

# Schroder Investment Management North America Inc. Advisory Brochure

March 2017

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## Item 1: Cover Page

Schroder Investment Management North America Inc. (the “Adviser”) is the United States affiliate of Schroders plc., a global asset management company. The Adviser is registered with the Securities and Exchange Commission (the “Commission”) as an investment adviser. The Adviser is also registered as a commodity trading advisor and a commodity pool operator under the Commodity Exchange Act, as amended (the “CEA”), with the Commodity Futures Trading Commission (the “CFTC”), and is a member of the National Futures Association. This brochure provides information about the products and services that the Adviser provides. It also contains a description of the Adviser’s business practices and highlights risks and conflicts that might arise. Supplementary brochures are available that describe the qualifications of the investment personnel in more detail for specific investment strategies.

The information presented in this brochure was prepared by the Adviser, which is solely responsible for the content. Neither the Commission nor any State securities regulator has approved or verified the information contained in this brochure, and the mere fact of registration with the Commission in no way implies that the adviser has any particular level of skill or training to carry out its business.

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If you have any questions about the content of this brochure, please contact us at the telephone number or e-mail address provided above. For specific questions about particular advisory services or products described in this brochure, you can find additional contact information at this worldwide website: <http://www.schroders.com/us/contact-us>.

**Additional information about Schroder Investment Management North America Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**



**Schroders**

## Item 2: Statement of Material Changes

This brochure is the sixteenth amendment to the Firm's Advisory Brochure. This version includes information regarding:

1. Updates to Item 4, 5 and 8 to update information about a number of strategies and add information about the Asian Equity, China Fixed Income and Portfolio Solutions strategies.
2. Added language in Item 12 regarding clients who do not participate in "soft dollar" programs
3. Added language in Item 14 regarding a new solicitation arrangement.

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## Item 4: Advisory Business

The Adviser is an affiliate of Schroders plc., a London Stock Exchange-listed financial services company. The Adviser is indirectly owned in its entirety by that public company. Trustees of certain settlements made by members of the Schroder family hold in excess of 25% of the voting shares of Schroders plc. Schroders has been in business since 1804. The Adviser registered with the Securities and Exchange Commission in 1980.

The Adviser manages assets for domestic and foreign clients in strategies focusing on US equity and US fixed income securities, including US tax exempt securities. Those strategies are:

- US Large Cap
- US Small Cap
- US Small/Mid Cap
- US Core Aggregate
- US Core Plus
- US Credit (Corporate)
- Municipal Bonds Intermediate and Short Term
- Municipal Bonds Ultra Short Term
- Global Aggregate Bond
- Global Credit (Corporate)
- Global and US High Yield
- Strategic Bond
- Emerging Market Debt Multi-Sector
- Value Core
- Value Short Duration
- Value Intermediate Duration
- Value Long Duration
- Value Tax Aware
- Value Opportunistic
- Cash and Government
- Alternative Rates
- Global and US Securitized Credit

The Adviser also markets strategies focusing on non-US equity and fixed income securities as well as multi asset, quantitative and alternative strategies. For these strategies, the Adviser delegates portfolio management of the account to an affiliated adviser—Schroder Investment Management North America Ltd (“SIMNA Ltd”). SIMNA Ltd is regulated by the Financial Conduct Authority in the United Kingdom and is also registered with the Securities and Exchange Commission as an investment adviser.<sup>1</sup> Our non-US strategies include:

- Global/International Diversified
- Global/International Alpha
- International Alpha ADR
- International Small Cap
- Emerging Market Equity
- Global Emerging Markets Small Cap
- Global Climate Change
- Frontier Market Equity
- Global Strategic Bond

<sup>1</sup>As is the case with the Adviser, the mere fact that SIMNA Ltd is registered with the SEC does not imply that SIMNA Ltd. investment personnel necessarily possess any particular level of skill or training.

The quantitative equity strategies are:

- Global Core
- Global Value

- Global ex-US Value
- Global Quality
- Global Blend
- Global ESG
- North American Equity (offered in mutual fund only)
- Emerging Market Global Value ExtensionGlobal Absolute

The multi-asset strategies are:

- Diversified Growth
- Strategic Beta
- Global Multi-Asset Income

The Adviser also offers alternative investment strategies including:

- Commodities
- Emerging Market Debt (Absolute Return)
- Insurance-Linked Securities

The Adviser also offers Portfolio Solutions strategies including:

- Risk-Managed US Equities
- Risk-Managed International Equities

The Adviser primarily manages separate accounts on a discretionary basis for institutions, endowments, foundations, pension funds, government retirement plans, insurance companies and, as sub-adviser, to registered investment companies sponsored by other advisers.<sup>2</sup>The specific guidelines for these types of accounts are generally the subject of negotiation with clients. Clients may provide restrictions that differ from the Adviser's usual style of managing for a particular strategy. Some strategies—particularly fixed income—may have more latitude for accepting deviations from the ordinary management style of a strategy.

The Adviser also acts as the investment adviser to the Schroder Funds, which are sold in the US predominantly to institutional clients. The Adviser also serves as the manager and general partner of private investment partnerships or funds. When investment management services are offered through US registered funds or private investment vehicles, any sales of those products directly to investors are conducted through an affiliated broker-dealer named Schroder Fund Advisors LLC ("SFA"). SFA predominantly enters into distribution or service agreements with other intermediaries. SFA is registered with the Financial Industry Regulatory Authority ("FINRA"). The FINRA license is a limited one. Other than fund sales—mostly done through other intermediaries and private placements—SFA does not execute securities transactions on behalf of clients of the Adviser.

The Adviser also acts as the investment adviser to The Swiss Helvetia Fund, which is a closed-end investment product. Common shares of this Fund are only available for purchase/sale on the New York Stock Exchange at the current market price. The Adviser delegates portfolio management of this Fund to an affiliated adviser—Schroder Investment Management North America Ltd ("SIMNA Ltd"). SIMNA Ltd is regulated by the Financial Conduct Authority in the United Kingdom and is also registered with the Securities and Exchange Commission as an investment adviser.

The Adviser also manages some strategies for offshore affiliated advisers. This includes management of some offshore funds in Luxembourg. Not all of those strategies are available in the US. The Adviser has also registered in several Canadian provinces: Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan.

The Adviser does not sponsor a wrap fee program and does not actively manage accounts in wrap fee programs sponsored by others. It may provide model portfolios to wrap-fee program sponsors but all orders for the program's accounts are raised by the wrap fee program sponsor.

The table below shows the assets under management. The top lines show the total assets under management for all investment mandates in which the Adviser is the named investment manager or general partner. The total is broken down according to the assets that are managed by the Adviser and the assets that have been delegated to our affiliated adviser, SIMNA Ltd.

<sup>2</sup> In a sub-advisory arrangement, the investment adviser appointed by the board of the fund delegates to another advisor the actual selection of securities for the fund, typically on a discretionary basis. Other responsibilities for operation of the fund—such as pricing, marketing and preparing information for the fund board—are retained by the principal adviser.

