Schroder Investment Solutions

Schroder Managed Defensive Fund - Quarterly Bulletin

Q1 2024

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 the portfolios have 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 portfolios and the reasons why.

We hope that you find this information useful.

Alex Funk
Chief Investment Officer

Market performance

Q1 2024

The importance of diversification

The blend of assets in your portfolio is likely to be the dominant influence on your long-term returns. Spreading your investments across a variety of markets can help you to achieve your investment objectives while taking less risk than investing in any single market. The table below shows the varying level of market returns, on a calendar year basis, since 2019. The best performing asset class in any one calendar year (at the top) can potentially deliver the worst returns in the following year (at the bottom). Spreading investments across a range of markets helps avoid 'putting all your eggs in one basket' and gives you a better chance of achieving more consistent returns.

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

Best performing asset class

2019	2020	2021	2022	2023	YTD	Q1 2024
US Equities 25.7	Asia Ex Japan Equities 21.2	Commodities 41.6	Commodities 41.9	US Equities 18.9	Commodities 11.4	Commodities 11.4
Europe ex UK Equities 20.0	US Equities 16.2	Global Property 28.4	UK Cash 1.4	Europe ex UK Equities 14.8	Japanese Equities 11.1	Japanese Equities 11.1
UK Equities 19.2	Emerging Market Equities 14.7	US Equities 27.6	UK Equities 0.3	Japanese Equities 13.3	US Equities 11.0	US Equities 11.0
Global Property 18.3	UK Index-linked Gilts 11.0	UK Equities 18.3	Global High Yield Bonds -1.7	UK Corporate Bonds 9.8	Europe ex UK Equities 6.8	Europe ex UK Equities 6.8
Japanese Equities 14.6	Japanese Equities 9.5	Europe ex UK Equities 16.7	Japanese Equities -4.1	Global Corporate Bonds 8.0	UK Equities 3.6	UK Equities 3.6
Emerging Market Equities 13.9	UK Corporate Bonds 9.1	UK Index-linked Gilts 4.2	Europe ex UK Equities -7.6	UK Equities 7.9	Asia Ex Japan Equities 3.3	Asia Ex Japan Equities 3.3
Asia Ex Japan Equities 13.6	UK Gilts 8.3	Japanese Equities 2.0	US Equities -9.4	Global High Yield Bonds 7.6	Emerging Market Equities 3.3	Emerging Market Equities 3.3
Commodities 13.1	Europe ex UK Equities 7.5	Global High Yield Bonds 1.9	Asia Ex Japan Equities -9.6	Global Treasury Bonds 5.8	Global High Yield Bonds 3.1	Global High Yield Bonds 3.1
UK Corporate Bonds 11.0	Global Corporate Bonds 7.2	UK Cash 0.1	Emerging Market Equities -10.0	UK Cash 4.8	UK Cash 1.3	UK Cash 1.3
Global Corporate Bonds 10.6	Global Treasury Bonds 4.6	Global Corporate Bonds -1.0	Global Treasury Bonds -11.7	Global Property 4.6	UK Corporate Bonds 0.1	UK Corporate Bonds 0.1
Global High Yield Bonds 8.2	Global High Yield Bonds 3.7	Emerging Market Equities -1.6	Global Property -14.9	UK Gilts 3.7	Global Corporate Bonds 0.0	Global Corporate Bonds 0.0
UK Gilts 6.9	UK Cash 0.2	Global Treasury Bonds -2.0	Global Corporate Bonds -15.3	Emerging Market Equities 3.6	Global Treasury Bonds -0.1	Global Treasury Bonds -0.1
UK Index-linked Gilts 6.4	UK Equities -9.8	UK Corporate Bonds -3.3	UK Corporate Bonds -19.3	UK Index-linked Gilts 0.9	Global Property -0.1	Global Property -0.1
Global Treasury Bonds 5.5	Global Property -11.0	Asia Ex Japan Equities -3.8	UK Gilts -23.8	Asia Ex Japan Equities 0.0	UK Gilts -1.6	UK Gilts -1.6
UK Cash 0.7	Commodities -26.1	UK Gilts -5.2	UK Index-linked Gilts -33.6	Commodities -9.7	UK Index-linked Gilts -1.8	UK Index-linked Gilts -1.8

Worse Performing asset class

Source: Morningstar as at 31 March 2024. Note: All indices in sterling.

