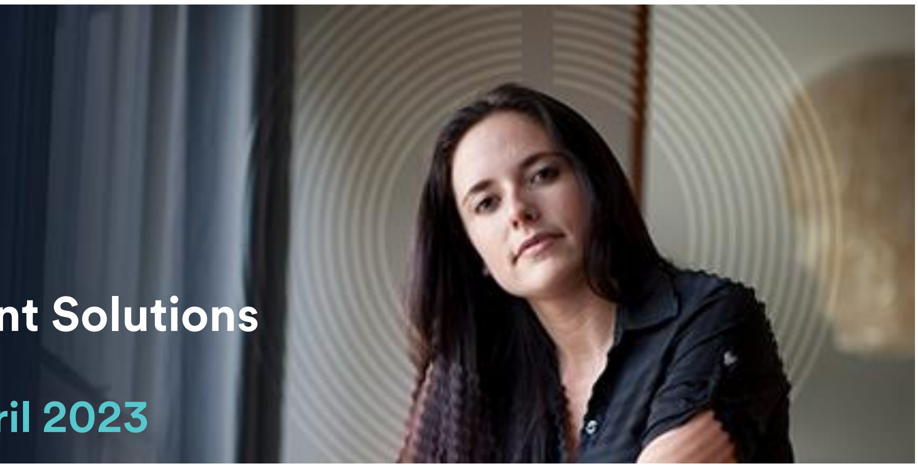
Marketing material



Schroder Investment Solutions

Monthly update – April 2023

Market commentary

Overall, Global equities were up in April, supported by some resilient economic data. Emerging markets (such as China) underperformed developed market equities (such as the US) due to weakness in Chinese shares. In fixed income, all main credit markets generated positive returns, resulting in positive total returns across investment grade and high yield. Investment grade bonds are the highest quality bonds as determined by a credit rating agency; high yield bonds are more speculative, with a credit rating below investment grade.

US Equities made limited gains in April. Investor optimism stemming from the Federal Reserve's (Fed) anticipated moderation of monetary policy was tempered by the central bank flagging that economic growth is likely to weaken. . Uncertainty in the banking sector also continued. US banks in the S&P 500 index advanced in April. Even so, some apprehension lingers over smaller banks. Throughout the month it remained the consensus view that the Fed will raise rates in its May meeting by a further 0.25 percentage points, but that the central bank will then pause its policy tightening phase. The view was backed by economic data that indicated growth is waning, the labour market is showing signs of weakening, while inflation has appeared more controlled in recent months.

Eurozone Equities made gains in April. All sectors advanced in the month aside from information technology (IT). Shares were supported by the release of some resilient corporate earnings. Top performing sectors included energy and real estate, which had previously underperformed this year. Utilities also saw gains. The IT sector fell after warnings from several semiconductor companies – both in Europe and elsewhere – that a slowdown in demand is lasting longer than previously expected.

UK Equities rose over the month. Financials were the top contributor, driven in large part by the banking sector which recovered in line with global trends as fears around the health of US banks receded.. The global energy groups were another top contributor, supported by a recovery in oil prices as Saudi Arabia announced a surprise decision to cut oil production. Domestically focused sectors held up well despite disappointing inflation and wages data and a resulting marked rise in UK interest rate expectations. The Office for National Statistics (ONS) revealed that headline UK inflation had failed to fall back below 10% as anticipated. Consumer price inflation only slowed to 10.1% in March (versus Bank of England (BoE) expectations for 9.2%), from 10.4% in February.

Emerging Market Equities (EM) declined in April, and underperformed developed market equities, as renewed US-China tensions arose. These concerned Taiwan, as well as potential new restrictions from the US administration on foreign direct investment into China. China was the worst performing index market, despite some positive macroeconomic data which included better-than-expected Q1 GDP growth and export performance. Taiwan was also notably weak.

Government Bond markets were calmer compared to the previous month. Markets are anticipating further near-term rate hikes from the Fed, the BoE and the European Central Bank (ECB). The UK gilt market underperformed others as activity data was resilient and inflation surprised to the upside. The Bank of Japan's (BoJ) new governor pledged to keep the loose monetary policy unchanged for now, maintaining very low interest rates, but announcing plans to review past monetary policy moves. All main credit markets generated positive returns in April, as markets rebounded following a volatile March.

Commodities, represented by the S&P GSCI Index, recorded a negative performance in April as weaker prices for agriculture, industrial metals and energy offset price gains in livestock and precious metals. Agriculture was the worst-performing component of the index, with sharp falls in the price of wheat and corn. Within industrial metals, the price of zinc, copper and aluminium all fell in the month, while lead and nickel gained. Within the energy component, heating oil, gas oil and unleaded gasoline all recorded price declines, while crude oil, Brent crude and natural gas all achieved modest price gains.