As of December 31, 2016	Assets		# of Accts
<b>Owned By SIMNA Inc.</b>	\$60,689,904,798	USD	395
<b>Delegated to SIMNA Inc.</b>	\$41,286,646,553	USD	165
<b>Total SIMNA</b>	<b>\$101,976,551,351</b>	<b>USD</b>	<b>560</b>
 <b>Managed by SIMNA Inc.</b>	 \$65,852,630,301	 USD	 487
<b>Managed by SIMNA Ltd.</b>	\$36,123,921,050	USD	73
	<b>\$101,976,551,351</b>	<b>USD</b>	<b>560</b>

## Item 5: Fees and Compensation

The Adviser generally offers investment advisory services on a discretionary basis for institutions and pooled vehicles. It may occasionally offer non-discretionary advisory basis for intermediary clients. The products available and the current standard fee structures are as follows:

### I. U.S. EQUITIES

#### **Large Cap**

*Separate Account*

Management fee --- 0.50% on first \$50 million, 0.40% on next \$50 million and 0.35% thereafter

Minimum account size: \$30 million

#### **Small Cap Core**

*Separate Account*

Management fee --- 1.00% on first \$100 million, 0.85% on next \$100 million and 0.75% thereafter

Minimum account size: \$50 million

#### **Small/Mid Cap**

*Separate Account*

Management fee --- 0.80% on first \$50million, 0.70% on next \$100 million and 0.60% thereafter

Minimum account size: \$500 million

### II. FIXED INCOME

#### **US Core Aggregate**

*Separate Account*

Management fee --- 0.25% on first \$100, 0.20% on the next \$100 million and 0.15% thereafter

Minimum account size: \$40 million

#### **US Core Plus**

*Separate Account*

Management fee --- 0.30% on the first \$100 million, 0.25% on the next \$100 million and 0.20% thereafter

Minimum account size: \$40 million

#### **US Credit (Corporate)**

*Separate Account*

Management fee --- 0.30% on the first \$100 million, 0.25% on the next \$100 million and 0.20% thereafter

Minimum account size: \$100 million

#### **Municipal Bonds: Intermediate & Short-Term / Crossover and Duration Neutral Core – (duration > 2 years)**

*Separate Account*

Management fee --- 0.30% on the first \$25 million and 0.25% thereafter, negotiable over \$100 million

Minimum account size: \$3 million

#### **Municipal Bonds: Ultra Short-Term / Ultra Short-Term Crossover and Ultra Short-Term Duration NeutralCore – (duration 2 years or less)**

*Separate Account*

Management fee --- 0.25% on first \$25 million and 0.20%

Minimum account size: \$3 million

**Global Aggregate Bond**

*Separate Account*

Management fee --- 0.40% on the first \$50million, 0.27% on the next \$150 million, 0.23% on the next \$300 million, and 0.22% thereafter

Minimum account size: \$100 million

**Global Credit (Corporate)**

*Separate Account*

Management fee --- 0.30% on first \$100, 0.25% on the next \$100 million and 0.20% thereafter

Minimum account size: \$100 million

**High Yield: U.S. and Global**

*Separate Account*

Management fee --- 0.50% on first \$100, 0.45% on the next \$100 million and 0.40% thereafter

Minimum account size: \$100 million

**Strategic Bond**

*Separate Account*

Management fee—0.60% on first \$50 million, 0.50% on the next \$150 million, 0.40% on the next \$300 million and 0.25% thereafter

Minimum account size: \$100 million

**Emerging Market Debt Multi-Sector (Relative Return)**

*Separate Account*

Management fee—0.60% on first \$100 million, 0.50% on the next \$100 million, 0.40% on the next \$300 million and 0.35% thereafter

Minimum account size: \$50 million

*Pooled Vehicle (3c-7)*

Management Fee --- 0.60% on first \$100 million; 0.50% on the next \$100 million, 0.40% on the next \$300 million, and 0.35% thereafter.

Minimum account size: \$50 million

**Value Core, Value Short Duration, Value Intermediate Duration, Value Long Duration, Value Opportunistic**

*Separate Account*

Management fee—0.375% on first \$30 million, 0.25% on the next \$70 million, 0.125% on the next \$400 million, 0.1% for the next \$500 million, and .08% thereafter

Minimum account size: \$30 million

**Tax-Aware Value**

*Separate Account*

Management fee—0.3375% on first \$30 million, 0.225% on the next \$70 million, 0.1125% on the next \$400 million, 0.09% for the next \$500 million, and .072% thereafter

Minimum account size: \$15 million

**Cash and Government**

*Separate Account*

Management fee— 0.100% on all assets

Minimum account size: \$30 million



**Alternative Rates**

*Separate Account*

Management fee- 1.50% + performance fee

Minimum account size: \$50 million

*Pooled Vehicle (3c-7)*

Management Fee --- 2% plus 20% performance fee. (1.5% plus 20% performance fee for investors contributing more than \$25 million.)

Minimum account size: \$1 million

**Global and US Securitized Credit**

*Separate Account*

Enhanced MBS

Management fee- 0.50% on first \$100 million 0.45% on the next \$250 million and 0.40% thereafter

Minimum account size: \$75 million

Opportunistic Multi-Sector MBS

Management fee- 0.75% on first \$100 million 0.70% on the next \$250 million and 0.65% thereafter

Minimum account size: \$75 million

**III. NON-U.S. EQUITIES & FIXED INCOME**

**Global/International Diversified**

*Separate Account*

Management fee --- 0.50% on first \$50 million, 0.40% on next \$50 million and 0.35% thereafter

Minimum account size: \$50 million

**Global/International Alpha**

*Separate Account*

Management fee --- 0.70% on first \$50 million, 0.60% on next \$50 million and 0.55% thereafter

Minimum account size: \$50 million

*Pooled Vehicle (3c-7) (International Alpha Only)*

Management Fee --- 0.60% on all assets

Minimum account size: \$10 million

**International Alpha ADR**

*Separate Account*

Management fee --- 0.70% on first \$50 million, 0.60% on next \$50 million and 0.55% thereafter

Minimum account size: \$50 million

**Global/International Small Cap**

*Separate Account*

Management fee --- 0.95% on all assets

Minimum account size: \$100 million

*Commingled Fund – International Small Cap*

Management fee --- 0.85% on first \$10m, 0.70% on next \$40, 0.55% thereafter

Minimum account size: This approach is currently closed to new investors.

