

Schroder Investment Solutions

International model portfolios

Adviser guide



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Working with you

Introducing Schroder Investment Solutions

We're delighted to extend the benefits of Schroder Investment Solutions' award-winning* active and sustainable Model Portfolio Service (MPS) ranges to international investors.

You can now offer your clients the 'best of Schroders' through an MPS that is tailored to their individual needs and preferences, with a model portfolio service management fee of only 0.15%. The Schroder Investment Solutions range has been tried and tested for more than ten years in the UK market and has over £5 billion (as at 28.02.2023) in assets under management.

This guide sets out how Schroder Investment Solutions can help you to achieve appropriate client outcomes. It also provides you with in-depth information about our active and sustainable MPS ranges and how they can support a range of customer requirements.

Our team would, of course, be very pleased to discuss any of this with you so please don't hesitate to get in touch. You will find the contact details of your local business development managers on page 19.

*Schroder Investment Solutions was named 'Best Model Portfolio Service' at the Professional Adviser Awards 2022.

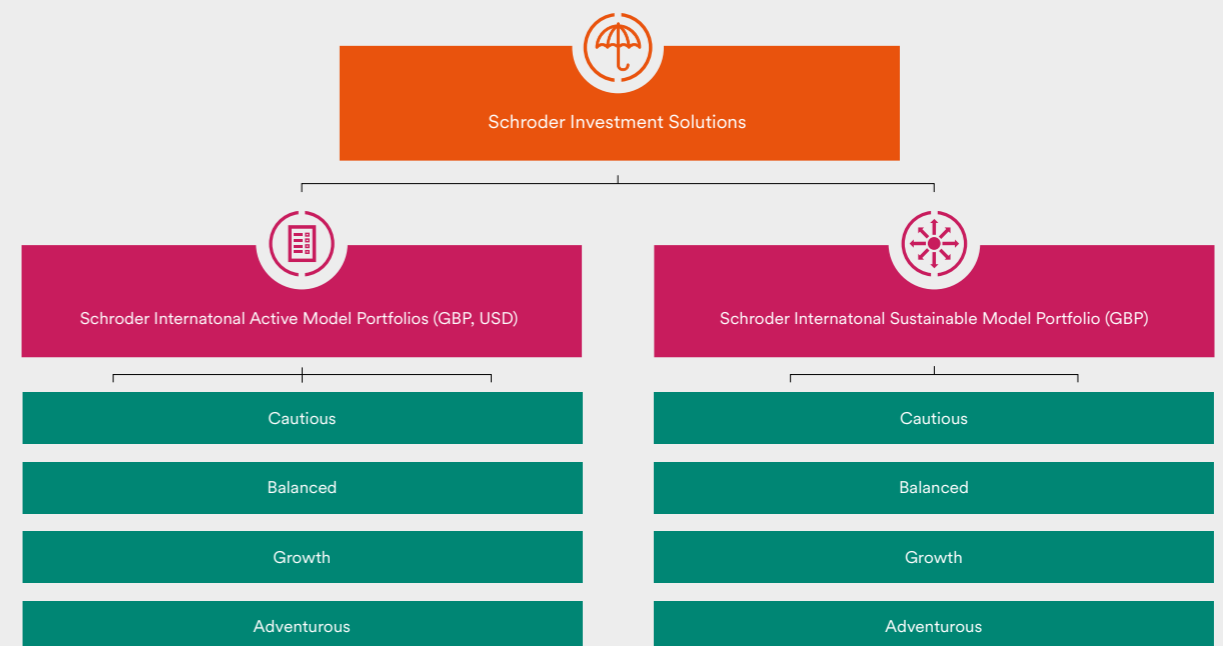


Alex Funk
CIO
Schroder Investment Solutions



Gillian Hepburn
Head of Intermediary Solutions, Schroders

Our international model portfolio range



Combining your strengths with ours

'Doing it all' has become significantly more challenging in the face of an increasing regulatory burden, rising business costs and pressure on fees. Markets have also become more difficult to navigate, exacerbated by heightened geopolitical risks.

