

Schroder Investment Solutions - Target Market

Introduction

The Schroder Investment Solutions (SIS) Model Portfolio Service (MPS) is designed to be distributed exclusively via financial advisers to their underlying clients. The assets are held and administered on retail investment platforms.

The MPS is offered on an 'agent as client' basis. This means that the adviser (acting as agent for their underlying client) will be treated as our client as opposed to the end investor. The adviser therefore, will contract with us directly, on behalf of their underlying client. Moreover, the adviser is responsible for assessing the suitability of the relevant MPS model for their underlying client.

We believe the Agent as Client Model enables the adviser to better manage and fully own the relationship with their client and allows the adviser to build a proposition that meets their required client outcomes.

Each adviser is required to ensure that their client consents to the adviser firm acting as their agent in relation to the MPS agreement and ongoing service provision with us.

Client categorisation and target market

Under the Agent as Client arrangement, SIS will treat the financial adviser as our client, given we have no agreement or contact with the underlying retail client. We categorise the adviser firm as a 'per se' professional client, due to the regulated nature of such firms.

All of the SIS model portfolios are designed to be suitable for distribution to retail clients who meet the target market criteria (as defined in the appendix) and who are receiving advice from a financial adviser. The underlying investments are carefully selected to construct a portfolio which we consider to be appropriate for retail clients. Our portfolios are risk-mapped models that have been specifically designed for retail clients seeking risk-adjusted returns.

For detailed target market information on our MPS offering please refer to the tables in the appendix.

Investment mandate, construction methodology, and management controls

Investment mandate

We deliver a range of risk mapped model portfolios underpinned by our Strategic Asset Allocation (SAA) process as a core element of the model portfolios' investment and construction process. Whilst the investment profile of our model portfolios varies depending on the MPS solution selected, all are based on the same principles.

Construction methodology

Our approach to the construction of our model portfolios is based on four key elements/stages:

Capital market assumptions: This is our long-term expectation for asset class returns. We work alongside the Schroder Economics Team to produce a set of 30-year return forecasts for all major asset classes.

Efficient frontier generation: This is our Capital Asset Pricing Model that results in our 'efficient frontier'; this is the optimal blend of asset classes that maximises return for a given level of risk.

Strategic Asset Allocation in line with volatility bands: We use the Schroders SMART Optimisation tools to apply sensible constraints and create optimal portfolios along the efficient frontier. We select the portfolios on the frontier that match our portfolio benchmarks and ensure that there is enough risk and return separation between portfolios as we move up the risk curve, setting the optimal strategic asset allocation for each portfolio.

Schroders

Fund manager analysis and selection: The Schroders Wealth Research Team is responsible for maintaining a best ideas list (whole-of-market) of investment across various asset classes. The team is divided into Asset Class Groups (ACGs) and each group is responsible for a subset asset class e.g. UK Equity, Corporate Bonds, Alternatives etc. Each ACG has a dedicated sustainability-focused member which ensures that sustainability is embedded in the research process across all portfolios and funds. All funds are approved by the Wealth Research Committee before being added to the house investment list. The team conducts both quantitative analysis (assessing performance on a rolling period, attribution and contribution of funds, risk statistics and alpha generation) as well as qualitative considerations (such as the underlying fund's investment philosophy, risk management process, team dynamics, team experience and underlying investment systems).

Key adviser actions

The below list is by no means exhaustive but provides some key actions for advisers:

Research and due diligence: Undertake a thorough assessment of the investment proposition, proposed investment mandate, management methodology and controls and the discretionary manager itself. The proposition must be suitable for the financial needs of retail clients;

Legal/compliance guidance: Seek compliance, third party, and/or legal advice on your client agreements, and agreement with SIS;

Client consent: The adviser's clients (i.e. the end investor) must provide their informed consent for their adviser to act as their 'agent'. This provides the adviser with the authority to commit and bind the client to certain actions contained within the agreement, including appointing a Discretionary Fund Manager (DFM) and deducting MPS fees from the client portfolio;

Client awareness: Ensure the arrangements have been clearly disclosed to the end investor and that they understand the relevant roles and responsibilities of each party.

Schroder Investment Solutions

Managing investment portfolios is a specialist discipline that requires multiple skills and extensive resources. Led by our experienced Chief Investment Officer Alex Funk, SIS manage £5 billion of assets (as at 31 March 2023) across a range of diversified investment solutions. Alex is supported by a skilled and dedicated investment team whose activities are overseen through a robust compliance investment oversight framework. SIS brings together specialist resources across the Schroders Group to provide well managed investment solutions for advice practices and retail clients.

We understand the importance to advisers and their clients in undertaking due diligence on SIS as a chosen MPS provider to ensure advisers are confident that the model portfolios are suitable for their end investors' investment needs and financial objectives. SIS will work with advisers to facilitate any additional information that may be required. The model portfolios are risk mapped by Defaqto, Dynamic Planner, Synaptic, ARC and Finametrica and the reports are available to advisers.

For further information on Schroder Investment Solutions, please contact a Schroders' representative, call our **Business Development Desk** on **0207 658 3894** or email solutions@schroders.com.

Further information

The internet can provide plenty of information on this subject and we would urge you to undertake independent research. You may also consider seeking professional guidance through appropriately qualified third parties.