Past performance is not a guide to future performance. The value of investments and the income received from them can fall as well as rise. Investors may not get back the amount invested. Exchange rate changes may cause the value of investments to fall as well as rise.

Portfolio update

Active Model Portfolios
All portfolios in the Active Model Portfolio range, except for portfolio 10, had positive returns for April. Most of the range also outperformed relative to their respective Investment Association (IA) peer groups.

UK Equity was the top asset class contributor, with the JO Hambro UK Dynamic fund producing positive returns for the third consecutive month. Barclays PLC is a top 10 holding for the fund and was the best performing bank on the FTSE All Share. The TB Evenlode Income fund also contributed positively to the UK Equity performance. The investment process which focuses on companies with balance sheet strength, sustainable free cash flow and a well-covered dividend yield, had positive trading updates from Unilever, Smith & Nephew, Reckitt and RELX. Both Global Government and Global Corporate Bonds also contributed positively over April.

Global, Emerging Market and US Equities detracted from performance for April. The largest detractor was the Lazard Global Thematic fund where technology stocks were a drag on performance. In the Alliance Bernstein Sustainable US fund, it was a similar story for technology companies with the global electronics manufacturing services company Flex Ltd down over the month. In Emerging markets, the positive returns from financial service companies held by the Fidelity Emerging Markets fund weren't sufficient to outweigh the negative returns from holdings in the consumer cyclical and technology sectors.

Sustainable Model Portfolios
Most of the Sustainable Model Portfolio range had negative returns for April and underperformed relative to their respective Investment Association (IA) peer groups.

During April we consolidated the equity holdings of the Sustainable portfolios. The regional equity allocation is now represented through Global Equity and Emerging Market Equity. A global approach aligns with the nature of many sustainability challenges, such as climate change and human rights, which require collective action across borders.

Over the month the UK and European Equity allocations contributed to performance before the funds were sold. Global Corporate and Government Bonds also had positive returns. Across the three UK Equity funds, holdings in the financial services and healthcare sectors performed well over the period. In Europe, financial services also had positive returns as did consumer defensive companies such as Unilever PLC.

Global and Emerging Market Equity detracted from performance for April. The Sparinvest Ethical Global Value fund had negative performance and underperformed relative to global equities represented by the MSCI World Index. This was due to having exposure to regional banks in the US, who have seen share prices remain under pressure given flighty deposits and tighter credit conditions impacting lending. . The Lazard Global Thematic fund also detracted with negative returns from technology stocks. In Emerging Markets, the Federated Hermes Global Emerging Markets fund was down over April with consumer cyclical companies, such as retail stores, the largest detractor over the period.

Strategic Index Model Portfolios
All portfolios in the Strategic Index Model Portfolio range, except for portfolio 10, had positive returns for April. Most of the range also outperformed relative to their respective Investment Association (IA) peer groups.

UK and US Equity contributed to performance, as did Global Corporate Bonds. In the UK, financial services and consumer defensive companies performed well. Energy companies also contributed with Shell PLC being a top contributor. In the US, positive performance was from companies in the healthcare and financial service sectors.

Detractors of performance came from Emerging Market Equity. Technology, consumer cyclical and communication service companies were the primary detractors over the month. China and Taiwan had negative returns as did South Korea. This outweighed the positive performance from India, Saudi Arabia, and Indonesia.

Blended Portfolios
The Schroder Blended Portfolio range had positive returns for April and all portfolios outperformed relative to their respective Investment Association (IA) peer groups.

UK Equity, Global Corporate Bonds and Alternatives contributed to performance for April. The UK allocation benefitted from both active and passive holdings. The JO Hambro UK Dynamic fund (actively managed) and the HSBC FTSE All Share Index (passive tracker) were both top contributors over the month led by positive performance in financial services. In Alternatives, the Schroders Diversified Alternative Assets fund had positive performance. The fund invests predominantly in investment trusts with exposure to real estate, infrastructure and private equity.

Emerging Market Equities detracted from performance, as did Japanese Equity. The Fidelity Emerging Markets fund had negative returns from holdings in the consumer cyclical and technology sectors. In Japan, the Nikko AM Japan Value fund detracted from performance before it was sold during our April re-balance to portfolios. This was also mainly due to companies in the technology and consumer cyclical sectors. The JP Morgan Japan fund detracted with positive performance from communication and financial services outweighed by negative returns in the technology sector.

Global Multi-Asset Portfolios and Managed Defensive Fund

The Schroder Global Multi-Asset Portfolios (previously the Schroder Tactical Portfolio) had positive returns for April and outperformed relative to their respective Investment Association (IA) peer groups. The Schroder Managed Defensive Fund also had a positive return for April.