By accessing the knowledge and skills of expert teams across the Schroders group, we can help you to address a number of the challenges you face. Through leveraging our strengths in investment management, you'll be empowered to focus on your core areas of expertise to help deliver appropriate outcomes for your clients.



Delivering appropriate client investment outcomes

Schroders: your solutions partner

Schroders is an investment manager with broad expertise across public and private markets, investing on behalf of savers and investors globally.

As an investment manager we make decisions every day on behalf of savers and investors around the world. They depend on our broad investment expertise, across private and public markets to manage £737.5 billion (as at 30.12.2022) of wealth and investments. We help them achieve their long-term financial goals – and make a positive impact on the world.

Our partnerships run deep. We're still working with our first UK charity client from back in 1936, for example.

“
For more than 200 years,
we've built our understanding
of markets and with it our ability
to help our clients
”



Delivering the best of Schroders

Schroder Investment Solutions makes full use of the expertise of our global teams under the oversight of the Schroder Investment Solutions Investment Committee. The Committee comprises representatives from across the Schroders group who review and implement necessary changes across the range of portfolios, ensuring that solutions are in line with client expectations.

The Investment Committee reaches decisions based on the input of experts from across the Schroders group:



Keith Wade
Chief Economist

Schroders Economics Team

The Economics team delivers macroeconomic analysis to the Schroders group, enabling the investment teams to make better decisions and to provide insights to clients. Led by Keith Wade, Chief Economist, they provide an economic outlook relating to capital market assumptions which inform the strategic asset allocation of portfolios managed by Schroder Investment Solutions.



Johanna Kyrklund
Co-Head of Investment and Group CIO

Schroders Multi-Asset Team

The Multi-Asset team consists of over 100 dedicated investment professionals with extensive experience in multi-asset investing. The team provides proprietary portfolio construction and risk management systems to determine the strategic asset allocation of portfolios across various risk levels. Sustainability risk and diversification is of utmost importance and therefore ESG is integrated within their qualitative and quantitative research-led process.



Garth Taljard
Global Head of Investment Product and Multi-Asset Management

Schroder Investment Solutions benefits from the two divisions within the Multi-Asset Team: Portfolio Management, led by Johanna Kyrklund and Business Management, led by Garth Taljard.



Andy Howard
Global Head of Sustainable Investment

Schroders Sustainable Investment Team

The Sustainable Investment team take a forward-looking, active investment approach in understanding the effects of social and environmental change. The Schroders ESG accreditation framework has been instrumental in systematically and meaningfully embedding ESG in every appropriate stage of the investment process. The team have developed several proprietary tools to help the Schroder Investment Solutions team successfully identify, understand and manage the ESG risks and opportunities in our strategies.



Stuart Derrick
Head of Manager Selection

Schroders Wealth Research

The Wealth Research team is responsible for maintaining a best ideas list (whole-of-market) of investment instruments across various asset classes. The team is divided into Asset Class Groups (ACG's) and each group is responsible for a subset asset class e.g. UK Equity, Corporate Bonds, Alternatives etc. There are over 100 members across various ACG's resulting in a wide coverage of funds across asset class groups. Each ACG has a dedicated sustainability-focused member which ensures that sustainability is embedded in the research process across all portfolios and funds.

