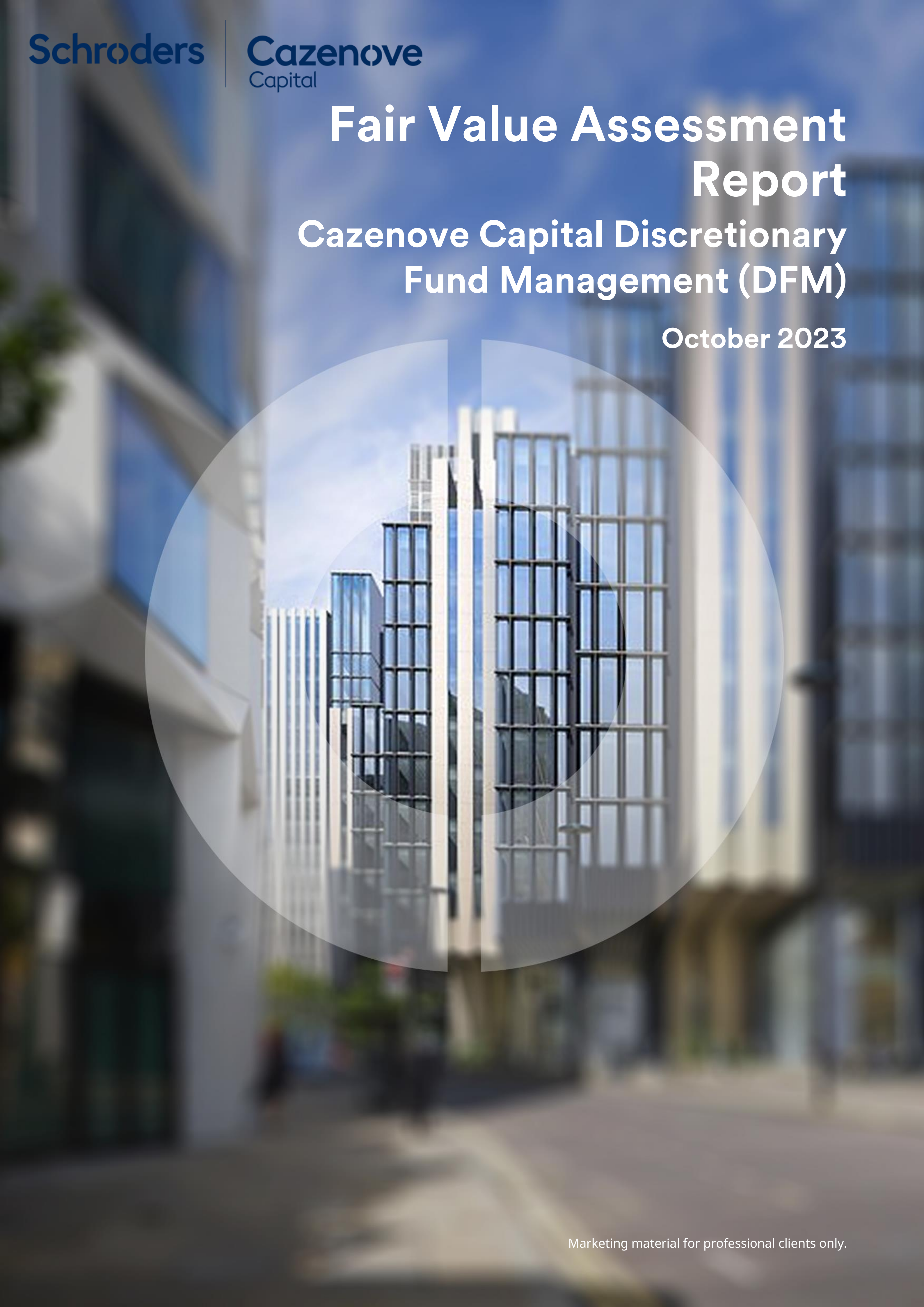

Schroders | Cazenove Capital

Fair Value Assessment Report

Cazenove Capital Discretionary Fund Management (DFM)

October 2023

Marketing material for professional clients only.

Contents

Welcome to Cazenove Capital’s Fair Value Assessment Report

Cazenove Capital’s commitment to providing exceptional service and our primary goal to preserve and grow the wealth of our clients has been more than 200 years in the making. Still largely owned by our founding family, our independence and expertise has looked after the interests of entrepreneurs, professionals, families and charities from across the globe.