Market commentary

Q1 2024

Global stock markets registered strong gains in Q1 amid a resilient US economy and ongoing enthusiasm around Artificial Intelligence (AI). Expectations of interest rate cuts also boosted shares although the pace of cuts is likely to be slower than the market had hoped for at the turn of the year. Bonds saw negative returns in the quarter.

US equities experienced strong growth during the quarter. This was driven by positive company profits and the anticipation of future interest rate cuts. While the speed of interest rate cuts may be slower than originally expected due to the strength of the US economy, this did not diminish investor interest. The S&P 500 index (an index that measures the performance of 500 large publicly traded companies in the US) performed well and was boosted by the profits of some of the so-called "Magnificent Seven" companies. The "Magnificent Seven" stocks are a group of high-performing and influential companies in the US stock market: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla. Performance was also particularly supported by the communication services, energy, information technology, and financial sectors. However, the real estate sector saw a negative return, and utilities also underperformed.

Eurozone equities posted a strong gain in Q1. The information technology sector led the way amid ongoing optimism over demand for AI-related technologies. Other top gaining sectors included financials, consumer discretionary and industrials. Improvements in the economic outlook boosted more economically sensitive stocks while banks were supported by some announcements of improvements to shareholder returns. By contrast, utilities, consumer staples and real estate were the main detractors to performance.

UK equities experienced growth during the quarter. The financials, industrials, and energy sectors performed well, along with other areas of the market that are sensitive to economic conditions. Market expectations shifted to anticipate an earlier-than-expected interest rate cut by the Bank of England, as inflation remained below the bank's projections. At the end of the period, the Bank of England's Monetary Policy Committee decided to maintain the UK's interest rate at 5.25% during its March meeting. The annual inflation rate, as measured by the Consumer Price Index, has decreased from a peak of 11.1% in October 2022 to 3.4% in February, marking the lowest rate of price increases since September 2021.

The Japanese stock market had a great quarter, with prices rising significantly. The TOPIX Total Return index (an index which measures the total return, including both capital growth and dividend payments, of all the stocks listed on the Tokyo Stock Exchange's First Section) recorded a return of 18.1% in Japanese yen terms. Foreign investors played a major role in driving this rally, as they became more optimistic about Japan's economy. The Nikkei index reached a new all-time high and surpassed the 40,000 yen level. The Bank of Japan made important changes to its monetary policy at its March meeting, which also contributed to the market's performance. Wage growth and moderate inflation were positive factors in Japan's economic cycle. Overall, it was a historic quarter for the Japanese stock market.

Market commentary

Q1 2024

Emerging market (EM) stocks experienced gains during the first quarter of 2024, although they performed less favourably compared to developed market counterparts. The performance of EM equities was affected by various factors. China's market performance had a negative impact on overall returns, despite some targeted policy measures aimed at stimulating the economy. Expectations regarding the timing of interest rate cuts by the Federal Reserve were delayed, which helped boost returns. However, this delay had a negative effect on interest rate sensitive markets like Brazil. Among the top-performing index markets, Peru stood out, benefiting from currency and monetary policy easing measures.

The first quarter of 2024 brought significant changes to inflation and interest rate expectations. Initially, the market anticipated swift action from central banks to lower interest rates. However, these expectations were tempered, with a few exceptions. The Bank of Japan made a noteworthy move by increasing interest rates from -0.1% to 0.1%, marking the end of negative rates after 17 years. On the other hand, the European Central Bank, the Bank of England, and the Federal Reserve proceeded cautiously, avoiding premature declarations of victory over inflation. As the quarter progressed, there were changes in bond yields, which are the returns on bonds. Overall, 10-year government bond yields increased, leading to lower bond prices. In terms of performance, corporate bonds performed better than government bonds. Among them, UK high yield bonds stood out as top performers. It's important to note that investment grade bonds are considered to be of higher quality, while high yield bonds are riskier and have lower credit ratings.