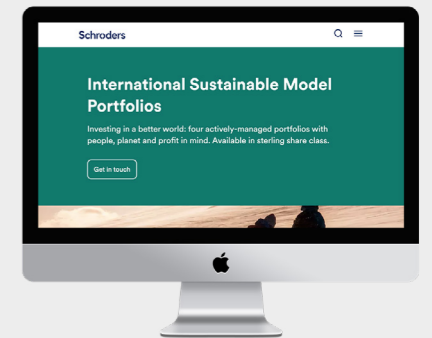
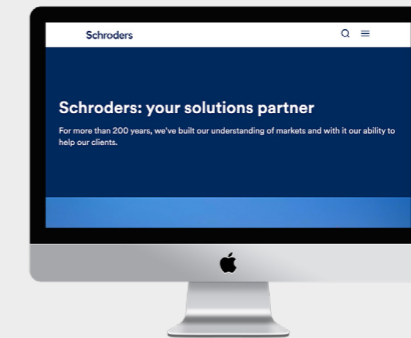
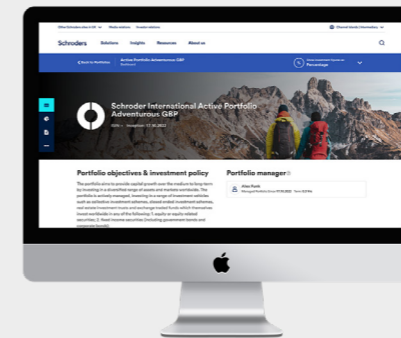
All funds are approved by the Wealth Research Committee before being added to the house investment list. The committee brings together investment specialists with appropriate expertise in different areas to ensure that funds and investments are comprehensively scrutinised before being granted approval. There are two dedicated members responsible for oversight and engagement with each approved fund.

High quality service and reporting

Reporting can be time-consuming. We can help by providing you with the resources and support you need to keep your clients informed about their investment strategy and the progress they are making towards achieving their goals.

We have a dedicated website which includes our international solutions fund centre where you can access digital factsheets, including performance and asset allocation. Our client-facing quarterly reports review the portfolios and include our latest market and asset class views.

For the Schroder International Sustainable Model Portfolios, we produce a quarterly report that shows investors in monetary terms the impact their investments are having and how these are aligned with the United Nations' Sustainable Development Goals (SDGs).



A repeatable investment approach

Our investment process



Capital market assumptions

Our capital market assumptions are defined by our long-term expectations 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 including equities, bonds, cash and property. This is the main input into our Capital Asset Pricing Model to generate our efficient frontier. These assumptions explicitly account for the physical and transition costs associated with climate change.

Efficient frontier generation

In conjunction with the Schroder Multi-Asset and Risk Team we have developed a Capital Asset Pricing Model (CAPM) 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 (SAA)

Extensive asset class research forms the base of our investment philosophy. The allocation between asset classes can be one of the largest drivers of investment returns. An optimal strategic asset allocation (SAA), which determines the best mix of assets to hold for the long term, can help maximise return for each level of risk.

After generating the efficient frontier, 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 ensures that there is appropriate risk and return separation between portfolios as we move up the risk curve, setting the optimal SAA for each portfolio.

Our SAA includes the potential impact of climate change and is reviewed annually.

Strategy selection

The selected strategy determines the different building blocks used to populate the asset allocation. The Investment Committee seek to provide a well diversified solution, positioned to perform throughout various market conditions and cycles. To ensure ongoing independence, our use of Schroder group funds is limited to 20% of our total assets under management.

Portfolio construction

Robust investment research ensures that portfolios are sufficiently diversified by manager and investment style. We conduct both quantitative analysis and consider qualitative factors in identifying our best investment ideas. ESG is integrated during the investment research process through our Fund Manager ESG Survey and the Fund Level Scorecard. Our ESG Accreditation document is available on request.

Ongoing management and risk monitoring

The Investment Committee maintains ultimate oversight of the investment range. They meet formally each quarter to review the portfolios and hold sub-committee meetings to better facilitate key discussions around the investment and operational processes.

If any changes need to be made, these typically take place at the quarterly rebalance. The rebalance ensures that portfolios remain mapped (as closely as possible) to their strategic asset allocations.

Portfolio risk management is part of our ongoing monitoring process. We assess both portfolio risk and the client's expected risk in relation to their investment. This helps us to manage any behavioural biases that clients may lean on during times of market uncertainty.