*Pooled Vehicle (3c-7) – International Small Cap*

Management fee --- 0.90% on all assets  
Minimum account size: \$5 million

**Emerging Market Equity**

*Separate Account*

Management fee --- 1.00% on first \$100 million, 0.80% on the next \$100 million and 0.65% thereafter  
Minimum account size: \$100 million

*Commingled Fund*

Management fee --- 1.00% on first \$50 million, 0.85% on the next \$50 million, 0.75% on the next \$100 million, 0.60% on the next \$50 million and 0.55% thereafter  
Minimum account size: \$10 million

**Global Emerging Markets Small Cap**

*Separate Account*

Management fee --- 1.35% on first \$100 million and 1.10% thereafter  
Minimum account size: \$100 million

**Global Climate Change**

*Separate Account*

Management fee --- 0.70% on first \$50 million, 0.60% on the next \$50 million and 0.55% thereafter  
Minimum account size: \$100 million

**Frontier Markets Equity Portfolio**

*Pooled Vehicle (3c-7)*

Management fee --- 1.25% on first \$100 million and 1.00% thereafter  
Minimum account size: \$1 million

*Separate Account*

Management fee – 1.35% on first \$100 million and 1.10% thereafter  
Minimum account size: \$50 million

**Global Macro LP**

*Pooled Vehicle (3c-7)*

Management Fee – 1.00% on all assets + performance fee  
Minimum account size: \$10 million

*Separate Account*

Management Fee – 1.00% on all assets + performance fee  
Minimum account size: \$50 million.

**Global Strategic Bond LP**

*Pooled Vehicle (3c-7)*

Management Fee – 1.00% on all assets + performance fee  
Minimum account size: \$10 million

*Separate Account*

Management Fee – 1.00% on all assets + performance fee  
Minimum account size: \$50 million.

**V. Quantitative Equity Products ‘QEP’**

### **Global Core**

#### *Separate Account*

Management fee — 0.25% on first \$200 million and 0.15% thereafter  
Minimum account size: \$200 million

### **Global Value**

#### *Separate Account*

Management fee — 0.70% on first \$100 million, 0.55% on the next \$100 million and 0.40% thereafter  
Minimum account size: \$150 million

#### *Pooled Vehicle (3c-7)*

Management Fee – 0.65% on the first \$50 million, 0.60% on the next \$50 million, 0.55% on the next \$100 million and 0.40% thereafter.  
Minimum account size: \$5 million

### **Global ex-US Value**

#### *Separate Account*

Management fee — 0.70% on first \$100 million, 0.55% on the next \$100 million and 0.40% thereafter  
Minimum account size: \$100 million

#### *Pooled Vehicle (3c-11)*

Management Fee – 0.65% on the first \$50 million, 0.60% on the next \$50 million, 0.55% on the next \$100 million and 0.40% thereafter.  
Minimum account size: \$1 million

### **Global Quality**

#### *Separate Account*

Management fee — 0.70% on first \$100 million, 0.55% on the next \$100 million and 0.40% thereafter  
Minimum account size: \$150 million

#### *Pooled Vehicle (3c-11)*

Management Fee – All in fee of 0.75%  
Minimum account size: \$1 million

### **Global Blend**

#### *Separate Account*

Management fee — 0.70% on first \$100 million, 0.55% on the next \$100 million and 0.40% thereafter  
Minimum account size: \$150 million

### **Global ESG**

#### *Separate Account*

Management fee — 0.70% on first \$100 million, 0.55% on the next \$100 million and 0.40% thereafter  
Minimum account size: \$150 million

### **North American Equity**

#### *Separate Account*

Management fee— 0.20% on first \$100 million, 0.18% on next \$100 million and 0.15% thereafter

Minimum account size: This approach is currently not accepting any new separate accounts.

### **Emerging Markets**

#### *Separate Account*

Management fee — 0.75% on first \$200 million, 0.60% thereafter

Minimum account size: \$200 million

#### *Pooled Vehicle (3c-7)*

Management fee --- 0.75% on first \$50 million, 0.70% on the next \$50 million, 0.65% on the next \$100 million and 0.60% thereafter

Minimum account size: \$5 million

### **Global Value Extension**

Separate Accounts are available

Management fee - 0.90% on first \$50 million, 0.80% on the next \$50million, 0.70% on the next \$100 million and 0.60% thereafter

### **Global Absolute**

Separate Accounts are available

Management fee with additional performance fee: Management fee base - 0.75% on first \$50 million, 0.70% on the next \$50 million, 0.65% on the next \$100 million and 0.60% thereafter. The additional performance fee is 10% of the gross outperformance over the BBA LIBOR USD 3 Month Act 360

## **VI. MULTI-ASSET**

### **Diversified Growth**

#### *Pooled Vehicle (3c-7)/3c-11*

Management fee --- 0.55% on first \$200 million, 0.475% on the next \$300 million, 0.425% on the next \$500 million, 0.40% on the next \$500 million, and 0.375% thereafter

Minimum account size: \$10 million

#### *Separate Account*

Management fee --- 0.60% on first \$200 million, 0.525% on the next \$300 million, 0.475% on the next \$500 million, 0.45% on the next \$500 million and 0.425% thereafter

Minimum account size: \$300 million

### **Strategic Beta**

#### *Pooled Vehicle (3c-7)*

Management fee --- 0.50% on first \$300 million, 0.45% on the next \$200 million and 0.40% thereafter

Minimum account size: \$10 million

#### *Separate Account*

Management fee --- 0.55% on first \$300 million, 0.50% on the next \$200 million and 0.45% thereafter

Minimum account size: \$300 million

## VII. ALTERNATIVES

### **Commodities**

#### *Separate Account*

Management fee --- 0.80% on all assets

Minimum account size: \$400 million

#### *Pooled Vehicle (3c-7)*

Management fee --- 0.75% on all assets + performance fee

Minimum account size: \$1 million

### **Emerging Market Debt (Absolute Return)**

#### *Pooled Vehicle (3c-7)*

Management fee --- 0.90% on the first \$50 million, 0.80% on the next \$50 million and 0.70% thereafter + performance fee

Minimum account size: \$10 million

### **Insurance-Linked Securities**

#### *Pooled Vehicle (3c-7)*

Management fee --- 1.50% on all assets

Minimum account size: \$2 million

## VIII. PORTFOLIO SOLUTIONS

### **U.S. Risk-Managed Equities**

#### *Separate Account*

0.20% on 1<sup>st</sup> \$250mm

0.15% on balance

\$250,000 per annum minimum fee

Fees are assessed on notional exposure rather than the assets under management

#### *Pooled Vehicle*

Schroder US Risk-Managed Equity Trust I:

Class 1: 25bps (for investments prior to 12/31/17)

Class 2: 40bps (for investments post 12/31/17)

### **International Risk-Managed Equities**

#### *Separate Account*

0.20% on 1<sup>st</sup> \$250mm

0.15% on balance

\$250,000 per annum minimum fee

Fees are assessed on notional exposure rather than the assets under management

#### *Pooled Vehicle*

Schroder International Risk-Managed Equity Trust I:

Class 1: 25bps (for investments prior to 12/31/17)

Class 2: 45bps (for investments post 12/31/17)

## INVESTMENT COMPANIES

The Adviser serves as the investment adviser for the following registered investment companies:

**Schroder North American Equity Fund (QEP)**

Management fee --- 0.25% of average net assets.