We have written this report to provide both existing and potential clients with the results of our Fair Value Assessment for our Discretionary Fund Management service.

The report has been complied in line with Cazenove Capital’s best understanding of the requirements outlined by our industry regulator, the Financial Conduct Authority. The outcome of this assessment is that Cazenove Capital’s Discretionary Fund Management service offers clients good value for money. We continue to monitor this conclusion moving forward.

Introduction

Throughout this Fair Value Assessment report, Cazenove Capital’s Discretionary Fund Management (DFM) service, will be referred to as the ‘Service’. The Service includes a range of underlying portfolios with different investment objectives.

Who is the report designed for?

The Fair Value Assessment report (the “report”) is aimed at Financial Advisers who utilise the Service on behalf of their clients. It outlines our assessment of the Service and concludes on whether we believe that we are demonstrating value.

How should you use it?

We recommend that you take time to read the ‘four assessment areas’ section to understand how we have made our assessment, which has been conducted using data as at 30th June 2023. Our conclusions are set out in the Assessment section. The report complements and should be read in conjunction with other documentation such as the target market descriptions and other important information detailed on our website.

What will the report tell you?

We have looked at four specific areas when assessing the value we deliver to financial advisers and their clients:

1. **Performance:** have our portfolios performed in line with expectations?
2. **Quality of service:** are we meeting expectations on the service we deliver?
3. **Costs and charges:** are the fees for our Service reasonable and appropriate?
4. **Business model resilience and longevity:** is our business sufficiently resourced and resilient to provide and maintain high levels of service now and in the future?

What do the icons used throughout the report represent?

We have used iconography to help you understand the outcome of our assessment of each area.

Icon	Assessment
	Where the Service or a portfolio has three icons, we believe that they are expected to provide fair value for a reasonably foreseeable future
	Where the Service or a portfolio has two icons, we have concluded that they are expected to provide fair value for a reasonably foreseeable future. Where relevant, required actions were carried out or changes effected.
	Where the Service or a portfolio has one icon, we recognise that they are not demonstrating value in that area consistently. We have completed a further review and taken appropriate action..

What to do if you have any questions

If have any questions then please contact your usual Cazenove Capital representative. We would also welcome your feedback and if you would like to take part in an adviser feedback panel then please let us know.

Executive Summary

In evaluating the four areas of our Fair Value Assessment, we believe that the our Service demonstrates overall value. For more detail on how we completed this assessment, please refer to the ‘four areas’ section in this report.

Areas of Assessment	Assessment
Performance	
Quality of service	
Costs and Charges	
Business Model Resilience and Longevity	
Overall	

The four assessment areas

1. Performance

Our methodology

We believe that our portfolios, that are offered as part of the Service, can reasonably be expected to meet the investment objectives we have set for them, albeit with the knowledge that past performance is not a guide to future performance and may not be repeated.

Our methodology

Investment reviews are conducted at monthly and quarterly committee meetings. Our assessment involves both quantitative analysis, such as calculating portfolio returns and risk-adjusted performance, and qualitative analysis, such as evaluating the portfolio's underlying holdings and their contribution to performance. This is compared to our expectations and objectives for the portfolio, as well as the outcomes we aim to achieve.

As part of the Fair Value Assessment process, we review the performance of all our portfolios. We assess the returns of each portfolio over the relevant performance period to provide an indication of how well our portfolios meet their investment objectives.

- **Investment objective:** the investment objective of our portfolios is determined by our clients' requirements. We have stated investment objectives in our clients' Investment Mandates. These clearly describe the aim of our portfolios and the investment strategy used to achieve this goal.
- **Returns:** returns are assessed relative to each portfolio's stated investment objective. We consider the performance of our portfolios after all of our fees have been deducted. We acknowledge that at times, our portfolios may underperform their investment objectives given their particular investment style. In this case, we consider several measures over the performance period to make a judgement on whether or not the investment objectives are being met, including specific objectives where applicable.
- **Performance period:** is the length of time over which we expect the portfolios to deliver their investment objective. Where a portfolio has not been in existence long enough to be compared against its benchmark over the performance period, we have not completed a full review of performance.

Our conclusion

Our review identified that our portfolios demonstrate value against the criteria. More information on portfolio performance is captured within the assessment section of this report. Where a portfolio has underperformed one of its investment objectives, we have provided performance commentary.