Schroder International Active Model Portfolios

A range of actively managed model portfolios designed for investors seeking an expertly constructed multi-asset portfolio

The Schroder International Active Portfolios provide a multi asset, multi-manager solution blending our best idea active managers, in their particular asset class and region.

Key reasons to invest:

- 1 The best of Schroders:** combining strengths across the Schroders group, drawing upon the global research and expertise of the Economics, Multi-Asset, Wealth Research and Sustainable Investment Teams
- 2 A focus on cost:** a competitive MPS fee of just **0.15%**
- 3 High quality service and reporting:** digital solutions fund centre, quarterly report and a local team

Our portfolios are available in both USD and GBP share classes:

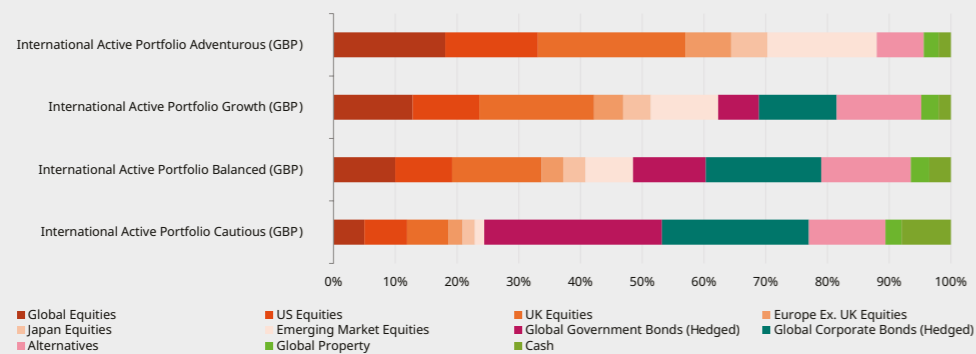


Impartial, whole-of-market investment selection

The models use a broad range of active funds across asset classes and markets, selected for the value that they can add and how they complement other investments within the portfolio.

We look for managers that have a repeatable investment philosophy, a sound risk management process, a strong and incentivised investment team and a record of consistent outperformance that is differentiated from the index.

Strategic asset allocation



Source: Schroders as at September 2022. Please note that the illustration may not show our current asset allocation.



Actively using Alternatives

Investments within the Alternatives asset class have become popular in multi-asset portfolios as they can reduce the reliance on the traditional diversification provided by combining equities and fixed income.

However it's important to understand what each underlying investment will provide to the portfolio and then blend funds that align with the defined objective. Some examples include:

Hedge funds: various types of hedge fund strategies provide different levels of protection relative to global equities during periods of market volatility. Each strategy has its own objective and by investing in a basket of lowly correlated hedge funds you can further increase diversification to traditional asset classes.

Trend following strategies or CTA's: are not market dependent and aim to achieve consistent returns regardless of the general market direction. Investing in consistent short-term trends across a range of asset classes enables the fund manager to make small gains on an ongoing basis.

During periods of volatility, diversification is a key defence in managing the frequency and magnitude by which investments rise and fall. When investing in Alternatives for defensive properties, you cannot expect the component to do as well as Global Equities during periods of higher returns for risk assets. An allocation to Alternatives should therefore provide both risk diversifying and return enhancing characteristics to portfolios. This enables us to be more defensive or take on more risk depending on our view of current market cycles.

Our Alternatives allocation in the Active and Sustainable Model Portfolios has the following characteristics:

- Half the Beta of Global Equities
- With a correlation of between -0.5 to 0.5 to Global Equities

A focus on cost

We bring you and your clients the best of Schroders expertise at a cost competitive price:

Schroder International Active Model Portfolios	Cautious	Balanced	Growth	Adventurous
GBP share class				
MPS fee %	0.15	0.15	0.15	0.15
OCF %	0.59	0.72	0.78	0.85
OCF (including MPS fee) %	0.74	0.87	0.93	1.00
USD share class				
MPS fee %	c.30	c.30	c.30	c.25
OCF %	0.62	0.75	0.82	0.92
OCF (including MPS fee) %	0.77	0.90	0.97	1.07

Source: Schroders as at 28 February 2023. The OCF (Ongoing Charge Figure) is a measure of the total costs associated with managing and operating an investment portfolio. These costs include the MPS fee, management fees and additional expenses of the underlying funds but excludes any advice or platform charges. The OCF will vary on a monthly basis.

