Schroders

Helix strategy

Strategy	Aims for long-term capital growth and serve as a reliable diversifier in all market conditions
Benchmarks	**Comparator:** MSCI AC World (Net TR) HFRX EH: Equity Market Neutral **Target:** Secured Overnight Financing Rate
Portfolio Managers	Robert Donald Darren Hodges
Inception	30 November 2018
Number of sub-strategies	15-30 sub-strategies e.g. Long alpha hedged, long short, systematic, non-equity
Market exposure	Net exposure ≤ ±5%
Base currency	USD

Marketing material for professional clients only.

Why invest in multi-strategy hedge funds now?

The post-QE era has led to a marked change in market dynamics. Rising interest rates and inflation has resulted in traditional 60/40 portfolios coming under pressure. With the regime change, market beta appears to be a less reliable source of portfolio returns moving forward. Strategies focused on alpha generation, which are not driven by market direction, can help to provide diversification. Market neutral strategies can be one solution, providing downside protection whilst delivering stable positive returns, through identification of winners and losers.

There are many ways a multi-strategy approach can be defined and structured. We favour a market neutral, multi-manager approach that doesn't rely on any single approach to drive returns.

Resilience in times of turbulence

Strategies seeking returns that are uncorrelated to the market can play an important role, particularly at times when fixed income and equities are coming under pressure simultaneously.

Versatility across market cycles

Investing in multiple underlying strategies with low cross correlations can help smooth out volatility and help the portfolio weather different market conditions.

Potential for positive impact

Hedge funds can help drive change over time. For example, the ability to short a company that is an ESG underperformer sends a stronger signal than simply being underweight compared to a benchmark.

Our investment edge

Single asset class strategy

Helix is tilted to equities because that is where we see the most persistent, scalable and accessible alpha in a market neutral format. Schroders' extensive investment capabilities enable us to build a diversified solution within a single asset class. We are structured as a collection of independent investment desks, running individual approaches with dedicated resources. This means we can combine strategies from across our global equity business in a single solution, with appropriately low cross correlations to one another, thereby achieving a high degree of diversification.

Broad international exposure

Unlike some of its more US-centric peers, Helix typically has less than 20% of its allocation mix in North American assets. The strategy leverages Schroders' global in-region resources across Europe, Asia and Emerging Markets.

Risk management advantage

Having real-time access and full transparency across all the sub-strategies, and operating on a common investment platform, allows us to manage risk in an effective and timely manner, especially in times of market turbulence.

Not a fund of funds

Using our in-house capabilities to construct this portfolio means that we hold investments directly. We do not include layers of fees or pass-through costs from underlying strategies that can be an additional cost for investors.

Risk considerations

- **Counterparty risk:** The strategy may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the strategy may be lost in part or in whole.
- **Credit risk:** A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.
- **Currency risk:** The strategy may lose value as a result of movements in foreign exchange rates.
- **Currency risk / hedged share class:** The hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.
- **Event risk:** The strategy will take significant positions on companies involved in mergers, acquisitions, reorganisations and other corporate events. These may not turn out as expected and may result in significant losses to the strategy.
- **Derivatives risk:** Derivatives may be used to manage the portfolio efficiently. The strategy 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 strategy.
- **Distribution Costs:** The level of distribution costs in certain jurisdictions may impact the ability of the investment manager to meet the strategy's investment objective across all share classes after fees have been deducted.
- **Event risk:** The strategy will take significant positions on companies involved in mergers, acquisitions, reorganisations and other corporate events. These may not turn out as expected and may result in losses to the strategy.
- **IBOR Risk:** The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the strategy.
- **Interest rate risk:** The strategy may lose value as a direct result of interest rate changes .
- **Issuer risk:** The strategy is permitted to invest more than 35% of its scheme property in transferable securities and money market instruments issued or guaranteed by an EEA State/governments of the following country: United States of America.
- **Liquidity risk:** In difficult market conditions, the strategy may not be able to sell a security for full value or at all. This could affect performance and could cause the strategy to defer or suspend redemptions of its shares.
- **Multi-Manager risk:** The strategy allocates capital to multiple strategies managed by separate portfolio managers who will not coordinate investment decisions, which may result in either concentrated or offsetting risk
- **Multi-Strategy:** The strategy can be exposed to a broad range of risk. These include high yield bonds, ABS and MBS, convertible contingent bonds, emerging market and frontier and smaller companies risks. This can give rise the following risks: interest rate, credit, currency and liquidity risk.
- **Operational risk:** Failures at service providers could lead to disruptions of strategy operations or losses
- **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.
- **Stock Connect risk:** The strategy may be investing in China "A" shares via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect which may involve clearing and settlement, regulatory, operational and counterparty risks.
- **Market risk:** The value of investments can go up and down and an investor may not get back the amount initially invested.
- **Sustainability risk:** The strategy has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The strategy may invest in companies that do not reflect the beliefs and values of any particular investor.

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