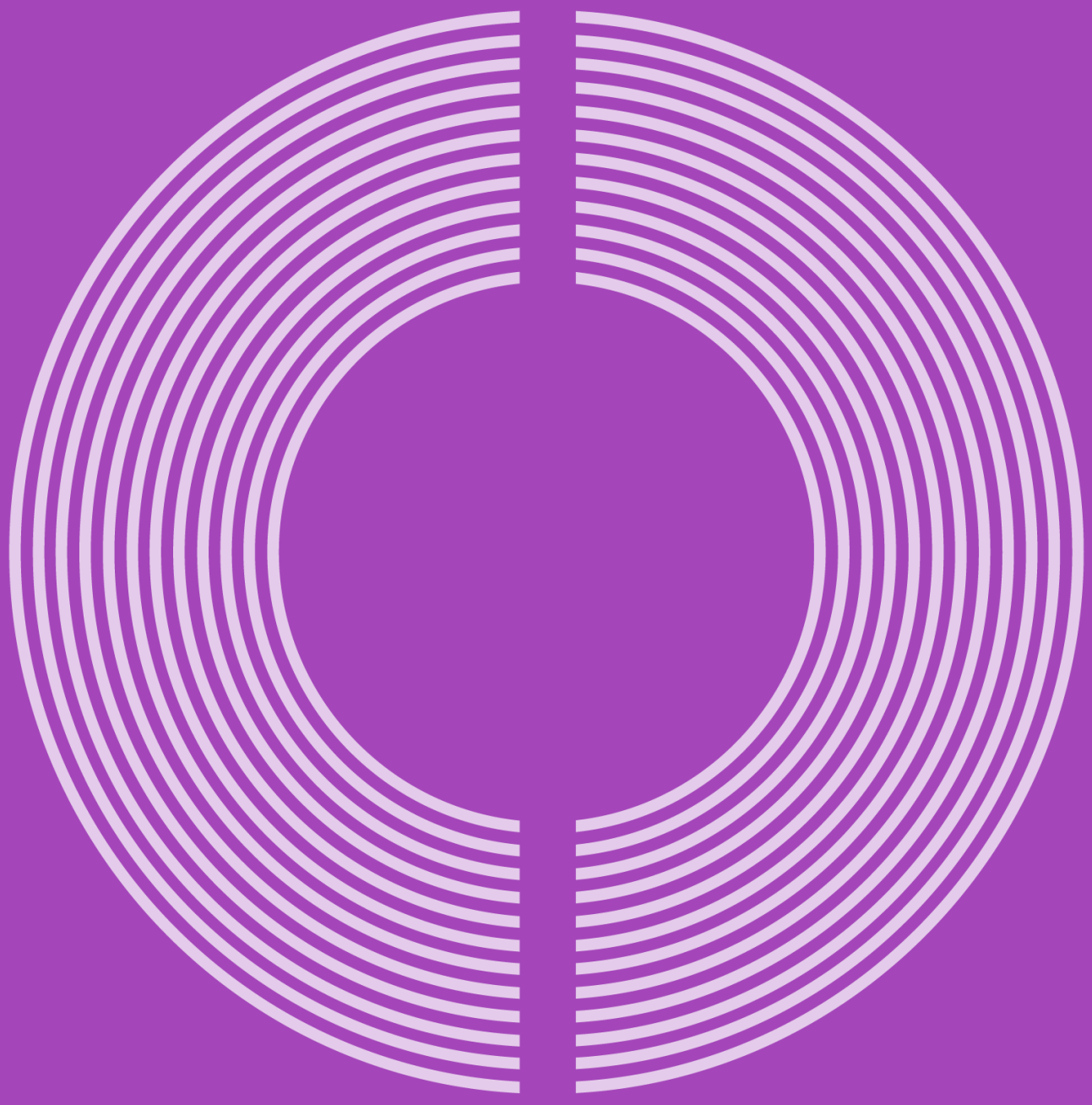
Schroder Investment Solutions

Schroder Sustainable Model Portfolios - Quarterly Bulletin

Q1 2024



Schroders

Marketing material

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Introduction

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

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

We then show you how the portfolios have performed.

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

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

We hope that you find this information useful.