Next steps

We remain vigilant in our monitoring and review of market conditions and portfolio performance. We continue to apply our investment philosophy and process with discipline and rigor. We remain adaptable and agile, in particular, ensuring portfolios are suitably positioned to weather market fluctuations across economic cycles.

2. Quality of service

Are we meeting expectations on the service we deliver?

We believe that we can reasonably be expected to provide high-quality service through focusing on several key elements that are important for delivering a positive client experience.

Our methodology

We take a client-centric approach and continually strive to improve our service delivery. This involves focusing on the needs of clients and understanding what they value most about our services. We provide regular portfolio and market updates in various formats, including written, video updates and in person. This helps our advisers and their clients stay up-to-date and feel supported in making informed decisions that are in their best interest.

As part of the Fair Value Assessment process, we assess the quality of our service against three elements:

- **Products and services:** we assess whether our products and services deliver the objectives that we have set for them. The strength of our investment process and operations platform are validated through effective governance processes and forums.
- **Customer support:** we aim to be proactive in addressing client concerns and providing effective remedies. We evaluate our engagements with clients to ensure they are relevant, current and meet client needs. Additionally, we may make use of surveys to gather feedback on the overall client experience.
- **Customer understanding:** comprehensive, timely and accurate communications form an important part of delivering value to our clients. We want our clients to be clear about the services we provide and the associated risks. We are committed to ensuring that our clients are equipped with the necessary knowledge to make informed financial decisions.

In addition to the three Consumer Duty outcomes, these three elements are also reviewed against Client Experience, Operational Effectiveness and Staff Competency. A core component of our service are the individuals that you deal with. We are committed to ensuring that staff are equipped with the necessary skills and knowledge to perform their jobs effectively and contribute to the quality of our service. Regular training sessions are conducted to keep our staff up-to-date with the latest service standards and best practices. This enables us to maintain high levels of productivity, client satisfaction, employee satisfaction and organisational success.

Vulnerable Clients

We have an established and comprehensive process to understand the characteristics and needs of each of our clients, including any potential vulnerability and supporting them appropriately. This is reviewed on an ongoing basis.

Our conclusion

Our review identified that our Service demonstrates value against the criteria. More information on the quality of service is captured within the assessment section of this report.

Next steps

Assessing the quality of our service is an ongoing process which involves continuous monitoring and improvement. We will continue to evaluate our standards to make improvements and enhancements to our service.

3. Costs and charges

Are the fees for the model portfolios reasonable and appropriate?

We believe that the costs and charges applicable to our Service are transparent, fair and in line with industry standards.

Our methodology

We conduct a detailed analysis of the resources required to deliver our Service to ensure our costs and charges are fair, reasonable and reflective of the value that we provide to clients. We provide transparent and detailed information on our charging structures and how it relates to our Service. We are committed to keeping these costs as low as possible while maintaining a high-quality service.

As part of the Fair Value Assessment process we assess the total costs and charges of our Service. The total cost includes our Annual Management Charge and the fees charged by the third-party fund managers which we invest in.

– **Annual Management Charge:** we undertake an assessment of our management costs with a view to ensuring that our pricing is fair. Fair pricing ensures that we can cover the costs associated with providing a high-quality service. We seek to align the interest of the business with our clients by linking fees to outcomes. This ensures the business can continue to develop and provide value to investors over time.

– **Third-party fund management fee:** by utilising our size and scale to negotiate lower fees and passing these costs savings on to our clients our portfolios invest in third-party fund managers who levy an annual management fee, usually calculated as a percentage of the fund's total net asset value (NAV). We seek to ensure these charges are reasonable and commensurate with the outcomes provided by the fund manager. We seek to add value by utilising our size and scale to negotiate lower fees and passing these costs savings on to our clients.

– **Transaction Costs:** we look to ensure any transaction costs incurred are kept to a minimum.

Non Financial Costs

We also take into account non-financial costs such as the ability of clients to access, buy, amend, switch or cancel a product or service.

Our conclusion

Our review identified that our Service demonstrates value against the criteria. More information on the costs and charges is captured within the assessment section of this report.

Next steps

We focus on providing a transparent breakdown of the costs and charges of our Service at every stage of the client life cycle including in quarterly valuations. We continue to review all fees to ensure that we deliver a compelling value proposition to our clients. Where applicable we will develop action plans to address any areas of improvement. In particular, negotiating competitive fees with third-party fund managers.

