Schroders

Fair Value Assessment Report

Schroder Sustainable Portfolios

April 2023

Introduction from Alex Funk, Chief Investment Officer, Schroder Investment Solutions

As part of our continued commitment to you, and the requirements of the Financial Conduct Authority (FCA), we will be producing a Fair Value Assessment report annually for the model portfolios that we manage. This report aligns with our core purpose: to provide the best possible service and investment performance to meet the required outcomes and goals of investors.

This is a constant process, which is incorporated into the everyday oversight of our portfolios. The risk and performance of each portfolio is formally reviewed at quarterly oversight committee meetings, and these discussions are integrated into our annual assessment of value. Where we have identified that certain portfolios are not demonstrating value consistently, we have completed a further review and shared the measures that we have taken, or plan to take, to address the issues.

Overall, the portfolios weathered the market volatility of 2022 well with several key investment decisions helping to protect investors.

In April 2022 we made two significant changes to our Strategic Asset Allocation. Firstly, direct UK Gilt Funds were removed. Gilts are very sensitive to moves in interest rates and are ultimately impacted by inflation. This asset is included within the global government bond exposure, but at a level that better reflects global weights. Secondly, we introduced an allocation to Global Equities. This captures opportunities not available within specific individual geographies. The purpose of this allocation is to gain exposure to thematic investment strategies that affect all investors on a global basis. Its investment objective is to outperform the MSCI ACWI Index (the All Country World Index which is designed to track broad global equity-market performance) on a risk-adjusted basis throughout the investment cycle.

Although our Government bonds contributed negatively to performance, we started the year with reduced interest rate sensitivity which helped to limit losses relative to the market. As bond yields moved sharply higher, this resulted in lower bond prices and our allocation was less sensitive to these moves. In July 2022 we took a more positive view on interest rates and began increasing our exposure to higher duration assets. Duration is a measure of the sensitivity of a bond's price to a change in interest rates. The longer the duration, the more sensitive the price is to a change in interest rates. Our preference within fixed interest was to allocate to managers with a strategic approach and flexible tools and techniques to allow them to take advantage of opportunities as they arise.

We believe that higher-quality and defensive businesses will be resilient going forward and our equity allocations are positioned to take advantage of this. Introducing value equities, via managers who invest in companies that appear to trade at a lower price relative to their fundamentals, also added positively to performance relative to the market. These companies benefited from higher energy prices and increasing interest rates. We have a higher weighting to value-orientated strategies within our US and Global equity allocations as these areas are likely to benefit from the higher interest rate environment. This is balanced by a higher weighting to growth-orientated strategies in Emerging Market equities as well as increasing growth exposure in Japan. Growth stocks are companies which are expected to generate above average positive returns based on future potential growth.

Remaining defensive in our Alternative investments added positively to returns. This created a buffer relative to traditional asset classes and remained less correlated to both equities and bonds. Our allocation includes return enhancing and risk diversifying funds. An example is our holding in the Neuberger Berman Uncorrelated Strategies Fund. The fund has sub-advised mandates with different hedge fund strategies that are lowly correlated to one another and the market. This further enhances the diversification within portfolios by providing protection during periods of market volatility.

This is our first Fair Value Assessment report covering our Model Portfolio Service (MPS). We hope this report will provide an informative breakdown of the value that our portfolios provide. We also hope it will promote enhanced transparency, governance, consumer outcomes, and ultimately strengthen trust in the asset management and private wealth industries.

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Introduction

Definitions

– **We:** Schroder Investment Solutions
– **The portfolios:** The Model Portfolio Service
– **Clients:** The distributors of our model portfolio service
– **Investors:** The individuals who invest in our model portfolio service
– **The report:** The Fair Value Assessment report

Who is the report designed for?

The Fair Value Assessment report is designed for our clients to support them in providing advice to investors. It outlines each model portfolio's assessment and concludes 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 31 December 2022. Our conclusions for each model portfolio are set out in the Assessment section. The report complements, and should be read in conjunction with other documentation such as the target market description, factsheet and product brochure.

We have included a glossary at the end of the document to define the technical terms which some investors may not be familiar with.

What will the report tell you?

We have looked at four specific areas when assessing the value we deliver to our clients:

1. **Performance:** has the model portfolio 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 the model portfolios 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 a portfolio or service has three icons, we believe that the model portfolio is expected to provide fair value for a reasonably foreseeable period.
	Where a portfolio or service has two icons, we have concluded that the model portfolio is expected to provide fair value for a reasonably foreseeable period. Where relevant, required actions were carried out or changes effected.
	Where a portfolio or service has one icon, we recognise that the model portfolio is not demonstrating value consistently. We have completed a further review and shared the outcomes with you.

What to do if you have any questions

You can contact us at solutions@schroders.com if you have any further questions

The four assessment areas

1. Performance

Has the model portfolio performed in line with expectations?

We believe that our model portfolios 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 model portfolios. We assess the returns of each portfolio over the performance period to provide an indication of how well a model portfolio meets its investment objectives:

- **Investment objective:** the investment objective of our model portfolios are on our investment solutions centre and factsheets. These clearly describe the aim of the model portfolio 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 model portfolios after the model portfolio and underlying fund fees have been deducted. We acknowledge that at times, model 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 model 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 initial review identified that all portfolios are demonstrating value against this criteria.