Alex Funk
Chief Investment Officer

Market performance

Q1 2024

The importance of diversification

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

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

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

Best performing asset class

Worse Performing asset class

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

Market commentary

Q1 2024

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

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

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

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

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

Market commentary

Q1 2024

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

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

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

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

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

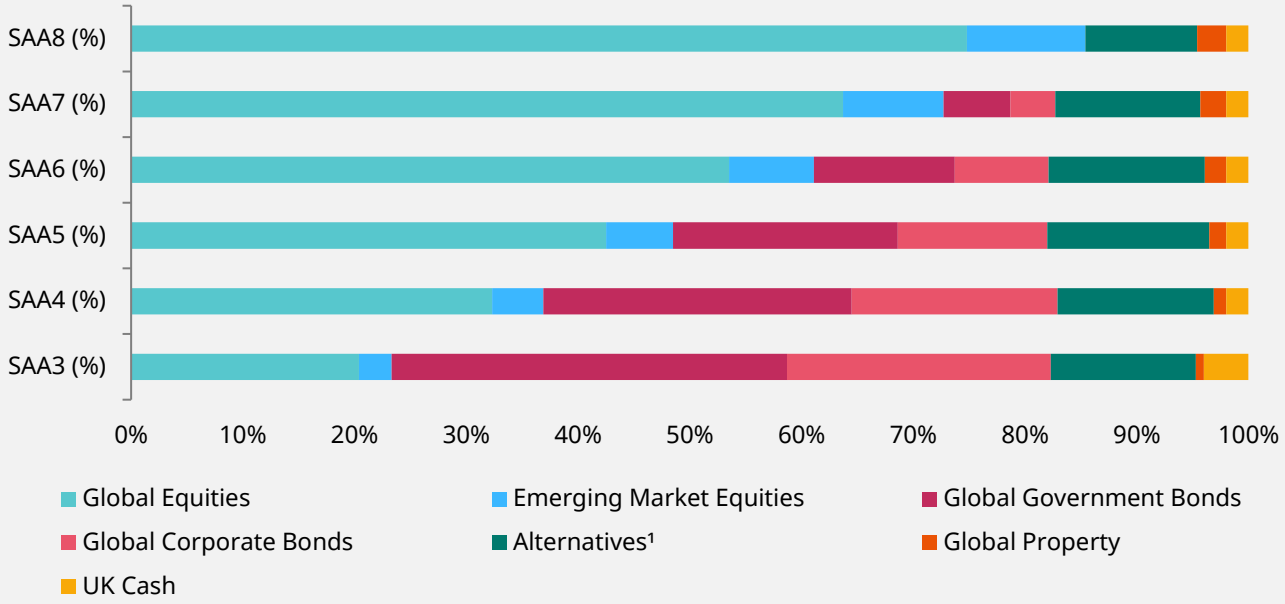
Asset allocation

Q1 2024

We have a robust asset allocation framework with the appropriate balance between asset classes, sectors and regions. Spreading all investments across a well diversified range of assets also helps to reduce risk. With the risk profiles of the Schroders Portfolios agreed, we design the optimal blend of asset classes to maximise returns for each level of risk. The chart below illustrates the asset class diversification across the Schroder Sustainable Model Portfolios.

When it comes to investing, your goals and attitude to risk are as individual as you are, so a 'one size fits all' approach won't do. Your financial adviser will work closely with you to understand what you are aiming to achieve and how much risk you are comfortable with taking. Together, these will determine your 'risk profile' on a scale of 3–8 and this will form the foundation of your investment portfolio. A portfolio with the lowest risk level does not mean a risk-free investment.

Strategic Asset Allocation (SAA)



Source: Schroders as at April 2024. The chart illustrates the asset class diversification across the Schroder Sustainable Model Portfolios 3–8. Please note that the illustration may not show our current asset allocation. [1]Alternatives include non-traditional asset classes for example Commodities, Infrastructure and Real Assets.

Asset class views

Q1 2024

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

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

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

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

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

Schroder Sustainable Model Portfolios

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Schroder Sustainable Model Portfolios performance