Benchmarking

The Schroder International Active Model Portfolios are benchmarked against the ARC Private Client Indices ("PCI"). The PCIs are constructed by ARC Research (ARC), an independent research firm based in Guernsey, Jersey, London and Toronto. ARC Research is part of the ARC Group, a third-party organisation that provides a means for discretionary private client investment managers to have client performance measured against peers. They offer a transparent means of assessing risk-adjusted performance. The PCIs are calculated on historical returns, net of fees and on a total return basis.

Schroder International Active Model Portfolios	ARC PCI Index (GBP)	ARC PCI Index (USD)
Cautious	Sterling Cautious	US Dollar Cautious
Balanced	Sterling Balanced Asset	US Dollar Balanced Asset
Equity Growth	Sterling Steady Growth	US Dollar Steady Growth
Adventurous	Sterling Equity Risk	US Dollar Equity Risk

Platform availability

Available on a range of international platforms:



MORNINGSTAR Wealth Platform



Risk considerations

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

Capital risk: All capital invested is at risk. You may not get back some or all of your investment.

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 portfolios may lose value as a result of movements in foreign exchange rates.

Derivatives risk: A derivative may not perform as expected, and may create losses greater than the cost of the derivative.

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.

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 portfolios may not be able to sell a security for full value or at all.

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.

Schroder International Sustainable Model Portfolios

A range of actively managed model portfolios designed for investors seeking an expertly constructed multi-asset portfolio aligned to sustainable values

The Schroder International Portfolios provide a multi-asset, multi-manager solution blending our best idea sustainable investment managers, in their particular asset class and region, from across the market.

Key reasons to invest:

- 1 The best of Schroders:** combining strengths across the Schroders group, drawing upon the global research and expertise of the Economics, Multi-Asset, Wealth Research and Sustainable Investment Teams
- 2 A focus on cost:** a competitive MPS fee of just 0.15%
- 3 Sustainability reporting:** a quarterly client report, linked directly to the UN's Sustainable Development Goals (SDGs)
- 4 High quality service and reporting:** digital solutions fund centre, quarterly report and a local team

Our portfolios are available in the GBP share class:

Schroder International Sustainable Portfolio Cautious	Schroder International Sustainable Portfolio Balanced	Schroder International Sustainable Portfolio Growth	Schroder International Sustainable Portfolio Adventurous
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Schroders: a leader in sustainable investing