More information on portfolio performance is captured within the assessment section of this report.

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 updates in various formats, including written and video updates. This helps 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 is 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 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 portfolios they are investing in and the associated risks. We are committed to ensuring that our clients are equipped with the necessary knowledge to make informed investment decisions

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.

Our conclusion

Our review identified that all portfolios demonstrate value against this 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 continual 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 portfolios 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 the charging structure and how it relates to the portfolio. 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 against a customised peer group selected on the basis that they are more directly comparable. The total cost includes a Model Portfolio Service fee and the fees charged by the third-party fund managers which the portfolios invest in as described below.

– **Model Portfolio Service fee:** 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. The annual fee for our model portfolios is charged at 0.15% of the value of the portfolio

– **Third-party fund management fee:** our model 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

Our conclusion

Our initial review identified that all portfolios are demonstrating value against this 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. 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 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 Model Portfolio Services 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 new products.

– **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 of our Model Portfolio Service demonstrates that our business model is resilient and allows us to continue investing to provide high levels of service to investors.

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 our service. Where applicable we will develop action plans to address any areas of improvement. In particular, developing products to enhance the investment 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, Distribution, Investment, Compliance, Legal, Risk and Marketing – provide input to the collection and assessment of strengths and areas for improvement
Assign value assessment	– Based on the data we appraise the four assessment areas for each range of portfolios to determine the value 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 and make it available on request for clients and investors to view. We publish this report for Model Portfolio 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 – Schroder Sustainable Portfolios

Overall conclusion

In evaluating the four assessment areas of our Fair Value Assessment, we believe that the Sustainable Portfolios demonstrate 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 as it relates to the range.

Performance

Our assessment concluded that all portfolios, in scope of the assessment, demonstrate value. The Schroder Sustainable Portfolios 4, 6 and 8 have not reached the minimum recommended performance period, and cannot be assessed as there is no accurate measure of performance.

The below table summarises the assessment of value for each portfolio.

Portfolio	Investment objective	Rating
Schroder Sustainable Portfolio 3	IA Mixed Investment 0–35% Shares	
Schroder Sustainable Portfolio 4	IA Mixed Investment 20–60% Shares	-
Schroder Sustainable Portfolio 5	IA Mixed Investment 20–60% Shares	
Schroder Sustainable Portfolio 6	IA Mixed Investment 40–85% Shares	-
Schroder Sustainable Portfolio 7	IA Mixed Investment 40–85% Shares	
Schroder Sustainable Portfolio 8	IA Flexible Investment	-

Summary

We assessed the return contribution of each portfolio over the performance period. The analysis highlighted that the portfolios have performed in line or outperformed a basket of peers with similar risk.

Remedial actions

There were no remedial actions required for the 2022 year of assessment. We remain adaptable in the face of changing market conditions and regulatory requirements to ensure that our clients' investments are well-positioned for success.

Quality of service

Our assessment concluded that all portfolios demonstrate value. The below table summarises the assessment of value for each portfolio.

Portfolio	Investment objective	Rating
Schroder Sustainable Portfolio 3	IA Mixed Investment 0–35% Shares	
Schroder Sustainable Portfolio 4	IA Mixed Investment 20–60% Shares	
Schroder Sustainable Portfolio 5	IA Mixed Investment 20–60% Shares	
Schroder Sustainable Portfolio 6	IA Mixed Investment 40–85% Shares	
Schroder Sustainable Portfolio 7	IA Mixed Investment 40–85% Shares	
Schroder Sustainable Portfolio 8	IA Flexible Investment	

Summary

We assessed the contribution of our products and services, customer support and customer understanding to the quality of our service. The analysis highlighted that we met our expected service delivery standards and provided clear, timely and accurate communications to clients. Our investment processes proved to be effective and robust in delivering long-term success for clients. The quality of our service was also validated at the Professional Adviser Awards 2022 where we were named 'Best Model Portfolio Service'. Ongoing support and communication were a critical considerations for the judges in awarding this.

Remedial actions

There were no remedial actions required for the 2022 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 that all portfolios demonstrate value. The below table summarises the assessment of value for each portfolio.

Portfolio	Investment objective	Rating
Schroder Sustainable Portfolio 3	IA Mixed Investment 0–35% Shares	
Schroder Sustainable Portfolio 4	IA Mixed Investment 20–60% Shares	
Schroder Sustainable Portfolio 5	IA Mixed Investment 20–60% Shares	
Schroder Sustainable Portfolio 6	IA Mixed Investment 40–85% Shares	
Schroder Sustainable Portfolio 7	IA Mixed Investment 40–85% Shares	
Schroder Sustainable Portfolio 8	IA Flexible Investment	

Summary

We assessed the contribution of each cost component to the total fee applicable for the portfolios. The analysis highlighted that total cost is fair and covers the costs associated with providing a high-quality service. The charges of third-party fund managers are reasonable and commensurate with the outcomes they provide.

Remedial actions

There were no remedial actions required for the 2022 year of assessment. We continue to assess the components of our total cost 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

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. We also have capacity to innovate and develop new products that support the long-term success of the business and our clients.

Remedial actions

There were no remedial actions required for the 2022 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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