**Schroder Total Return Fixed Income Fund**

Management fee --- 0.25% of average net assets

**Schroder Long Duration Investment-Grade Bond Fund**

Management fee ---0.33% of average net assets

**Schroder Emerging Markets Small Cap Fund**

Management Fee—1.25% of average net assets

**Schroder Short Duration Bond Fund**

Management Fee—0.29% of average net assets

**The Swiss Helvetia Fund Inc.**

Management Fee-- 0.70% on \$0- \$250 million, 0.60% on \$250 - \$350 million, 0.55% on \$350 - \$450 million, 0.50% on \$450 - \$550 million and 0.45% >\$550 million

These standard fee structures may vary if circumstances warrant. Circumstances such as the type or size of the account, the type of services offered or the overall relationship with the client and related accounts may warrant variances in fees.

The Adviser may, from time to time, voluntarily waive all or part of its advisory fees, and agree to pay certain expenses of a fund. Some funds currently have contractual fee waiver and expense reimbursements in effect. Please review fund prospectuses for more information at [www.schroderfunds.com](http://www.schroderfunds.com). For more information and prospectus for the Swiss Helvetia Fund please go to [www.swzfund.com](http://www.swzfund.com).

## Item 6: Performance-based fees and Side-by-Side Management

6: The Adviser sometimes enters into agreements for performance-based fee with qualified clients. Some private funds also have fees calculated in part on performance. There may be instances in which a portfolio manager is managing accounts in the same strategy that have differences in the fee paid by different accounts. This may include the management “side-by-side” of accounts with performance based and non-performance based fee. Managers have a potential conflict of interest arising from the fee difference among accounts. The Adviser monitors for such conflicts by reviewing account performance.

Accounts in the same strategy are included in a single composite for the purposes of performance presentations for that strategy. Trades for accounts in the same strategy are generally carried out as aggregated trades. In such trades, each account gets an average price and shares pro rata in the transaction cost. Where trades are done in the aggregate, a portfolio manager cannot favor one account over the other. In addition, a performance committee consisting of investment and compliance staff oversees these composites including a review of any account that is an “outlier.” An outlier would be any account that deviated significantly from the performance of the composite as a whole. Portfolio managers are required to explain whenever account performance is significantly different than composite results. The Adviser believes that the outlier review would identify accounts that needed further analysis if a manager unduly favored one account in the same strategy.

## Item 7: Types of Clients

The Adviser provides investment management services predominantly to institutions, endowments, foundations, pension funds, government retirement plans, and insurance companies and, as sub-adviser, to registered investment companies sponsored by other advisers. These clients and prospects are usually sophisticated investors.

The Adviser does offer municipal bond strategies through separate accounts and markets to high net worth clients in addition to institutions. The high net worth clientele generally consists of individuals, trusts, family offices, endowments, pension funds and private investment funds. The Adviser also manages mutual funds open to retail investors but the Adviser almost exclusively markets to institutional clients and fund of funds products, who may have direct investments in the funds.

The Adviser manages private institutional vehicles including trusts and partnerships and offers those only on a private placements basis. In order to invest in private vehicles, prospective clients generally must be “qualified purchasers” as defined under Section 2(a) (51) of the Investment Company Act of 1940.

The Adviser generally requires a minimum account size/annual fee as shown under Item 5. However, in certain circumstances the minimum account size may be reduced and the advisory fee negotiated.

The Adviser reserves the right not to enter into an advisory agreement with any person or institution for any legally acceptable reason.

## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

### EQUITIES

#### 1. US Large Cap

The US Large Cap equity market is generally efficient with a great deal of public information available to investors. The sector nonetheless has pricing inefficiencies. The Large Cap strategy relies on proprietary fundamental research to try to identify companies that the market misperceives or underestimates with respect to their potential for growth. Finding companies with this 'growth gap' is key to the success of the strategy. The portfolio management team, led in the US by Matthew Ward and Alan Straus, focuses on companies with unrecognized earnings growth potential or positive change measured by improving cash flows and returns on invested capital. The strategy invests in two types of growth stocks: secular growth and opportunistic stocks.

##### Risks

All investments involve risks including the risk of possible loss of principal. The market value of a portfolio may decline as a result of a number of factors, including adverse economic and market conditions, prospects of stocks in the portfolio, changing interest rates, and real or perceived adverse competitive industry conditions. The returns for the strategy depend on the quality of the proprietary research carried out by the team.

#### 2. Small Cap and Small and Midcap Strategies

The US Small Cap and Midcap Equity investment strategies use a bottom-up, fundamental and research based approach. Jenny Jones, the portfolio manager, and a team of analysts work to identify companies that have compelling business models, strong management teams and attractive valuation levels. Research resources come from company management, competitors, media and suppliers. The portfolios in the strategies hold 100-150 stocks. Portfolios are diversified by type of company, with approximately 50-70% of the portfolio invested in mispriced growth opportunities, 20-50% in companies with stable and dependable earnings and revenue characteristics), and 0-20% in turnarounds. The strategies are flexible core investment styles; they aim to adapt to changing market dynamics throughout the economic cycle.

##### Risks

All investments involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including adverse economic and market conditions, prospects of stocks in the portfolio, changing interest rates, and real or perceived adverse competitive industry conditions. Investments in small and medium capitalization companies generally carry a greater risk than is customarily associated with larger capitalization companies, which may include, for example, less public information, more limited financial resources and product lines, greater volatility, higher risk of failure than larger companies, and less liquidity.

#### 3. International and Global Small Cap

The International and Global Small Companies strategy has a core investment style with a growth bias. It is managed in London for the Adviser by a team led by Matthew Dobbs. The investment strategy uses a bottom-up, fundamental, research-based approach. The portfolio managers and analysts seek to identify



those companies that have compelling business models, strong management teams, attractive valuation levels and favorable long-term growth prospects. The team invests in undervalued stocks where it identifies catalysts for appreciation. The portfolio of approximately 200 stocks (approximately 300 for Global Small Cap) is diversified by region, country and type of company. It contains companies that typically exhibit solid return and growth characteristics, stronger than average balance sheets and cash flow attributes, and valuations broadly similar to or below those of the universe. The focus is on companies' long-term growth prospects with an investment horizon of approximately three years. The team seeks to manage risk at the security and country level.

The portfolio managers pick stocks within a regional framework. The team reviews an entire portfolio, monitors the overall sector positioning and ensuring that the balance of risks and return is within expectations. The team also determines how to distribute the portfolio among regions, placing emphasis on regions with the most attractive prospects for smaller companies.

#### Risks

All investments, domestic and foreign, involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including adverse economic and market conditions, prospects of stocks in the portfolio, changing interest rates, and real or perceived adverse competitive industry conditions. Investing overseas involves special risks including among others, risks related to political or economic instability, foreign currency (such as exchange, valuation, and fluctuation) risk, market entry or exit restrictions, illiquidity and taxation. Emerging markets pose greater risks than investments in developed markets. Investments in small capitalization companies generally carry greater risk than is customarily associated with larger capitalization companies, which may include, for example, less public information, more limited financial resources and product lines, greater volatility, higher risk of failure than larger companies, and less liquidity.