4. Business model resilience and longevity

Is our business sufficiently resourced and resilient to provide and maintain high levels of service now and in the future?

We believe that we can reasonably be expected to continue enhancing the value that our Service provides by assessing the financial health of the business and taking actions to ensure its continued success.

Our methodology

We regularly review and analyse our business model to ensure that it is viable in the long-term. The ability to withstand any potential disruptions requires that we have sufficient financial resources to accommodate any unexpected losses or shocks to the market. Additionally, adapting to changing market conditions and client demands requires investment and innovation to remain relevant.

As part of the Fair Value Assessment process, we assess the revenues generated from our Service relative to the costs incurred to deliver this service. This ensures that the revenue generated is appropriate and enables us to remain well capitalised, operate during stress scenarios and innovate and develop enhancements to services we provide to clients.

- **Remain a well-capitalised business:** we seek to provide clients with the assurance that we can meet our obligations and provide them with a reliable service in the long term. By ensuring we are well-capitalised, we maintain our credible reputation with clients, employees, and regulators
- **Continue to operate during stress scenarios:** maintaining a strong financial position ensures that we can withstand unforeseen circumstances. We have put in place robust risk management frameworks and contingency plans that enable us to respond effectively to these scenarios. We aim to be well-prepared to manage any potential risks and deliver a high-quality service to our clients even during challenging times
- **Continue to innovate and develop new products:** by exploring new ways to enhance our service offering, leveraging technology and market insights we can evolve to meet the needs of clients now and in the future. Our goal is to provide solutions that are aligned with our clients' objectives and risk tolerance

Our conclusion

Our review demonstrates that our business model is resilient and allows us to continue investing to provide high levels of service to clients.

More information on the business model resilience and longevity is captured within the assessment section of this report.

Next steps

We are committed to continually assessing the resilience and longevity of our business model. We aim to provide our clients with the confidence and assurance that we are well-positioned to provide value through the Service. Where applicable we will develop action plans to address any areas of improvement. In particular, developing products and services to enhance the financial outcomes for clients.

The Fair Value Assessment report lifecycle

The flowchart below shows the steps taken to produce our annual Fair Value Assessment report. Although the assessment is an annual process, we review the value we deliver to our investors throughout the year.

Establish measurable standards	– We set key metrics and indicators to quantify the value that our products and services provide to clients. Our methodology for assessing these metrics is designed to be objective, relevant and reliable.
Collect and analyse data	– We collect data through various means such as surveys, observation and internal data sources. Multiple internal teams - including Finance, Operations, Investment, Compliance, Legal, Risk and Marketing – provide input to the collection and assessment of strengths and identify areas for improvement.
Assign value assessment	– Based on the data, we appraise each of the four assessment areas and determine the assessment outcome. This process draws on the experience of key stakeholders from across the business. We also review the performance of portfolios at quarterly Risk and Performance Committee meetings.
Publish reports	– After robust evaluation and challenge, we publish the Fair Value Assessment report externally on our website for distributors and make it available on request for clients. We publish this report for the Cazenove Capital DFM Service annually.
Monitor progress	– To ensure improvements are sustained and further modifications are implemented we monitor our progress year-round to ensure we always put the best interests of our clients first.

Our assessment

Overall conclusion

In evaluating the four assessment areas of our Fair Value Assessment, we believe that our Service demonstrates value overall. For more detail on how we completed this assessment, please refer to the 'four assessment areas' section in the front of this report. Below, we summarise our assessment of each area.

Performance

Our assessment concluded that the performance of the Service demonstrates value.

We have assessed our core portfolios against their inflation plus objectives (as measured by the UK Consumer Price Index) and a basket of peers with similar risk return profiles.

Portfolio	Inflation plus Objective	Peer Group Objective	Overall Objective
Cautious			
Balanced			
Growth			
Equity Focus			
Overall			

Inflation Plus Objective Summary

Given there are no assets available which directly track inflation plus investment objectives, we invest using a strategic asset allocation model which we believe should produce the targeted returns over the investment period. As a consequence, our portfolios are diversified across multiple asset classes. Under normal market conditions, this should provide the opportunity to deliver inflation plus returns. However, in the recent extreme market environment where we have seen inflation rise to levels not seen since the 1970s, these objectives are challenging and over the period under review our portfolios (with the exception of Equity Focus) have not delivered on their inflation plus targets.