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	Q1 2024	YTD	01/04/2023 - 31/03/2024	01/04/2022 - 31/03/2023	01/04/2021 - 31/03/2022	01/04/2020 - 31/03/2021	01/04/2019 - 31/03/2020	01/04/2018 - 31/03/2019	01/04/2017 - 31/03/2018	01/04/2016 - 31/03/2017	01/04/2015 - 31/03/2016	01/04/2014 - 31/03/2015	Since Inception
Schroder Sustainable Portfolio 3	**0.95**	**0.95**	**5.05**	**-4.17**	**0.76**	**13.34**	**0.50**	**3.84**	**1.97**	**11.89**	**-0.16**	**11.47**	**109.39**
Inception date 02-01-2008													
Mixed Investment 0-35% Shares	1.44	1.44	5.84	-5.84	0.21	12.22	-3.54	2.43	0.44	9.93	-1.22	7.86	61.72
Schroder Sustainable Portfolio 4	**1.70**	**1.70**	**6.18**	**-4.34**	**1.49**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6.72**
Inception date 19-10-2020													
Mixed Investment 20-60% Shares	2.50	2.50	7.80	-5.00	1.79	-	-	-	-	-	-	-	10.70
Schroder Sustainable Portfolio 5	**2.20**	**2.20**	**6.97**	**-4.36**	**1.90**	**22.51**	**-0.43**	**5.63**	**4.12**	**16.00**	**-1.14**	**12.08**	**140.85**
Inception date 02-01-2008													
Mixed Investment 20-60% Shares	2.50	2.50	7.80	-5.00	1.79	20.05	-7.14	2.89	0.83	13.05	-2.12	8.78	82.78
Schroder Sustainable Portfolio 6	**2.90**	**2.90**	**7.94**	**-4.14**	**2.49**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12.29**
Inception date 19-10-2020													
Mixed Investment 40-85% Shares	4.14	4.14	10.11	-4.62	5.38	-	-	-	-	-	-	-	19.32
Schroder Sustainable Portfolio 7	**3.46**	**3.46**	**8.70**	**-3.84**	**3.08**	**32.08**	**-1.87**	**7.19**	**4.83**	**21.21**	**-1.00**	**11.87**	**192.24**
Inception date 02-01-2008													
Mixed Investment 40-85% Shares	4.14	4.14	10.11	-4.62	5.38	26.47	-7.73	4.36	1.63	17.48	-2.72	10.71	121.77
Schroder Sustainable Portfolio 8	**4.09**	**4.09**	**9.56**	**-3.49**	**3.30**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18.18**
Inception date 19-10-2020													
Flexible Investment	4.48	4.48	10.09	-3.96	5.00	-	-	-	-	-	-	-	20.96

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

What are the risks?

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

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

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

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

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

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

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

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

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

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

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

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

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

Schroder Sustainable Model Portfolios

Q1 2024

Portfolio updates

The quarter in summary

As we started 2024, markets continued to rise due to the positive outlook on interest rates set by the Federal Reserve (Fed) in the final quarter of 2023. Markets interpreted the Fed's apparent shift in stance as a sign they may cut rates up to seven times this year, although this looked a little optimistic to us and expectations have since moderated. Demand for artificial intelligence (AI) has been gathering pace, with tech companies the major beneficiaries so far. Looking ahead, other sectors are beginning to adopt AI with the technology being deployed in consumer discretionary, healthcare, financials, and other more industrial areas of the market.

Annual update to our Strategic Asset Allocation

In April each year we reassess our Strategic Asset Allocation (SAA). This is a portfolio strategy which involves setting target allocations for various asset classes and rebalancing periodically. Rebalancing involves increasing and reducing exposure to asset classes within a portfolio to reflect any changes in the expected long-term returns from asset classes. In developing the long-term SAA, the Investment Committee is supported by the Schroders Economics and Multi-Asset teams. We make use of a proprietary tool to produce a set of well-diversified portfolios, positioned to perform throughout various market conditions and cycles. Key inputs into the tool are our 30-year return forecasts and the historic volatility and correlations of asset classes.

In our most recent return forecast, we increased our expectation for the long-term return on cash. This led us to increase the expected returns for government bonds. We therefore increased this exposure within the portfolios that hold the asset class, funded through a reduction in cash. For portfolios which don't hold cash, there was a marginal reduction in equities which was allocated to government bonds. This provides an opportunity for these portfolios to benefit from higher interest payments relative to history.

Higher interest rates for fixed income

At its latest meeting, the Fed left rates unchanged and expectations for US rate cuts in 2024 have been scaled back to just two cuts. The first interest rate cut is expected in September. Given this, our government bond allocation is positioned to benefit from the higher interest payments on offer. We have also maintained a high allocation to investment grade bonds. Investment grade bonds are issued by non-government entities that have been rated as high quality by credit rating agencies.

Positioning for adjustments in alternatives

Alternatives is a collective term for asset classes other than equities, bonds and cash. Alternatives include real estate, private equity, hedge funds and commodities. As part of our update to the Strategic Asset Allocation, the alternatives asset class has received a marginal increase. Although we are currently focused on risk diversifying strategies, this increased allocation positions the portfolio to allocate to return enhancing strategies when the market conditions are more favourable. Risk diversifying strategies tend not to move in the same direction as other assets. For example, if stocks go down, a risk diversifying asset might go up or stay the same. Return enhancing assets have the potential to deliver returns that are higher than those of traditional assets in a portfolio and often carry a higher degree of risk.