### 4. Global and International Equities

The Global and International Equity strategies offers a concentrated, fundamental research-driven approach, aimed at delivering strong outperformance over the longer term within the context of a risk management framework. The portfolio management team, led by Simon Webber, works to identify those companies which will deliver positive earnings surprise (we term this 'positive growth gap'). The strategies focus on selecting the best investment ideas that are identified by a team of locally based equity analysts and global sector specialists.

#### Risks

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### 5. Emerging Market Equity and Frontier Markets Equity

The Emerging Market Equity strategy provides diversified exposure to a range of developing countries around the world. Developing economies are generally

growing at a faster rate than developed economies, which leads to the opportunity for premium returns but potentially with higher risk attached. The investable universe is primarily defined by the MSCI Emerging Markets Index, which covers 23 countries and over 800 stocks.

The Frontier Markets Equity strategy provides diversified exposure to a range of frontier market countries around the world. Frontier markets are at an even earlier stage of development than the emerging markets and offer some of the fastest rates of the economic growth in the world. This leads to the opportunity for premium returns, although there can be potentially higher risk attached. The primary investable universe is defined by the MSCI Frontiers Index which covers 30 countries and over 120 stocks, although the investment team will also invest in the wider frontier markets universe.

Key characteristics of both strategies are summarized below:

- 50% of alpha generation is targeted from country allocation and 50% from stock decisions.
- Country decisions are driven by a proprietary quantitative country model together with judgment overlay
- Fundamental research carried out by analysts drives stock selection.
- Risk management is applied in a pro-active and disciplined fashion and includes alpha-adjusted tracking error and stop-loss rules.
- Team based approach organized around a matrix structure

#### Risks

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### 6. Global Emerging Markets Small Cap

The Global Emerging Markets Small Cap strategy provides diversified exposure to the smaller companies of emerging markets. The strategy is largely index unconstrained, with the primary investable universe being the MSCI Emerging Markets Small Cap Index, which covers 23 countries and approximately 1,800 stocks, although the strategy also aims to find good investments in medium-sized emerging companies and opportunistically in frontier market stocks. The strategy is co-managed by two investment teams – the Emerging Markets team and the Global Small Cap team.

The strategy targets alpha generation primarily from bottom-up fundamental stock selection. Idea generation is driven by a combination of factor screens and a global network of analysts and portfolio managers. Stocks on the focus list are assessed and selected after a thorough assessment of their fundamentals and business model. The strategy follows a proactive approach to risk management. There is no systematic style bias although low quality stocks will tend to be avoided. The portfolio typically will invest in around 60-120 stocks.

## Risks

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### 7. Global Climate Change

Schroders' Global Climate Change is a thematic global equity strategy which seeks to maximize excess returns by investing in companies whose long-term business outlook in our opinion, is significantly impacted by efforts to mitigate or adapt to climate change. Within the broad theme we have identified five sub-themes within which we believe climate change investment opportunities are most apparent - energy efficiency; low carbon; clean energy; sustainable transport; and environmental resources. The strategy excludes companies that report significant ownership of fossil fuel reserves (e.g. oil, coal, gas, tar-sands, shale-gas) from our investable universe.

The strategy is managed by portfolio managers Simon Webber and Ben Wicks. The portfolio managers are directly responsible for all decisions made within the strategy and have a detailed knowledge of all companies in which investments are made. The portfolio is benchmark-unconstrained, resulting in a high conviction portfolio of 40 – 60 stocks.

## Risks

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### 8. QEP Strategies

The Global unconstrained strategies, which include a Value, Quality and Blend approach, are index unconstrained, and diversified. The portfolio management team, headed by Justin Abercrombie, applies a proprietary investment analysis based on an evaluation of a number of valuation metrics such as dividends, cash-flow, earnings, sales and asset-based measures as well as quality metrics such as financial strength, profitability and stability. The team starts with a universe of over 15,000 stocks of all sizes across more than 40 countries including both developed and emerging markets. It assigns a value and quality rank for each stock and typically focuses on the top third of the respective rank for each strategy. Stock position sizes are non-market cap and determined evaluation of a company fundamental risk as well as other considerations such as market impact costs, liquidity considerations, country risk and environmental, social and governance issues. Companies with better fundamentals and/or lower risk will receive higher weights in portfolios. The portfolios are diversified over many hundreds of stocks, which helps seek attractive opportunities but also reduce stock specific risk and

avoid concentrations at the stock, sector or region levels. The universe adjusted for our International strategy which target investments in stocks listed outside of the US and for the Emerging Market strategy which targets investments in stocks listed in emerging markets. For the Global ESG strategy, the team invests on the basis of valuations, business quality and ESG considerations. This strategy is active in all areas of ESG: Exclusions: Integration, ongoing research and engagement.

The team sells securities when stocks fall out of the top of the relevant value and quality universe, if their fundamentals have deteriorated or if it is taking advantage of investments that the team considers more attractive or that provide better diversification to the portfolio. The investment process may result in frequent trading of portfolio securities.

The Global Core strategy adopts a similar stock evaluation scheme as the unconstrained strategies but restrictions are in place at the stock, sector and region level governing how far portfolio weights can deviate from benchmark weights, with the objective of delivering a portfolio with low index relative risk.

Global Value Extension looks to enhance the premium to Value investing by purchasing cheap companies up to a maximum of 150% of net asset value. The strategy shorts low quality companies up to 50% of net asset value, which acts as style diversifier for some of the less desirable characteristics of the long Value side of the portfolio, while also acting as a return enhancing strategy in its own right. Global Value Extension makes use of OTC financial derivatives to leverage the portfolio and implement short positions. Global Absolute is a global equity market neutral strategy aiming to deliver uncorrelated absolute returns over the longer term by purchasing companies up to 200% and shorting companies up to 200%. Both Global Value Extension and Global Absolute make use of OTC financial derivatives to leverage the portfolio and implement short positions. There is no guarantee these derivatives will achieve their intended outcome, even if the terms of the contract are completely satisfied. If a counterparty to a financial derivative contract were to default, the unrealized profit on the contract and its market exposure may be lost. The use of leverage and short selling introduces additional risk.

#### Risks

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### 9. Swiss Equities

The Swiss-based investment team manages a bottom-up, fundamentally driven investment philosophy and process with a bias towards value, quality and small caps - three empirically proven factors that can deliver outperformance. Our strategy aims to exploit inefficiencies of the Swiss equity market. Inefficiencies can either be stock specific, related to the above mentioned three style factors or both. The team's approach is fundamental, bottom-up and judgmental, not simply quantitative. Rather than only seeking optimized exposure to value, quality and small and mid-cap equities, we examine each investment opportunity on its own fundamental merits and its contribution to the overall risk / return characteristics of

the portfolio.