Whilst we expect longer-term inflation to settle at higher levels than we have witnessed over the last decade our analysis shows that since 1985 a traditional UK growth portfolio of 65% equities and 35% bonds has outperformed an inflation +4% target 58% of the time, over rolling 12 month periods. If the holding period was extended to 10 years, this increases to 82% and 94% over 20 years*.

*Source: Refinitiv, Data to end September 2022

Peer Group Objective Summary

In addition to comparing performance of our core portfolios against their inflation plus objectives we also compare our portfolio performance to a group of peers*, invested in a similar way to our core portfolios and with similar risk return profiles. Against these industry comparators our portfolios have performed inline or outperformed.

*Source: Asset Risk Consultants June 2023

Overall Objective Summary

Overall we believe that the portfolios deliver value, taking into the consideration extenuating circumstances over the period including the global pandemic and the economic repercussions of the war in Ukraine. We believe that in normal market conditions our portfolios are aligned to meet their respective CPI objectives and have, over the medium to long term, outperformed their Peer Group objective.

Remedial actions

We believe that over the longer-term, our portfolios should deliver inflation plus objectives and remain in-line or ahead of the peer group. This is particularly the case in an environment where we believe inflation will continue to fall.   Therefore, we remain confident that our investment process will deliver the investment objectives going forward and we are not making any changes to our investment strategy at this time.

Quality of service

Our assessment concluded that our quality of service demonstrates value.

Summary

We assessed the contribution of our products and services, customer support and customer understanding to the quality of our service together, with the additional lenses of client experience, operational resilience and staff competence. The analysis highlighted that we met our expected service delivery standards. We have provided: clear, timely and accurate communications to clients; our business model has been resilient and enabled our experienced staff to support their clients. We believe our investment processes, operational effectiveness and client service is effective and robust in delivering long-term success and benefits to our clients. The quality of our service was also validated with being awarded Gold for the DFM Defacto Service Awards in 2023.

Remedial actions

There were no remedial actions required for the year of assessment. Despite this, we continue to evaluate our service and identify areas where we can further improve the client experience.

Costs and charges

Our assessment concluded the costs and charges for our Service demonstrates value.

Summary

We assessed the contribution of each cost component to the total fee applicable for the Service. For our portfolios the analysis highlighted that our Annual Management Charge is comparable to a group of our peers. The charges of third-party fund managers are reasonable and commensurate with the outcomes they provide. We seek to add value by utilising our size and scale to negotiate lower fees and passing these costs savings on to our clients. We assessed non-financial costs and clients have no barriers to changing, amending or cancelling the Service. There are no notice periods, penalties or exit charges.

Remedial actions

There were no remedial actions required for the year of assessment. We continue to assess the components of the total cost of our products and services to ensure we provide a high-quality service at a fair price.

Business model resilience and longevity

Our assessment concluded that our business model is sufficiently resourced and robust to continue investing in the service it provides and maintain high levels of service.

Summary

Our assessment concluded that our business is sufficiently resourced and resilient to provide and maintain high levels of service now and in the future. We assessed the resilience and longevity of our business model and its ability to provide value to clients. The analysis highlighted that we remain well capitalised and can operate during stress scenarios and that we have capacity to invest, innovate and develop new products and services that support the long-term success of our clients.

Remedial actions

There were no remedial actions required for the year of assessment. We remain focused on providing a reliable service that promotes long-term success for clients.

Glossary of terms

Absolute return: An asset's standalone return (gain or loss) over time. It is not being compared to anything else such as a benchmark or another asset.

Active management: The management of investments based on active decision-making rather than with the objective of replicating the return of an index. The manager aims to beat the market through research, analysis and their own judgement.

Alternative asset: An investment outside of the traditional asset classes of equities, bonds and cash. Alternative investments include property, hedge funds, commodities, private equity, and infrastructure.

Fair Value Assessment of Value: As a result of new regulations, the FCA now requires managers of model portfolio services to provide information to clients (i.e. the distributors of the model portfolio service) demonstrating how they are providing value to investors in their funds.

Asset allocation: The apportionment of a portfolio's assets between asset classes and/or markets. For example, a fund may hold a combination of shares, bonds and cash. The weightings given vary according to the investment objective and the investment outlook.