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Schroder Sustainable Model Portfolios

Q1 2024

Portfolio changes

Our approach to managing portfolios involves quarterly rebalancing back to our strategic asset allocation as well as making fund changes based on our current investment views.

Strategic asset allocation involves setting target allocations for different asset classes based on an investor's long-term goals and risk tolerance. We rebalanced our portfolios by adjusting the weights of the assets to maintain a desired level of risk or return as per our review in April 2024. Our next review of the strategic asset allocation will be in April 2025.

The following fund additions and sales were made at our April 2024 rebalance:

Reduction of cash allocation

In line with our adjustments to the Strategic Asset Allocation, the allocation to the Royal London Short-Term Money Market Fund was reduced in Portfolios 3 and sold in Portfolios 4 and 5. The proceeds have been allocated to the Royal London International Government Bond Fund.

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Schroder Sustainable Model Portfolios

Q1 2024

Positive contributors to portfolio performance

Ninety One Global Sustainable Equity Fund	Total return 11.11%

-Added to portfolios in January 2024
-Stock selection in the healthcare, technology and industrial sectors were top contributors to performance

The Ninety One Global Sustainable Equity Fund was added to portfolios in January and has positively contributed to performance. The fund is managed by Stephanie Niven, who believes that companies leading in sustainability have the potential to outperform the market. Stock selection in the healthcare, technology and industrial sectors were top contributors to performance. These sectors make up approximately 65% of the fund and accounted for 77% of the total return over the quarter.

BNY Mellon Sustainable Global Equity Income Fund	Total return 4.27%

- Fund was added to portfolios in January
- Approximately 45% of the fund is invested in US based companies and these were the top contributors

The BNY Mellon Sustainable Global Equity Income Fund was added to portfolios in January and has positively contributed to performance. The fund aims to generate income, together with capital growth, by investing in global companies that demonstrate attractive investment qualities and sustainable business practices. Over the quarter, performance was driven by stock selection in the financial services, technology and consumer defensive sectors. Approximately 45% of the fund is invested in US based companies and these were the top contributors, followed by companies in France and Taiwan. The top stock contributor was the American pharmaceutical company, AbbView, which achieved a return of 19.71%.

Schroders Global Sustainable Value Equity Fund	Total return 5.01%

-Top performing stocks were NatWest and Western Digital Corp
- Companies in the US, UK and France performed well

Over the quarter, positive performance was generated in the financial services, communication services and technology sectors. NatWest and Western Digital Corp have both been the biggest contributors to the fund this quarter. At a country level, stocks in the US, UK and France were top contributors. The fund maintains a strict approach to valuing investments and concentrates on selecting stocks from the most affordable 20% of the market. Over the quarter the team have sold out of Colruyt Group, Marks & Spencer and Wiley. The team has bought positions in Best-Buy, KB Financial, Ahold Delhaize and Macy's.

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Schroder Sustainable Model Portfolios

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Negative contributors to portfolio performance

Ninety One Global Environment Fund	Total return -4.22%

-The fund was sold during the quarter

The Ninety One Global Environment Fund was a detractor of performance over the quarter before it was sold during our January rebalance. The proceeds were allocated to sustainable global equity funds which align with the key sustainability objectives as defined in Schroders' Engagement Blueprint. Our Blueprint describes our approach to engagement on environmental, social and governance (ESG) topics. It is forward looking and guides our ambition to generate investment returns for our clients by encouraging change where we consider it is needed. It aims to bring transparency to the companies we invest in and to our clients around our expectations, while also giving our internal investment teams guidance for their engagements on key issues.

Gravis Clean Energy Income Fund	Total return -9.61%

-Stock selection in the US, Canada and the UK detracted from performance

Approximately 40% of the fund invests in companies in the utilities sector and this was the largest detractor of performance. The largest detractor was EDP Renovaveis, a Spanish renewable energy company that designs, develops, manages and operates power plants that generate electricity using renewable energy sources. At a country level, companies in the US, Canada and the UK also detracted.

Lazard Global Thematic Focus Fund	Total return -1.18%

-The fund was sold during the quarter

The Lazard Global Thematic Focus Fund was a detractor of performance over the quarter before it was sold during our January rebalance. The proceeds were allocated to sustainable global equity funds which align with the key sustainability objectives as defined in Schroders' Engagement Blueprint. Our Blueprint describes our approach to engagement on environmental, social and governance (ESG) topics. It is forward looking and guides our ambition to generate investment returns for our clients by encouraging change where we consider it is needed. It aims to bring transparency to the companies we invest in and to our clients around our expectations, while also giving our internal investment teams guidance for their engagements on key issues.

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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