The universe of Swiss equities contains over 200 stocks. Those that do not have sufficient free float, where the market capitalization is too small and / or where the investment case is deemed to be questionable are excluded from further in-depth analysis. The remaining more than 100 stocks are covered by the team. Each stock is attributed a fair value, which is determined by a discounted free cash flow model, where applicable, which is also backed up by classical value style analysis. The outcome of the screening and research process is a matrix that plots over 100 stocks in a matrix with two axis: value and quality.

#### **Risks**

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Trading in Swiss Equities involves certain risks and special consideration not usually associated with investing in securities of established U.S. companies, including risks related to the nature of the market for Swiss equities, including the risk that the Swiss markets may be affected by market developments in different ways than U.S. securities markets and may be more volatile than U.S. securities markets.

### **10. Asian Equities Investment Strategy**

The Asia ex Japan Equities strategies in general use a disciplined and repeatable active fundamental approach with a focus on companies that grow shareholder value in the long term. We focus on companies that grow shareholder value in the long term. The experienced investment team is led by Robin Parbrook with professionals located in eight cities within Asia. We believe that excellence in proprietary research that is conducted by an extensive team of experienced analysts located close to the companies that we invest in is critical to investment success. This proprietary research provides our specialized portfolio managers an in-depth understanding of the various investment opportunities, giving them the confidence to implement their stock picks with strong conviction, which in turn leads to long-term sustainable alpha generation.

#### **Risks**

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costs.

## **FIXED INCOME**

### **1. Municipal Bonds**

The municipal bond team, led by Susan Beck and Dan Scholl, use fundamental, bottom-up security selection of less-followed municipal bonds with a goal of delivering: maximum after-tax yield and income in high levels of credit quality. Key features of the approach include:

- Research-driven process
- Diversified portfolios
- Relative-value security selection
- Focus on high-quality, higher-yielding issues
- Duration-neutral approach
- Experienced, specialist portfolio managers and analysts

#### **Risks**

All investments involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including volatility of the municipal bond market, interest rate risk, credit risk, liquidity risk and inflation/deflation risk.

### **2. US Multi-Sector**

#### **A. Fixed Income Core and Core Plus**

The Core Fixed Income strategy seeks to maximize total return by investing across the full maturity and investment grade spectrum of US fixed income sectors and securities. The investment team, led by Andrew Chorlton, focuses on active sector rotation and security selection—supported by extensive proprietary fundamental, technical and quantitative research. The team makes investment decisions on a relative-value basis. Key features include:

- Risk management central to investment philosophy, process and implementation
- Sector and security selection are the key drivers of alpha
- Portfolio duration is tightly controlled within +/- 10% range of benchmark duration

The team also uses a similar approach for a Core Plus strategy. That strategy permits up to a 20% allocation, respectively, to high yield and non dollar securities. Emerging market debt securities may also be utilized in the strategy, but are incorporated into the total 20% allocation to the plus sectors.

#### **Risks**

All investments involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including interest rate risk, credit risk, inflation/deflation risk, mortgage and asset-backed securities risk, U.S. Government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk and liquidity risk. Frequent trading of the portfolio may result in relatively high transaction costs and may result in taxable capital gains.



B. Value Strategies (Core, Short Duration, Intermediate Duration Long Duration, Opportunistic and Tax-Aware)

Schroders Value seeks to generate total return by investing primarily in investment grade corporate bonds denominated in various currencies. The difference in management between portfolios is the application of value management to a portfolio's specific duration, currency, tax situation and investment guidelines.

The Schroder Value strategy is value-driven, operates under the premise that undervalued bonds will outperform overvalued bonds and purchases bonds it believes are undervalued. It will avoid sectors and bonds that it does not view as favorable. Conversely, if the team really likes a bond or sector, it attempts to buy as much as possible, limited only by guidelines and prudence. It does not engage in currency speculation.

The Schroder Value strategy does not believe that the general level of interest rates can be reliably forecast, so it does not invest based on a view of future changes in interest rates. A portfolio's duration is defined by the duration of the specific investment assignment. For the Opportunistic strategy, the duration profile may vary over time depending on Schroders' strategic assessment of market and economic conditions and other factors. Sector allocation and individual security decisions are made independent of sector and security weightings in the benchmark. The Opportunistic strategy can be limited to investment grade instruments or include an allocation to high yield instruments.

The team also uses a similar approach for its Tax-Aware strategy. That strategy may be managed using only investment grade securities or as a strategy that permits up to a 20% allocation, respectively, to high yield and non-dollar securities. Emerging market debt securities may also be utilized in the strategy, but are incorporated into the total 20% allocation to the plus sectors.

Strategies are also offered in Sterling-denominated accounts.

Risks - All investments involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including interest rate risk, credit risk, inflation/deflation risk, mortgage and asset-backed securities risk, U.S. Government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk and liquidity risk. Frequent trading of the portfolio may result in relatively high transaction costs and may result in taxable capital gains. The Schroders Value strategy investment process does at times involve frequent trading in securities, which may result in relatively high transaction costs and may result in taxable capital gains.

3. US Credit

A. US Corporate Bond

The Corporate Bond strategy focuses on individual security selection and industry weightings. The strategy relies on the fundamental research done by the Adviser's analysts and its own internal quantitative tools and valuation screens. Potential investments are evaluated on a relative value basis. The team, led by Wesley Sparks, seeks the most attractive trade-off between risk and reward. Key features include:

- Research-driven, themes-based investment process.
- Analysts rigorously evaluate issuers for fundamental value, relative value

- and volatility.
- Relative value approach to decision making with opportunistic management in changing markets.
- Risk management is embedded in the investment process.

#### B. Global High Yield

The Global High Yield strategy seeks to generate total return by investing across the full maturity spectrum of below investment grade corporate bonds denominated in various currencies. The strategy may invest up to 30% in investment grade corporate bonds and government securities. The strategy typically does not invest in equities, leveraged loans, or emerging market sovereigns.

The team, led by Wesley Sparks, considers issuer and issue selection and industry allocation. The team has a tilt toward credit quality that typically contributes excess returns relative to the benchmark. Positions in three other areas are also actively managed: geographic country exposure, duration and curve positioning, and liquidity. Key characteristics of the strategy include:

- Research-driven, themes-based investment process.
- Analysts rigorously evaluate issuers for fundamental value, relative value and volatility.
- Relative value approach to decision making with opportunistic management in changing markets.
- Risk management is embedded in the investment process.

#### Risks for US Credit

All investments involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including interest rate risk, credit risk, inflation/deflation risk, U.S. Government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk and liquidity risk. Frequent trading of the portfolio may result in relatively high transaction costs and may result in taxable capital gains.

#### 4. Emerging Market Debt Multi-Sector (Relative Return)

Schroders Emerging Market Debt Relative is a relative return multi-sector strategy that integrates sovereign dollar debt, local currency rates and currency, and emerging market corporate debt in an actively managed, strategic asset allocation framework. This approach aims to capture the opportunity set in EM fixed income while managing these four alpha sources in an integrated manner with the goal of achieving the highest risk-adjusted returns available. The strategy's benchmark is formulated based on the universe of instruments utilized in a particular account, but a strategy utilizing all of the above instruments typically would have a benchmark index consisting of 1/3 EMBI Global Diversified dollar bond index, 1/3 GBI-EM Global Diversified local currency index, and 1/3 CEMBI Broad Diversified corporate index.