Important Information: For professional intermediaries only, not for onward distribution. **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. Exchange rate changes may cause the value of investments to fall as well as rise.** Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. Insofar as liability under relevant laws cannot be excluded, no Schroders entity accepts any liability for any error or omission in this material or for any resulting loss or damage (whether direct, indirect, consequential or otherwise). Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy/ or on request should you not have access to this webpage. For your security, communications may be recorded or monitored

Schroder Investment Solutions is the trading name for the following products and services: Schroder Active Model Portfolios, Schroder Strategic Index Model Portfolios, and the Schroder Sustainable Model Portfolios. These Model Portfolios are provided by Schroder & Co Limited. Registered office at 1 London Wall Place, London EC2Y 5AU. Registered number 2280926 England. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. This document is issued in April 2023 by Schroder & Co. Limited. UK005733.

Appendix – Target market information

The Model Portfolio Service is designed for financial advisers who are looking for a fully outsourced discretionary investment solution for their clients. Advisers and their clients access the service using a range of third-party platforms.

The tables below reflect the manufacturer's Target Market of each type of model portfolio. Please note, you should assess the target market for yourself, under the FCA's Product Governance Rules.

1. Product: Schroder Sustainable Model Portfolios	
Target Market identification	
Type of clients	Retail clients Professional Clients Eligible Counterparties
Knowledge and experience	<p>Basic Investors with basic knowledge of relevant financial instruments i.e. an investor who can make an informed investment decision with the help of information provided by their financial adviser prior to investing.</p> <p>Informed Investors with average knowledge of relevant financial products i.e. an investor who can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only.</p>
Financial situation with a focus on the ability to bear losses	Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity or bond markets. Potential loss is limited to the current value of the investment.
Risk tolerance and compatibility of the risk/reward profile of the product with the target market	<p>Numerical identifiers are used to specify the risk level of each specific model in a range relative to each other.</p> <p>This risk classification can range between 1 and 10, with 10 being the highest.</p> <p>Sustainable Model Portfolios are available with a risk range of between 3-8.</p>
Clients' objectives and needs	<p>Investment objective and time horizon: the model portfolios are designed for investors seeking risk-adjusted returns over the medium to long term through investment in funds offering exposure to a global equities, global bonds and alternatives.</p> <p>Liquidity: the model portfolios allow investors to exit their investment at any time.</p> <p>Additional criteria: The Sustainable Model Portfolios are designed for investors who have a specific preference for sustainable investment.</p>
Distribution strategy	The Sustainable Model Portfolios are discretionary models distributed by adviser firms to their clients. Clients' assets are held on the investment platform(s) which best meets their financial planning requirements as determined by the Financial Adviser.
Negative target market	<ul style="list-style-type: none"> - Clients who are looking for short term investments; - Clients who cannot afford to bear any potential investment losses.

2. Product: Schroder Active Model Portfolios

Target Market identification

Type of clients	Retail clients Professional Clients Eligible Counterparties
Knowledge and experience	<p>Basic Investors with basic knowledge of relevant financial instruments i.e. an investor who can make an informed investment decision with the help of basic information provided by their financial adviser prior to investing.</p> <p>An Informed Investor with average knowledge of relevant financial products i.e. an investor who can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only.</p>
Financial situation with a focus on the ability to bear losses	Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity or bond markets. Potential loss is limited to the current value of the investment.
Risk tolerance and compatibility of the risk/reward profile of the product with the target market	<p>Numerical identifiers are used to specify the risk level of each specific model in a range relative to each other.</p> <p>This risk classification can range between 1 and 10, with 10 being the highest.</p> <p>Active Model Portfolios are available with a risk range of between 2-10.</p>
Clients' objectives and needs	<p>Investment objective and time horizon: the model portfolios are designed for investors seeking risk-adjusted returns over the medium to long term through investment in funds offering exposure to global equities, global bonds and alternatives.</p> <p>Liquidity: the model portfolios allow investors to exit their investment at any time.</p>
Distribution strategy	The Active Model Portfolios are discretionary models distributed by adviser firms to their clients. Clients' assets are held on the investment platform(s) which best meets their financial planning requirements as determined by the Financial Adviser.
Negative target market	<ul style="list-style-type: none"> - Clients who are looking for short term investments; - Clients who cannot afford to bear any potential investment losses.

3. Product: Schroder Strategic Index Model Portfolios

Target Market identification

Type of clients	Retail clients Professional Clients Eligible Counterparties
Knowledge and experience	Basic Investors with basic knowledge of relevant financial instruments i.e. an investor who can make an informed investment decision with the help of basic information provided by their financial adviser prior to investing. An Informed Investor with average knowledge of relevant financial products i.e. an investor who can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only.
Financial situation with a focus on the ability to bear losses	Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity or bond markets.
Risk tolerance and compatibility of the risk/reward profile of the product with the target market	Numerical identifiers are used to specify the risk level of each specific model in a range relative to each other. This risk classification can range between 1 and 10, with 10 being the highest. Strategic Index Model Portfolios are available with a risk range of between 2-10.
Clients' objectives and needs	Investment objective and time horizon: the model portfolios are designed for investors seeking risk-adjusted returns over the medium to long term through investment in funds offering exposure to a global equities, global bonds and alternatives. Liquidity: the model portfolios allow investors to exit their investment at any time.
Distribution strategy	The Strategic Index Model Portfolios are discretionary models distributed by adviser firms to their clients. Clients' assets are held on the investment platforms which best meets their financial planning requirements as determined by the Financial Adviser.
Negative target market	- Clients who are looking for short term investments; - Clients who cannot afford to bear any potential investment losses.