. The mindsets of investors have moved from "denial" to "acceptance" in terms of their expectations of central bank hikes, and market expectations now look more reasonable.

That said, it won't be plain sailing from here; inflation risks persist, corporate earnings forecasts need to come down to properly reflect a recession and geopolitical risk is never far away. Nevertheless, a lot of bad news is already priced in to markets and there is a wide dispersion in valuations. This is good terrain for flexible active multi-asset strategies.

Inflation is the key to market performance in 2023. There are signs that it has peaked, particularly in the US but it is clear that a recession is required to bring Consumer Price Inflation (CPI) back to target levels. We have looked at economic cycles going back to the 1960s and found that reducing inflation from current levels has always required a fall in GDP of up to 4%. Provided inflation does come down, we could start to see a more benign environment for markets. But if inflation persists, most likely due to strong labour markets, then we have a problem on our hands. Rates might have to adjust higher, and markets would have to reassess valuations once again.

Despite the risks, compared to the volatility of 2022, we expect interest rates and therefore fixed income, to be more stable in 2023. The appeal of bonds has changed from being their diversification benefits, to their yields. In credit, corporate fundamentals are strong and although some deterioration is expected as we approach recession, a lot of bad news is already priced in.

We don't think equity valuations are as attractive as bond valuations, and we need earnings expectations to come down further given recessionary risks. One of the interesting features of the current market cycle is that while share prices have collapsed, earnings have so far mostly been remarkably robust as companies have retained pricing power (passing on higher costs to consumers through higher prices). However, there are indications that consumers are cutting spending and revenue looks likely to fall in 2023, creating an earnings downgrade cycle that is yet to be fully reflected in valuations. There is also potentially more opportunity among regions. After years of unrelenting outperformance by the US, driven by the strength of the technology sector, markets outside the US now look cheap.

In conclusion, we are approaching a new phase in the cycle, one in which investors will need to be more discerning and selective, both on countries and companies. There will be an increased divergence between the winners and losers in both fixed income and equity markets. Whilst the near term economic outlook is bleak, we should remember that historically some of the best opportunities occur in the midst of recessions.

Schroder Income Portfolio

Q4 2022

Investment objective

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

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

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

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

Schroder Income Portfolio

Q4 2022

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.

	QTD	YTD	01/01/2022 - 31/12/2022	01/01/2021 - 31/12/2021	01/01/2020 - 31/12/2020	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013	Since inception (01/01/2011) - 31/12/2022
Schroder Income Portfolio	2.59	-6.62	-6.62	12.42	0.00	5.53	0.21	1.67	9.69	0.19	3.06	12.60	63.61
IA Mixed Investment 20-60% Shares	3.09	-9.67	-9.67	6.31	3.49	12.08	-5.11	7.20	10.57	1.51	5.04	9.21	55.98

Yield

The approximate 12-month trailing yield is 3.01%. Please note the actual figure may be revised once final distributions 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 December 2022. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Income Portfolio

Q4 2022

Portfolio update

2022 proved to be a challenging year for investors across most asset classes but the final quarter generally saw positive returns. November in particular saw US Equities perform well as we saw signs that inflation may be stabilising. The Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all raised their respective policy interest rates by 0.50%, a step down from their previous increases of 0.75%.

Over the year we remained focused on long term outcomes to build portfolios that weather the storm and help investors achieve their investment goals. Some of the key investment decisions we made included our allocation to alternative assets, which added positively to returns and created a buffer relative to traditional asset classes. Portfolios also benefitted from our introduction of value equities, which invest in companies that appear to trade at a lower price, relative to their fundamentals. These companies benefited from higher energy prices and increasing interest rates. This was implemented through our Global Allocation and then further in the US Equity allocation.

We remain aware of our exposure to value and growth stocks and how they typically perform in this environment. The higher weighting to value-orientated strategies within our US and Global equity allocations is balanced by a higher weighting to growth-orientated strategies in Emerging Market equities. Going into Q1 of 2023 we are also increasing our growth exposure in Japan. We believe that higher-quality and defensive businesses will be resilient going forward and our equity allocations are positioned to take advantage of this.

Although we see signs that inflation pressures are easing and central banks are closer to ending their current cycle of interest rate increases, we remain cautiously optimistic about our fixed income allocation.

Within our corporate bond allocations we have maintained our exposure to higher credit quality assets. These assets have the benefit of being attractively priced while also offering higher yields without taking on additional risk.

Our alternatives allocation consists of return enhancing and risk diversifying funds. We believe that these characteristics will continue to benefit investors during continued market volatility. We are currently tilted towards risk diversifying assets and will look for opportunities to carefully add to return enhancing assets.

Looking forward to 2023, we are monitoring several factors and will position portfolios accordingly to take advantage of the next phase in the economic cycle. Firstly, we are looking to see core inflation in the US continue on a downward trend. Secondly, the US labour market has had 2 jobs for every unemployed person. This has driven up wages alongside pressure from the increasing cost of living. The risk of higher wages is that this leads to more discretionary spending, which further drives up prices and therefore inflation. Lastly, markets have adjusted the prices of equities and bonds to reflect most of the expected interest rate increases by Central Banks. We remain cautious on earnings expectations as our base case is that developed markets enter a recession in 2023. A reduction in earnings would provide evidence of how deep the recession could be and allows the market to start looking past the recession and into recovery.