- The strategy uses an integrated approach to the main sectors of EM fixed income.
- The strategy is less benchmark-constrained, which provides the flexibility to pursue the most attractive investment opportunities available.
- Multi-Sector approach emphasizes key risk factors, stress testing and global scenario analysis for the portfolio as a whole and for each sector.
- Portfolio construction uses an intrinsic rating process; corporate relative



value recommendations, and global scenario analysis.

#### Risks

All investments involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including interest rate risk, credit risk, inflation/deflation risk, mortgage and Asset-backed securities risk, U.S. Government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk and liquidity risk. Frequent trading of the portfolio may result in relatively high transaction costs and may result in taxable capital gains. Emerging markets pose greater risks than investment in developed markets.

### 5. Global Strategic Bond

The Global Strategic Bond strategy seeks to maximize risk adjusted returns by investing across the full maturity and spectrum of Global Fixed Income and Currency markets and securities. The investment team, led by Robert ("Bob") Jolly and Paul Grainger, focuses on generating alpha through exploiting opportunities in duration, yield curve, country allocation, currency, credit beta, credit sector and credit idiosyncratic strategies — supported by extensive proprietary fundamental, technical and quantitative research. Key features include:

- an unconstrained non benchmarked approach to investing in Fixed Income and currency markets
- a strong focus on portfolio construction
- a globally integrated investment framework enabling the team to invest in opportunities across the regional spectrum.

#### Risks

All investments involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including interest rate risk, credit risk, inflation/deflation risk, mortgage and asset-backed securities risk, Government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk, counterparty risk and liquidity risk. Frequent trading of the portfolio may result in relatively high transaction costs and may result in taxable capital gains.

### 6. Alternative Rates

The Alternative Rates strategy is a relative value fixed income strategy that primarily trades US Treasuries, interest rate futures, options, and to a lesser extent, swaps and swaptions. The strategy also trades non-US, developed market sovereign securities, and uses repurchase and reverse repurchase agreements to finance securities positions and provide leverage. The strategy's investment objective is to maximize risk-adjusted returns by exploiting temporary pricing anomalies created by the activities of other market participants. The strategy is designed to have little correlation to the direction or level of interest rates or equity markets. There can be no assurance that the investment objective will be accomplished.

The investment team, led by David Gottlieb, uses a variety of relative value trade constructions including, but not limited to, cash securities versus cash securities, cash securities versus futures contracts, futures contracts versus futures contracts, swap contracts versus swap contracts, yield curve arbitrage, Treasury/Eurodollar spreads, repurchase and reverse repurchase agreement transactions, and speculation on the level of short term interest rates. The strategy attempts to

manage exposures by targeting spread changes between similar types of assets rather than targeting outright moves in those assets. The strategy has a bias to be long liquidity premiums and will generally hedge yield curve, interest rate and other portfolio related risks. The strategy uses a long volatility overlay and is generally a net purchaser of options. The option purchases serve to hedge exposures created by the relative value portion of the portfolio, to mitigate overall de-levering risks, as well as to provide alpha generating opportunities with defined downside.

**Risks** All investments involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including interest rate risk, financing risk, inflation/deflation risk, Government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk, counterparty risk, concentration risk and liquidity risk. Frequent turnover of the portfolio may result in relatively high transaction costs and may result in taxable capital gains.

#### 7. Global and US Securitized Credit

The Securitized Credit strategies seek to generate total return relative to a benchmark, or absolute return, through exploiting sector, security or pricing inefficiencies across the continuum of securitized assets and collateralized loans. The strategies range from those benchmarked against higher quality Indexes such as the Barclays Agency MBS Index, to those that are unconstrained with respect to credit. Some strategies can utilize borrowing and can also hedge credit risk. Certain strategies can participate in global ABS.

The team, led by Michelle Russell-Dowe, performs extensive analysis on the fundamentals and factors likely to drive collateral performance for each sector, but also focuses on bottom up security analysis, including the use of extensive proprietary models and analytic tools. The team's investment philosophy is predicated on acquiring assets in markets where it believes it has a competitive advantage in understanding cash flows. The team seeks to combine an in-depth understanding of the potential range around fundamental factors with a detailed assessment of security-specific cash flows to build attractive portfolios. The team also may utilize certain derivatives instruments, including interest rate futures.

#### **Risks**

All investments involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including interest rate risk, financing risk, inflation/deflation risk, mortgage- and asset-backed securities risk, Government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk, counterparty risk, concentration risk and liquidity risk. Frequent turnover of the portfolio may result in relatively high transaction costs and may result in taxable capital gains.

#### 8. China Fixed Income

We are a fundamental active manager of China fixed income and our approach incorporates both top-down and bottom-up analysis. Generally, we adopt a top-down tactical approach for interest rate (duration) and currency strategies where markets are more liquid and a bottom-up approach for credit selection utilising our in-house credit resources. Our investment philosophy is based on the belief that active management with dedicated resources, specialist knowledge and a global mindset can deliver out-performance. We believe that markets are generally efficient but there are mis-valuations which can be exploited through fundamental economic and company research. We also target investment returns using a

medium-term horizon which requires a disciplined diversification of investment strategies to manage risk. Additionally, our team-based investment process relies on members specializing by asset class, market and sectors. We believe that multiple views and debate improve the quality of our investment decisions.

### **Risks**

Risk management is at the core of every step of our investment process. Our goal is to maximize returns whilst minimizing volatility to provide clients with risk-adjusted returns in excess of the market. Investment risk can be defined as the volatility of portfolio returns, whether absolutely or relative to a benchmark. Investment risk is inherent in active management as risk is necessary to generate performance and needs to be effectively managed. We use a series of quantitative tools to estimate ex-ante portfolio risk (expected portfolio risk given our current holdings) supplemented by reviews of ex-post (i.e. historic) performance and risk data.

## **MULTI-ASSET**

### **1. Diversified Growth**

The Diversified Growth strategy invests in a broad range of traditional and alternative asset classes. Investment decisions arise from our research process which is comprised of two key elements: 1) longer-term valuation analysis of the risk premia underlying asset classes; and 2) shorter-term tactical analysis comprising cyclical, technical and relative value analysis.

The Diversified Growth team actively manages portfolios by dynamically allocating within and across traditional and alternative asset classes seeking the greatest opportunity. Portfolios may employ derivative instruments such as exchange traded futures, total return swaps, currency forwards and options. The team uses a flexible approach to implement asset allocation decisions that makes use of both actively-managed security-selection-based strategies and passive instruments such as futures, swaps and other derivatives and ETFs.