The S&P GSCI Index (the Goldman Sachs Commodity Index is a benchmark that measures the performance of a diverse range of commodities) had strong growth in the first quarter, with all parts of the index finishing the period with positive results. Energy and livestock were the best-performing components, while agriculture and industrial metals achieved more modest growth. Within energy, all sub-sectors achieved strong price growth apart from natural gas, which experienced a sharp price fall in the quarter. Within agriculture, the price of cocoa rocketed higher in the quarter due to strong demand and shortages in West Africa, where more than half of the world's cocoa beans are harvested. In industrial metals, zinc and aluminium prices fell in the quarter, while prices for copper, lead and nickel were modestly higher. Both gold and silver prices also advanced in the first quarter.

Asia ex Japan equities achieved modest gains in the first quarter, with share prices bouncing back from recent lows and investors displaying cautious optimism that the gloom surrounding China may be starting to lift. Taiwan, India, and the Philippines were the strongest markets in the MSCI AC Asia ex Japan Index while Hong Kong, Thailand, and China ended the quarter in negative territory. This stock market index represents the performance of 11 developed and emerging market countries across the Asia region, excluding Japan. Stocks in Taiwan achieved strong growth in the quarter, driven by on-going investor enthusiasm for AI-related stocks and technology companies.

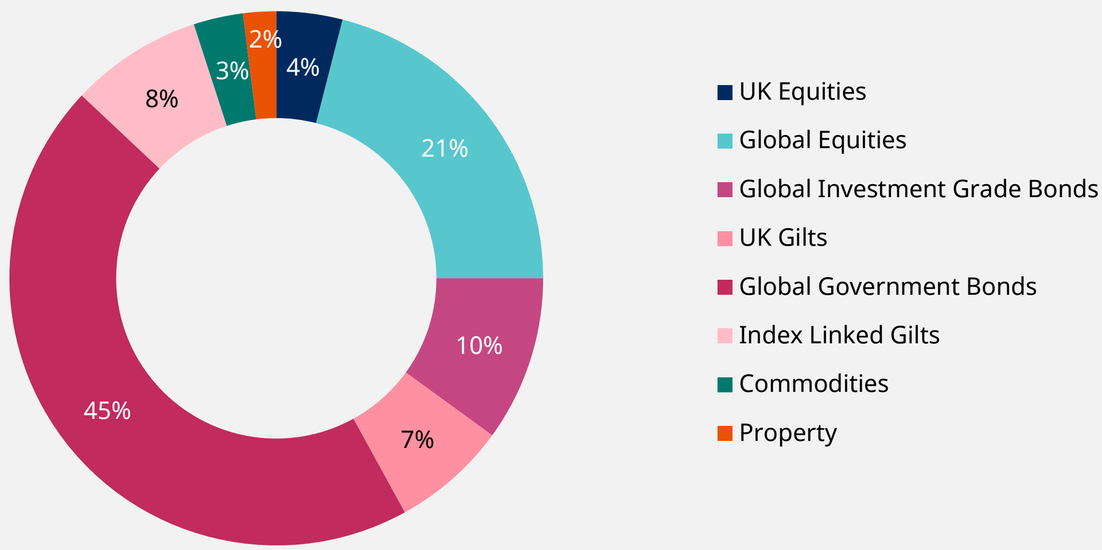
Source: Schroders. **Please note that any past performance mentioned in this document is not a guide to future performance and may not be repeated. Information is provided for illustrative purposes only and should not be considered as a recommendation to buy or sell**.

Asset allocation

Q1 2024

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. We design the optimal blend of asset classes to maximise returns for the Schroder Managed Defensive Fund. The chart below illustrates the asset class diversification of the Schroder Managed Defensive Fund.

Asset allocation



Source: Schroders as at April 2024. The chart illustrates the asset class diversification for the Schroder Managed Defensive Fund. Please note that the illustration may not show our current asset allocation.

Asset class views

Q1 2024

MAIN ASSET CLASSES

Equities	Government bonds	Commodities	Credit
We remain positive on equities, continuing to prefer a broader exposure globally as valuations outside the US look more attractive.	We remain neutral. Expectations of rate cuts are now more realistic compared to the beginning of the year but, in the case of US fixed income in particular, valuations are not cheap enough to offset the negative carry.	Commodity markets remain subdued, driven by strong supply dynamics. We remain neutral but maintain our positive outlook on gold, which should benefit from lower real rates.	We remain neutral on credit. Valuations are extremely stretched in the US. In Europe, where there is slightly better value on offer, investors are focused on all-in yields rather than spreads currently.