When we are faced with extreme market volatility and a downward trend in markets, the benefits of longer-term investing becomes even more apparent. We continue to manage your portfolios in a way that navigates volatile markets and capitalises on opportunities as they arise.

Schroder Income Portfolio

Q4 2022

Portfolio changes

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

The following fund additions and sales were made at our January 2023 rebalance:

We switched our holding in the iShares MSCI USA Quality Dividend ESG UCITS ETF in favour of the Fidelity US Quality Income ETF. Ongoing research in the US Equity asset class identified the Fidelity ETF as a more appropriate choice. The fund aims to provide both capital and income returns by replicating the Fidelity US Quality Income Index. The Index is designed to reflect the performance of US large and medium sized companies that exhibit quality fundamental characteristics, while also ensuring income is provided. The fund has a current yield of 2.55% and has a cost advantage relative to the iShares ETF with an OCF of 0.25% compared to 0.35%.

Schroder Income Portfolio

Q4 2022

Positive contributors to portfolio performance

Fund name	Fund performance	Commentary
City of London	11.02%	After a volatile quarter three for the UK market, quarter four saw positive returns in UK Equities. The City of London Investment Trust, managed by Job Curtis from Janus Henderson, was the top performer for the Schroder Income Fund. Rising interest rates had a positive impact on their holdings in the financial services sector and they also benefitted from exposure in the industrial and basic materials sectors. The fund is well diversified with a bias towards large, international companies which can support their dividends through profits and cash generation. Although slower growth and reduced corporate earnings is expected going into 2023, the investment trust has strong revenue reserves which enables it to continue delivering reliable dividends to investors during times of market turmoil.
Schroder Income Maximiser	13.43%	Positive performance in UK Equities was largely driven by the Bank of England's decision to reduce their pace of interest rate increases. This helped to support the domestically focused areas of the UK equity market. Given the challenging economic environment, companies which produce goods and services considered necessary for everyday typically provide a safe investment option. The Schroder Income Maximiser fund benefited from their holdings in the financial services, consumer defensive and energy sectors. The top contributor was the British multinational energy and services company, Centrica. The company had a return of 38.24% over the quarter after a strong trading statement and a boost from the announcement of an electricity windfall tax.
BlackRock Continental European Income	9.85%	European Equities had a difficult 2022, exacerbated by the devastating situation in Ukraine as well as rising inflation and fears about economic growth. Despite this, the final quarter of the year showed positive performance. The BlackRock fund is expected to benefit from holdings in the financial services sector and this was particularly evident in Q4. Overall, the sector contributed 3.47% as banks benefitted from higher interest rates. Other contributions came from holdings in the industrial and energy sectors. Although a recession in the region is likely, more moderate energy prices and the unwinding of supply chain disruptions could help company profits to be resilient.

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: All performance data, unless otherwise stated: Morningstar, bid to bid, net income reinvested, net of fees as at 30 December 2022. Portfolio returns may vary from individual investor returns due to timings and cash flows.

Schroder Income Portfolio

Q4 2022

Negative contributors to portfolio performance

Fund name	Fund performance	Commentary
Schroder US Equity Income Maximiser	-3.48%	The US market continues to focus on the level and trajectory of inflation alongside assumptions over how the Federal Reserve will act to counteract this. Although US Equity saw positive dollar returns over the quarter, sterling returns were negative for the fund. Negative returns for the fund came from holdings in the consumer cyclical, technology and communication services sectors with Tesla, Amazon.com and Apple the largest detractors. The sectors which saw positive returns included industrials, healthcare and financial services. The fund continues to provide income for investors and currently has a yield of 5.25%.
Montlake Crabel Gemini	-1.07%	The Montlake Crabel Gemini fund forms part of our alternatives allocation which has provided protection for investors over the year but saw negative returns over the quarter. This is due to its investment philosophy which struggled in the volatile environment. The fund is structured to offer unique sources of returns with over 50 differentiated and stand-alone strategies. The fund has a multi-day timeframe where short, sharp corrections in the market can make it difficult for these strategies to perform. This was particularly evident in the commodities, foreign exchange, and fixed income sectors where multiple day positive returns were often quickly reversed.
HSBC Global Government Bond Index	-0.71%	The themes driving market performance in 2022 continued to negatively affect the returns of global government bonds. In the final quarter of the year, government bond yields increased marginally, signalling the markets disappointment with continued interest rate increases by central banks. As interest rates rise, the price of bonds fall, and vice-versa. Duration is a way to measure how much a bond's price will be affected by changes in interest rates. The longer the duration, the more the price will be impacted by a change in the interest rate. The index has approximately 50% exposure to bonds with a duration of longer than 5 years and consequently these would feel the affects of rising interest rates to a larger degree. We are however more positive on longer duration bonds and as the market begins to put less weight on inflation, there will be good return potential across global fixed income markets.

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What are the risks?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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