Performance over the month was relatively flat from an asset allocation perspective, while stock selection was positive specifically due to holdings in the Schroder Sustainable Multi-Factor Equity Fund. Our overall equity view has once again been downgraded to negative after having sat on the side-lines for the last few months. We anticipate that a recession is on the horizon and as this materialises, equities in general, and especially the US, are prone to further drawdowns. As the growth outlook for the US worsens in comparison to Europe, we increased the size of our underweight position in the US, while reducing some of the underweight in Europe.

In fixed income, the portfolios moved overweight US and Australian 10 year bonds towards the end of April as an expression of our positive view on duration. 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.

In currencies, the emerging market versus developed market position was closed in order to book profits, after strong performance from the Brazilian Real and Mexican Peso. A new overweight Australian dollar versus Canadian dollar position was implemented in April. The currencies have similar sensitivities to rising rates and inflation, however the Canadian dollar has significantly outperformed the Australian dollar this year. We also moved overweight euro against the US dollar. We believe the Fed is more likely to pause monetary tightening before the European Central Bank (ECB) as US inflation data has started to fall and the European labour market is tighter. We have also moved overweight the pound versus the dollar; the pound should benefit from stronger growth and stickier inflation compared to the US, and therefore has more room to surprise on the upside.

A new overweight position in gold was also established as gold benefits from peaking interest rates and a weaker dollar, and also provides a hedge against concerns over the US debt ceiling.

Income Portfolio

The Schroder Income Portfolio had a positive return for April and outperformed relative to its Investment Association (IA) peer group (IA Mixed Investment 20-60% Shares).

UK Equity, Alternatives and Global Corporate Bonds contributed to performance for April. In the UK, the City of London Investment Trust had positive performance led by holdings such as Unilever PLC in the consumer defensive sector. The TB Evenlode Income fund also contributed positively and continues to focus on companies with balance sheet strength, sustainable free cash flow and a well-covered dividend yield. In Alternatives, the Schroders Diversified Alternative Assets fund had positive performance. The fund invests predominantly in investment trusts with exposure to private equity and real estate.

Emerging Market Equities detracted from performance, as did Global Equity. The JP Morgan Emerging Markets Income fund had negative performance with technology the largest detractor over April, followed by consumer cyclical companies. At a country level, Taiwan and China had negative returns and this outweighed positive performance from Indonesia, Brazil and Poland. In Global Equities, the Lazard Global Thematic fund and Robeco Sustainable Water fund were down over April driven by holdings in the US and Japan.

Investment objectives

Schroder Blended Portfolios
The funds aim to provide capital growth and income by investing in a diversified range of assets and markets worldwide with a target average annual volatility (a measure of how much each fund's returns may vary over a year) over a rolling five year period. This target volatility is fund specific and varies between 30% to 100%* of that of global stock markets (represented by the MSCI All Country World index), depending on the investment objective of each fund.

The Funds are part of the SISCo Schroder Blended Portfolio range, which offers six funds with different expected combinations of investment risk and return. * Please refer to the Prospectus for the individual risk profile volatility target.

Schroder Global Multi-Asset Portfolios
The Funds aim to provide capital growth and income by investing in a diversified range of assets and markets worldwide with a target average annual volatility (a measure of how much each Fund's returns may vary over a year) over a rolling five year period. This target volatility is fund specific and varies between 30% to 90%* of that of global stock markets (represented by the MSCI All Country World index), depending on the investment objective of each Fund.

* Please refer to the Prospectus for the individual risk profile volatility target.

Schroder Managed Defensive Fund
The Fund aims to provide capital growth and income in excess of the ICE BofA Sterling 3-Month Government Bill Index plus 2% per annum (after fees have been deducted) over a three to five year period, whilst also seeking to mitigate the risk of incurring a loss greater than 10% over any investment period, by investing in a diversified range of assets and markets worldwide. The Fund will seek to achieve a target average volatility (a measure of how much the Fund's returns may vary over a year) over a rolling five year period of 4% per annum. This cannot be guaranteed and your capital is at risk.

Schroder Income Portfolio
The Fund aims to provide an income of 3% to 5% per year and capital growth by investing in a diversified range of assets and markets worldwide with a target average annual volatility (a measure of how much the Fund's returns may vary over a year) over a

rolling five year period of between 50% to 65% of that of global stock markets (represented by the MSCI All Country World index). This is not guaranteed and could change depending on market conditions.

What are the 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 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. **Derivatives risk – efficient portfolio management and investment purposes:** Derivatives may be used to manage the portfolios efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the portfolios. The portfolios may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset. **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. **IBOR risk:** The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference interest rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund. **Interest rate risk:** The portfolios may lose value as a direct result of interest rate changes. **Investments in other collective investment schemes risk:** The portfolios will invest mainly in other collective investment schemes. **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. **Market risk:** The value of investments can go up and down and an investor may not get back the amount initially invested. **Money market & deposit 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. **Operational risk:** Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund. **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.

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