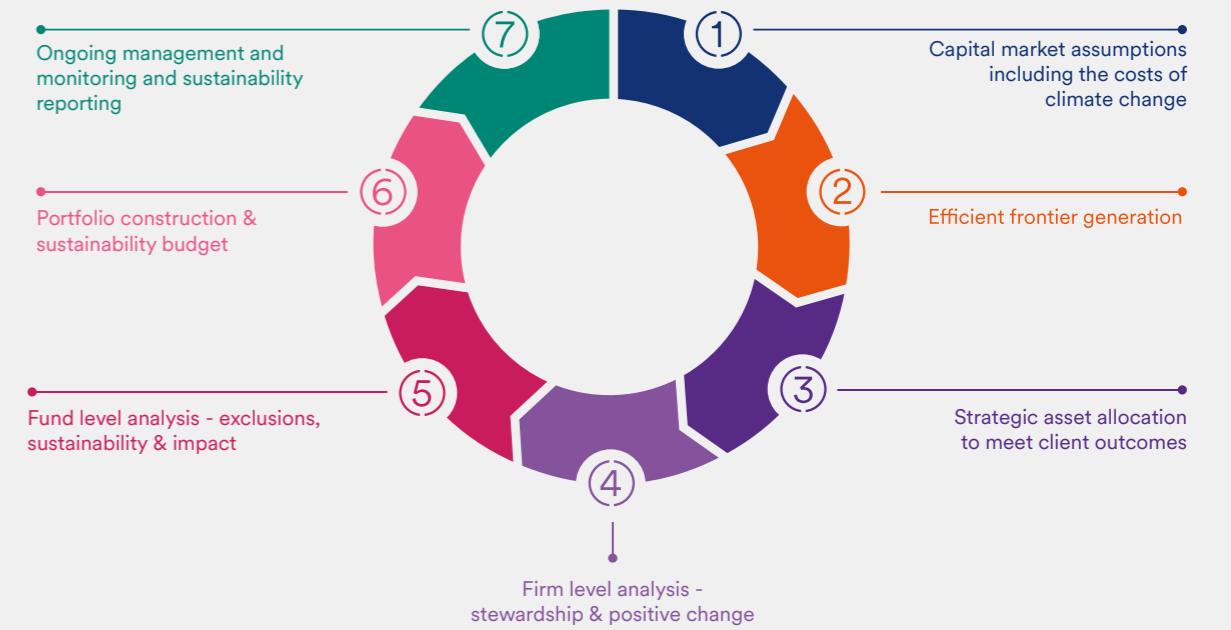
As a global investment manager, our overall purpose is to support the long-term future goals of advisers and their clients. We recognise the important role we play in providing solutions to support our advisers as well as having a strong focus on doing the right thing for our people, our suppliers and for society more widely. Our environmental, social and governance principles are a foundation of our philosophy.

21+ years ESG integration	50+ Dedicated ESG specialists	With 400+ years Combined investment experience	Fully ESG Integrated Across our managed assets	5,300+ Engagements in 2022*	Across 58 Countries globally
10 Proprietary investment tools and frameworks	16,000+ Companies covered by our portfolio-level sustainability reporting tools	UN PRI signatory since 2007	1st Asset manager to tie their cost of capital to sustainability goals	UN global compact Signatory	Net Zero Asset Manager Founding member of initiative

For certain businesses acquired during the course of 2020, 2021 and 2022, we have not yet integrated ESG factors into investment decision-making. There are also a small number of strategies for which ESG integration is not practicable or not possible, for example passive index tracking or legacy businesses or investments in the process of or soon to be liquidated, and certain joint venture businesses are excluded. *More than 360 sustainable investment team led, 1100 analyst/fund manager led, 530 campaigns and collaborative engagements, 3300 mass communication around voting season.

Our repeatable investment process

The International Sustainable Portfolios follow the same repeatable investment process as the International Active Portfolios with a few nuances to align with sustainable outcomes:



Sustainable fund selection

We believe that sustainability covers a broad range of investment approaches and we look to invest across this spectrum. Each underlying fund has varying objectives and outcomes, which range from those focusing on financial benefit to those with a higher social focus.