Asset class: Broad groups of different types of investments. The main investment asset classes are equities, bonds and cash. Non-traditional asset classes are known as alternative investments.

Attribution: A sophisticated method for evaluating the performance of a portfolio or fund manager.

Benchmark: A standard (usually an index or a market average) against which an investment fund's performance is measured. Please also see comparator benchmark and target benchmark definitions.

Bond: A way for governments and companies (the issuers of the bond) to borrow money for a certain amount of time. A typical arrangement would be in exchange for an upfront payment from an investor, the issuer will make periodic interest payments to the investor and then repay the initial investment amount at the end of the bond's term (its maturity).

Bottom-up (investment style): Investment based on analysis of microeconomic variables, whereby individual companies' history, management, and potential are considered more important than general market or sector trends (as opposed to top-down investing).

Brexit: An abbreviation for "British exit," referring to the withdrawal of the United Kingdom (UK) from the European Union (EU).

Broad-based: Relates to an index or average that is designed to reflect a representation of a group of stocks or an entire market.

Business cycle: Also referred to as the "economic cycle". Essentially it describes how business activity goes up and down over time. There are four stages of the business or economic cycle: expansion, slowdown, recession and recovery.

Capital growth: The increase in the value of an asset or investment over time.

Capital risk: The potential loss of all or part of an investment.

Conservative (investment style): Prioritises the preservation of capital over market returns by investing in lower-risk securities.

Conviction (investment style): A fund manager's strongly held belief in the view of an investment or investment approach.

Comparator benchmark: A standard (usually an index or a market average) against which an investment fund's performance is compared to.

Covid-19: The name given by the World Health Organisation (WHO) to the illness caused by the coronavirus illness which was first recorded in 2019.

CPI (Consumer Price Index): The Consumer Price Index (CPI) measures how much prices of consumer goods and services change over a period of time. For example, if CPI is 2.5% for the 12 months ending January 2020, this means that on average, the price of consumer goods will be about 2.5% higher than they were in January 2019. Please also see Inflation definition.

Cyclical stock: A stock where returns are directly affected by changes in the overall economy. Opposite of defensive stocks.

Defensive stock: A stock which aims to provide consistent dividends and stable earnings regardless of the overall stock market environment.

Dividend: A payment made by a company to its shareholders. The company decides how much the dividend will be, and when it will be paid.

Downside risk: An estimate of the potential decline in value of a given investment.

Duration: A measure of a bond investment's sensitivity to changes in interest rates. The longer the duration, the more sensitive it is. Calculating duration for a fixed income investment such as a bond is a complicated sum. It takes into account the current value of the bond, the coupon or interest payment, the book cost, and the number of years the bond has left to run. Put simply, the higher the duration number the higher the potential return (and the greater the risk).

Economic cycle: Also referred to as the "business cycle". Please also see Business cycle definition.

Emerging markets: Countries that have rapidly growing economies and may be going through the process of industrialisation. This is compared to developed markets which have already undergone this process and are considered to be already economically advanced.

Equities: Also known as shares or stocks, this represents a share in the ownership of a company.

ESG (Environmental, Social and Governance): ESG represents environmental, social and governance considerations and covers issues such as climate change, energy use, labour standards, supply chain management and how well a company is run.

ETF (Exchange-Traded Fund): ETFs usually track an underlying index and trade just as a normal stock would on an exchange. ETFs can track stocks in a single industry or an entire index of equities.

Factor (investment style): An approach that involves targeting specific drivers of return across asset classes.

FCA (Financial Conduct Authority): The FCA regulates the UK's financial markets and financial services firms. Its objective is to ensure that relevant financial markets function well so that consumers get a fair deal.

FTSE All Share: A price-weighted index comprising of approximately 650 of the top UK publicly listed companies.

Fundamental analysis: The process of identifying stocks that are undervalued by looking at the underlying investment.

Gilt: A bond issued by the UK government.

Growth (investment style): Companies perceived as stable growers that investors are willing to pay a premium for on the basis of their future growth prospects. Earnings are expected to increase at an above- average rate compared to their industry sector or the overall market.

Hedge fund: A collective name for funds targeting absolute returns through investment in financial markets and/or applying non- traditional portfolio management techniques. Hedge funds can invest using a broad array of strategies, ranging from conservative to aggressive.