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

EQUITIES

Category		View	Comments
US		●	We are positive on US equities as consumer confidence continues to grow and core inflation is in line with the Federal Reserve's (Fed) target. We see the merit in broadening out our regional exposures as valuations outside the US look more attractive.
UK		●	We remain neutral on the UK. Although inflation has eased it remains above the Bank of England's (BoE) target and is likely to remain higher compared to other regions.
Europe		●	The region has been moving through its own cycle and manufacturing data is looking positive. This, in combination with attractive valuations, should benefit cyclical and growth-oriented European equities.
Japan		●	We maintain a positive view given a solid fundamental picture, which includes competitive earnings growth.
Global Emerging Markets[1]		●	Our continued neutral stance is driven by a weak outlook on China. The region lacks the catalyst needed to spur growth.
Asia ex-Japan	China	●	We maintain our neutral view as ongoing fragility in the property sector and a lack of meaningful stimulus from the People's Bank of China results in a weak growth outlook.
	EM Asia ex China	●	We maintain a preference for Korea and Taiwan as both continue to benefit from the recovery in the manufacturing cycle.

Source: Schroders, March 2024. Note: The views for equities, government bonds and commodities are based on return relative to cash in local currency. **Please note any past performance mentioned is not a guide to future performance and may not be repeated. The sectors, securities, regions and countries shown are for illustrative purposes only and are not to be considered a recommendation to buy or sell.**

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

Schroder Managed Defensive Fund

Q1 2024

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 2024.

Schroder Managed Defensive Fund

Q1 2024

Schroder Managed Defensive Fund 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.

	Q1 2024	YTD	01/04/2023 - 31/03/2024	01/04/2022 - 31/03/2023	01/04/2021 - 31/03/2022	01/04/2020 - 31/03/2021	01/04/2019 - 31/03/2020	01/04/2018 - 31/03/2019	01/04/2017 - 31/03/2018	01/04/2016 - 31/03/2017	01/04/2015 - 31/03/2016	01/04/2014 - 31/03/2015	Since Inception
Schroder Managed Defensive Fund F Acc	**2.68**	**2.68**	**6.95**	**-4.37**	**1.00**	**6.94**	**0.04**	**-**	**-**	**-**	**-**	**-**	**11.76**
Inception date 31-05-2018													
ICE BofA Sterling 3-Month Government Bill Index plus 2%	1.79	1.79	7.25	4.10	3.18	1.72	2.54	-	-	-	-	-	22.51

Source: All performance data, unless otherwise stated Morningstar, bid to bid, net income reinvested, net of fees as at 31 March 2024. Portfolio returns may vary from individual investor returns due to timings and cash flows. Information is provided for illustrative purposes only and should not be considered as a recommendation to buy or sell.

What are the risks?

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

Credit risk: A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.

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

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

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

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

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

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

Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

Operational risk: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.

Performance risk: Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.

Schroder Managed Defensive Fund

Q1 2024

Portfolio updates

The Schroder Managed Defensive Fund performed well in the first quarter of 2024, generating positive returns. Investors were optimistic due to expectations of interest rate cuts later in the year, which led to gains in the stock market and increased yields on government bonds. The fund's investments in equities contributed to its overall returns, while its fixed income holdings had a negative impact.

At the start of the quarter, we had a neutral stance on equities due to their significant recent gains. However, as the quarter unfolded, the economy continued to exceed expectations in terms of growth, while inflation remained manageable. This positive economic outlook led us to upgrade our view on equities to positive, particularly in the US market. The strong performance of US companies, driven by robust earnings and the excitement surrounding artificial intelligence, contributed to the overall positive returns.

In addition to our focus on US equities, we also had smaller overweight positions in Japanese and European equities. Many Japanese companies reported impressive earnings, and there are indications that European manufacturing data is rebounding from the lows experienced in 2023. These positions also contributed to the positive returns of the fund. Overall, the combination of a positive economic environment, strong corporate earnings, and specific opportunities in the US, Japan, and Europe drove the fund's positive performance during the quarter.