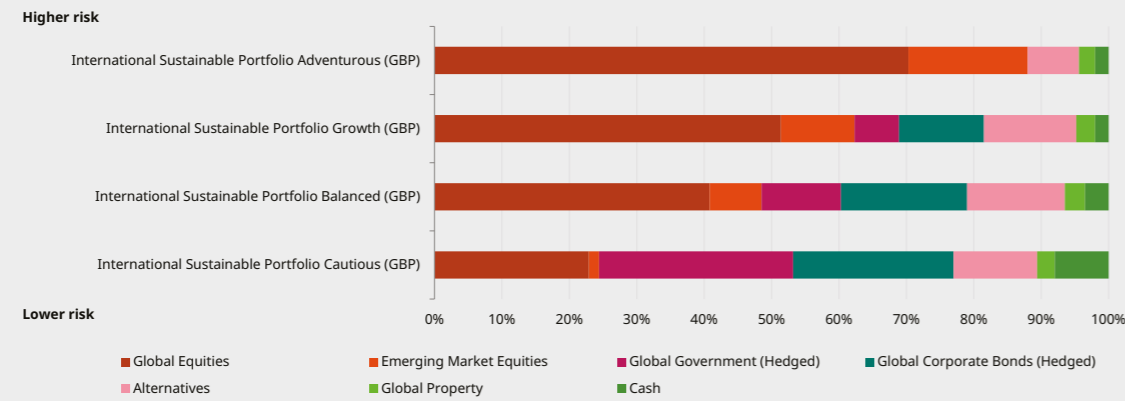
We combine funds with 'best-in-class' ESG characteristics alongside sustainable or impact funds, which look to identify companies whose products and services are meeting specific social or environmental needs.

The Schroder International Sustainable Model Portfolios exclude stocks which derive >10% of revenue from common sin sectors.

Sustainability budget

While staying true to the SAA, the Portfolios aim to be as sustainable as possible. Despite the constant development in sustainable investing options, there are still some asset classes such as Government Bonds where it may not be possible to find a suitable "sustainable" fund that meets our rigorous selection criteria. Where this does occur, we will select a fund used elsewhere in the Schroder Investment solutions range. This factors into what we call our "sustainability budget" which defines the minimum weight in the portfolio which is invested sustainably. Over time our aim is to increase the budget of each risk profile to be 100% sustainably invested.

Strategic asset allocation (GBP)



Source: Schroders as at September 2022. Please note that the illustration may not show our current asset allocation.

A focus on cost

We bring you and your clients the best of Schroders expertise at a reasonable cost:

Schroder International Sustainable Model Portfolios (GBP)	Cautious	Balanced	Growth	Adventurous
MPS fee %	0.15	0.15	0.15	0.15
OCF %	0.57	0.71	0.78	0.88
OCF (including MPS fee) %	0.72	0.86	0.93	1.03

Source: Schroders as at 28 February 2023. The OCF (Ongoing Charge Figure) is a measure of the total costs associated with managing and operating an investment portfolio. These costs include the MPS fee, management fees and additional expenses of the underlying funds but excludes any advice or platform charges. The OCF will vary on a monthly basis.

Benchmarking

The Schroder International Sustainable Portfolios are benchmarked against the ARC Private Client Indices ("PCI"). The PCIs are constructed by ARC Research (ARC), an independent research firm based in Guernsey, Jersey, London and Toronto. ARC Research is part of the ARC Group, a third-party organisation that provides a means for discretionary private client investment managers to have client performance measured against peers. They offer a transparent means of assessing risk-adjusted performance. The PCIs are calculated on historical returns, net of fees and on a total return basis.

Schroder International Sustainable Model Portfolios	ARC PCI Index (GBP)
Cautious	Sterling Cautious
Balanced	Sterling Balanced Asset
Equity Growth	Sterling Steady Growth
Adventurous	Sterling Equity Risk

Platform availability

Available on a range of international platforms:





Working with you

We're here to manage the models your clients are invested in, so you have more time to focus on clients and your business goals.

We are committed to supporting you every step of the way. This means you'll have face-to-face support from our experienced team to ensure that you have a full overview and understanding of our models, that will support you with your client conversations when selecting the right investment.

For any further information, contact your local representative:



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Why choose Schroder Investment Solutions?



A proven track record delivered through access to the 'best of Schroders'



High quality service and reporting



A focus on cost with a competitive MPS fee of only 0.15%

A global reach with a local presence

Schroders (C.I.) Limited

Regency Court, Glatengy Esplanade, St Peter Port
Guernsey, GY1 3UF, Channel Islands

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ARC Research: Model portfolios are not managed within the ARC volatility parameters and are managed within the respective asset allocation ranges for each risk mandate.

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