IA (Investment Association) sector: As published by the Investment Association, the IA sectors divide the fund universe to reflect the asset type, industry sector, or geographic regions funds are invested in. There are over 35 IA sectors. These are there to help navigate the large universe of funds in the UK and include some offshore (EU) funds. The sectors divide up the funds into smaller groups, to allow like-for-like comparisons between funds in one or more sectors, for instance to look at performance and fund charges.

Income distribution: The distribution of income to unit holders of pooled funds in proportion to the number of units held.

Index (investment style): A passive investment strategy that seeks to replicate the returns of a benchmark index.

Inflation: A measure of the increase in prices of goods and services over time.

Investment universe: The range of stocks in which a portfolio can invest.

Large cap: Please see Market capitalisation definition.

LIBID (London Interbank Bid Rate): The average interest rate at which financial institutions in the UK pay for depositing eurocurrency.

LIBOR: The benchmark interest rate at which global banks lend to one another. Since the end of 2021, LIBOR has been phased out and replaced by the Sterling Overnight Index Average (SONIA) as the industry standard benchmark. Please see SONIA definition.

Liquidity: The ease with which an asset can be sold for cash. An asset can be described as illiquid if it takes a long time to sell, such as property, or if it is difficult to find someone willing to buy it.

Long/short (investment style): A strategy, used primarily by hedge funds, that involves taking long positions (buying a holding) in stocks that are expected to increase in value and short positions (borrowing a stock and selling it in the hope of repurchasing it at a lower price to return to the stock lender) in stocks that are expected to decrease in value.

Macroeconomic: Refers to the behaviour and drivers of an economy as a whole. Factors include inflation, unemployment, etc. as opposed to microeconomic which is the behaviour of small economic units, such as individual consumers or households.

Market capitalization: A measure of a company's size, calculated by multiplying the total number of shares in issue by the current share price. Companies are commonly grouped according to size, such as small cap, mid cap, large cap or all cap. There is no consensus on the definition of these groupings and they may vary from fund to fund depending on the country of investment.

Mid cap: Please see Market capitalisation definition.

MSCI (Morgan Stanley Capital International): An investment research firm that provides stock indices, portfolio risk and performance analytics, and government tools.

Multi Asset: An investment which contains a combination of asset classes, creating a group or portfolio of assets.

Nominal return: A value which has not been adjusted for inflation.

OCF (Ongoing Charges Figure): The OCF is made up of the Schroders Annual Charge (SAC), the administration charge and 'other' costs. The administration fee includes directly attributable costs, such as Transfer Agency costs and Fund Accounting fees, and allocated costs to support functions, such as Finance, Tax, Risk, Audit, Legal and Compliance.

Option: Gives the buyer the right (not the obligation) to buy or sell an underlying asset at an agreed price on, or before, a given date in the future.

Overweight: When a portfolio or fund has a greater percentage weighting in an asset class, sector, geographical region or stock than the index or benchmark against which it is measured.

Passive management: A style of investment management that aims to replicate the performance of a set benchmark.

Peer group: A group of funds that may be compared with one another, often for performance purposes. A peer group will usually be based on the fund's investment scope.

Performance period: The length of time over which we expect the portfolio to deliver its investment objective.

QE (Quantitative Easing): A tool central banks can use to stimulate an economy by increasing the supply of money. Technically, it involves the central bank printing new money and using this to buy assets from the financial market. This results in more money being in circulation, higher asset prices and lower interest rates (prices and interest rates tend to move in the opposite direction). This combination makes it more attractive for people to invest, borrow and spend more, driving economic growth. This technique has, in recent years, been used by the European Central Bank, the US Federal Reserve and the Bank of England.

Qualitative analysis: The use of subjective judgment and information that cannot be represented by numbers (such as a company's culture) to evaluate an investment.

Quality (investment style): Companies with higher profitability and perceived to be stable over time relative to their peers. Quality is measured by its profitability, stability, financial strength, sales growth and governance.

Quantitative analysis: Quantitative is often better understood as "numerical". It is used to identify and target the underlying factors responsible for the outperformance of some financial assets over others.

RDR (Retail Distribution Review): A Financial Conduct Authority (FCA) initiative that aims to provide greater clarity about different types of financial services available. It also seeks to improve transparency around the costs and fees associated with financial advice. The amount of risk capital set by legislation or local regulators, which companies must hold against any difficulties such as market or credit risks.