Government bonds had a mixed performance during the quarter. Concerns about inflation weighed on this asset class, particularly in February when US yields rose due to higher-than-expected inflation rates in the US and eurozone. This dampened hopes for near-term interest rate cuts. The Fund maintained exposure to a diversified range of government bonds from developed markets, including the UK, US, Germany, Australia, and Canada. The largest exposure was to shorter-dated US Treasury Bonds. Additionally, the Fund held an overweight position in UK index-linked bonds, which helped offset some losses from nominal government bonds and provided protection in an environment where inflation proved to be more persistent than expected.

Alternative assets made a positive contribution to the Fund's performance during the quarter. In addition to our longer-term position in broad commodities, such as oil, wheat, corn, and metals, we added a tactical position in gold in March. Gold prices were supported by strong demand from investors in Asia. Gold also serves as a potential hedge against the risk of inflation picking up again and a renewal of geopolitical tensions. The inclusion of alternative assets in the Fund's portfolio helped diversify risk and contributed to its overall performance.

Schroder Managed Defensive Fund

Q1 2024

Portfolio changes

While the economic backdrop is supportive of equites, the challenge currently facing stock markets is that the very concentrated performance has left things looking lopsided. Markets have risen to new highs and some of the largest growth companies, such as Nvidia, have again powered equity markets. However, a look at valuations under the surface shows that, globally, equity valuations are still attractive. Other markets are trading at a significant discount to the US. While by no means cheap as a group, even the 'Magnificent 7' (a group of high-performing and influential companies in the US stock market: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla) have delivered corporate profits to support their valuations, so we are still a long way from bubble territory.

The recovery in global manufacturing is good news for stocks in Europe, Asia, and Emerging Markets. In the US and Europe, falling inflation has created an opportunity for interest rate cuts, which can benefit stock valuations. Many emerging economies have already started to make their monetary policies more flexible. We have also been positive about Japan for some time due to its supportive monetary policy and a cultural shift towards better capital allocation and shareholder returns. Overall, we are expanding our investments beyond the US to include other parts of the world, expecting a broader improvement in stock market performance. However, we may face challenges if central banks struggle to meet their inflation targets later in the year. For now, we maintain a positive outlook on equities.

Turning to bonds, the US economy's ongoing strength has led to changes in interest rate expectations, aligning more closely with our view of a controlled slowdown rather than a recession. While bond yields have increased, we have reduced our investment in government bonds to be more cautious and balance risk in the portfolio. Our focus in fixed income is on generating income rather than expecting a negative correlation with equities or significant price increases. We still see potential in gold, despite recent price rises, as it can benefit from central banks easing policies and provide protection against higher-than-expected inflation. To balance risk, we prefer the US dollar in our currency choices.

In summary, we are positioned for improving global growth and a window where inflation continues to moderate. The key question in the next few months is at what point does good news for the economy spell bad news for markets?

Schroder Managed Defensive Fund

Q1 2024

Positive contributors to portfolio performance

US Equities	**Total return 1.52%**

Strong corporate earnings and enthusiasm surrounding artificial intelligence contributed to positive returns.

Europe ex UK Equities	**Total return 0.60%**

European stocks performed well due to improved business activity in Europe and strong performance in the technology sector.

Japanese Equities	**Total return 0.45%**

The positive economic cycle in Japan led to strong performance in Japanese stocks as optimism increased.

Note: US Equities = S&P 500 Index Future, Japanese Equities = Topix Index Future, Europe ex UK Equities = Eurostoxx Index Future. Returns are in base currency.

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Schroder Managed Defensive Fund

Q1 2024

Negative contributors to portfolio performance

Government Bonds	Total return -0.94%

The US and Eurozone experienced higher inflation than expected, which postponed the anticipated interest rate cuts and caused government bond prices to decline.

Government Bonds = US, UK, German, Canadian, Australian government bonds of varying maturity. Returns are in base currency.

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Glossary

For help in understanding any terms used, please visit address www.schroders.com/glossary

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

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

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

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

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

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

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

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

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

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

ESG
Stands for Environmental, Social and Governance. ESG investing involves considering these factors alongside traditional financial analysis when making investment decisions. It's a way for investors to evaluate companies based on how they impact the environment, society, and their own internal policies. Investors use ESG criteria to make investment decisions that align with their values and beliefs.

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

Glossary continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Important information

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