Real return: The return generated by an investment, having been adjusted for the effects of inflation. For example, an investment grew in value by 5% return over one year, and the rate of inflation was 2%, the real return would be 3%.

Recovery stock: A stock which has fallen in price but which is believed to have the ability to recover.

Risk premium/premia: The extra return over cash that an investor expects to earn as compensation for owning an investment that is not risk free, so its value could increase or decrease.

Risk-adjusted return: A technique to measure the returns from an investment that takes into account the degree of risk that must be accepted in order to achieve it.

Risk-free rate: The rate of return over a specified period of time on an investment with zero risk.

RPI (Retail Price Index): The Retail Price Index (RPI) measures how much prices of consumer goods and services change over a period of time. RPI is a measure of inflation and takes the exact same premise as

CPI; however, it also includes housing costs. RPI has been deemed an inferior measure to CPI. Please also see Inflation definition.

S&P 500: A stock market index that tracks the average performance of the top 500 listed US companies.

Scenario analysis: The process of estimating the expected value of a portfolio in response to adverse events.

Schroder Investment Management (Schroders): Schroders is a global investment manager. It actively manages investments for a wide range of institutions and individuals, to help them meet their financial goals.

Share class: A way to differentiate between different types of shares. For companies, this may mean that some shares have voting rights while others do not. Within a fund, the different share classes may represent different ways of paying the investor the income from the fund, different fees and expenses or different base currencies. For example, a fund will often have an "accumulation" share class and an "income" share class. With the former, any income produced will be automatically reinvested back into the fund (more shares will be bought in the fund). With the income share class, income can either be received as a regular payment or reinvested.

Small cap: Please see Market capitalisation definition.

SONIA (Sterling Overnight Index Average): The interest rate paid by financial institutions during periods when the markets are closed.

Standard deviation: A measure of historical volatility calculated by comparing the average (or mean) return with the average variance from that return.

Stress test: The process of testing the resilience of institutions and investment portfolios against possible worst case future financial situations.

SustainEx: The Schroders in-house research tool which is designed to quantify the positive contributions and negative impacts companies have on society. By examining both current profits and potential externalities through a common monetary lens, SustainEx aligns social and environmental impact with investment risk.

Target benchmark: A standard (usually an index or a market average) which an investment fund's performance aims to match or exceed.

TER (Total Expense Ratio): Following the introduction of KIIDs, TERs have been replaced with OCFs. Please see OCF definition.

Thematic (investment style): Investing according to a chosen investment theme. For example, an investor with a "health and wellness" focus will likely only consider funds that invest in healthy food brands or those companies focused on developing new vaccines.

Top-down (investment style): An investment strategy which finds the best sectors or industries to invest in, based on analysis of the corporate sector as a whole and macroeconomic trends such as GDP and CPI to determine investment decisions (as opposed to bottom-up investing).

Total return: The total return of an investment is the combination of any capital appreciation (or depreciation) plus any income from interest or dividends. It is measured over a set period, and is given as a percentage of the value of the investment at the start of that period.

Tracking error: A measure of how closely an investment portfolio follows the index against which it is benchmarked.

Underweight: When a portfolio or fund has a lower percentage weighting in an asset class, sector, geographical region or stock than the index or benchmark against which it is measured.

Unit class: Unit classes are a way to differentiate between different types of units in a unit trust. Where we write 'share class' in the report, it is to be construed as meaning unit/share class as applicable to the relevant fund. Please also see Share class definition.

Unit trust: A type of open-ended pooled investment vehicle, or fund, which is structured as a trust. It is split up into equal portions called “units” which belong to the unitholder. The money paid for the units goes into a pool with other investors’ money which an investment manager uses to buy financial instruments on behalf of the unitholders, with the aim of generating a return for them.

Value (investment style): A style of investing that involves buying securities that are trading at a significant discount to their true value in the belief that over time, the asset’s relatively low price will rise to more accurately reflect the intrinsic value of the business. Value is measured by a company’s cash flows, dividends, earnings and assets.

Volatility: A statistical measure of the fluctuations in a security’s price or particular market. For example, a highly volatile share experiences greater changes in price than other investments. High volatility is taken as an indication of higher risk.

Yield: A measure of the income return earned on an investment. In the case of a share, the yield is the annual dividend payment expressed as a percentage of the market price of the share. For property, it is the rental income as a percentage of the capital value. For bonds, the yield is the annual interest as a percentage of the current market price.

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