### **2. Global Multi-Asset Income**

Global Multi-Asset Income seeks to provide income and capital growth over the medium to longer term by investing primarily in global equities and fixed income. The strategy aims to deliver a gross yield of 5% per annum while limiting downside risk.

The strategy actively allocates among equities offering attractive yields and sustainable dividend payments, investment grade bonds, high yield bonds and other fixed or floating rate securities (issued by governments, government agencies, supra-national or corporate issuers) which offer attractive yields, cash (which will be treated as a separate asset class and will be deployed if necessary to limit downside risk during adverse market conditions) and alternative assets indirectly through ETFs, REITs and/or eligible derivative instruments. The strategy has the flexibility to implement active currency positions either via currency forwards or via the above instruments to enhance returns and/or reduce FX risk.

### 3. Strategic Beta

Strategic Beta invests across a broad range of risk premia using an actively managed, risk-based asset allocation process that aims to deliver stable performance in a variety of market environments. The objective of the strategy is to generate a return of 6-8% p.a. with an assumed Sharpe ratio of 0.6 while targeting average annual volatility of 12%.

Our approach focuses on investing in risk premia rather than asset classes. Risk premia can be thought of as the “building blocks” of asset classes and represent the expected returns from being exposed to the different risk factors inherent in an asset class. All asset allocation and portfolio construction decisions are implemented in risk space. The portfolio's initial weights are based on equal risk allocations and the active risk budget is divided equally across all positions.

Strategic Beta is actively managed, which means that there are opportunities to add value by strategically rather than tactically tilting the portfolio towards attractively priced premia and away from those which we believe are unattractively priced. Risk management is a key element in our approach and is based on a three tier approach of (i) efficient portfolio construction, (ii) core protection against moderate market corrections which occur more frequently, and (iii) tail protection against less frequent, but more severe downside risks.

#### Risks for Multi-Asset

All investments, domestic and foreign, involve risks including the risk of possible loss of principal. The market value of a portfolio may decline as a result of a number of factors, including adverse economic and market conditions, prospects of investments in the portfolio, changing interest rates, and real or perceived adverse competitive industry conditions. Investing overseas involves special risks including among others, risks related to political or economic instability, foreign currency (such as exchange, valuation, and fluctuation) risk, market entry or exit restrictions, illiquidity and taxation. Emerging markets pose greater risks than investments in developed markets. Investments in small- and medium-capitalization companies may involve a higher degree of risk and volatility than investments in larger, more established companies. All investments involve risks including the risk of possible loss of principal. The market value of a portfolio may decline as a result of a number of factors, including interest rate risk, credit risk, inflation/deflation risk, currency risk, mortgage and asset-backed securities risk, U.S. Government securities risk, foreign investment risk and derivatives risk. Leverage creates an opportunity for greater yield and total return but, at the same time, will increase the exposure to capital risk and interest costs.

### ALTERNATIVES

#### 1. Commodities

The Schrodgers Commodities Strategy's objective is to give investors a diversified exposure to commodities, through investment in commodity futures and commodity-related equities. The Strategy is actively managed on a long-only and unleveraged basis by the Adviser. The London based team is led by Geoff Blanning. The investment opportunity set includes more than 60 commodities traded on a wide variety of exchanges around the world.

The strategy is:

- Research driven, actively managed.
- Long only, no leverage.

- Index unconstrained.
- Invests in futures, equities, swaps and cash.
- Equal emphasis on agriculture, energy and metals.
- Diversified approach.

#### Risks

Commodities investment carries significant risks and should only be considered by sophisticated investors who understand the nature of these risks, which include geopolitical, supply, demand and currency exchange rate risks. The Strategy will invest principally in commodity-related derivative instruments, including exchange futures and over the counter swaps on commodities. Investments in commodity-linked derivative instruments may subject the strategy to greater volatility than investments in traditional securities. Indirect investment in commodities may cause the strategy to face market risk from the value of the underlying asset together with the commodity market risks listed above.

### 2. Emerging Market Debt

The Emerging Market Debt (EMD) Strategy is an absolute return product managed with the aim of preserving capital and delivering attractive returns when these are available. Historically, the strategy has recorded a low correlation to other products. The broad range of assets offered by this asset class presents diverse opportunities for generating returns. The portfolio management team, led by Abdallah Guezour, seeks to add value by actively managing exposure to both external and local debt, as well as local currencies. The management team may at times make investments that provide exposures to debt obligations or currencies of countries other than emerging market countries, including the United States.

The team's approach to portfolio construction considers both risk control and return maximization. Before purchasing a security, the team considers the risk of loss for every security and analyzes it, using fundamental, quantitative, sentiment and technical analysis. In house research is applied across all EMD countries and debt and currency sectors within those countries. The strategy employs strict diversification rules. Key features of the strategy include:

- Bottom up country selection driven by fundamental analysis of politics, economic and markets.
- A quantitative based country risk model.
- Use of chart analysis to optimize buy / sell prices.
- Use of extensive sentiment analysis, primarily used as a counter-indicator.
- Disciplined use of cash when appropriate.
- No restriction on credit quality.
- Use of a portfolio stop-loss discipline.

#### Risks

All investments involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including interest rate risk, credit risk, inflation/deflation risk, mortgage and asset-backed securities risk, U.S. Government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk and liquidity risk. Frequent trading of the portfolio may result in relatively high transaction costs and may result in taxable capital gains. Emerging markets pose greater risks than investment in developed markets.

### 3. Insurance-Linked Securities

The Insurance-Linked Securities strategy seeks to provide total return primarily through investment in a diversified portfolio of insurance-linked instruments that provide exposure to various insurance risks. Such risks will consist, amongst

others, of earthquake, flood, hail, wind or other weather-related risks, events of catastrophic magnitude in aviation, workers compensation, industrial accident, satellite, marine and offshore energy, and life-related risks such as mortality and value of in-force transactions. The strategy seeks to generate its returns with a low correlation to traditional asset classes, such as fixed income securities or equities, as well as non-traditional investments such as hedge funds or commodities. The Insurance-Linked Securities investment team intends to invest into high severity/low frequency perils (e.g. hurricane or earthquake risks) as well as portfolio-based investments or other instruments where frequency and not severity is the value driver, such as tornado transactions. The strategy is actively managed and can make use of financial leverage for investment purposes. The investment team places a strong focus on tail risk management.

The strategy can invest in a broad range of insurance-linked instruments including catastrophe bonds, insurance-linked notes, industry loss warranties, investments in collateralized reinsurance contracts and over-the-counter financial derivatives with (re)insurance risk instruments as the underlying assets.

#### Risks

All investments, domestic and foreign, involve risks including the risk of possible loss of principal. Investing in insurance-linked securities carries significant risks and should only be considered by sophisticated investors who understand the nature of these risks. Insurance-linked instruments may incur severe or full losses as a result of insurance events such as natural, man-made, life-related, or other catastrophes. Catastrophes can be caused by various events, including, but not limited to, hurricanes, earthquakes, typhoons, hailstorms, floods, tsunamis, tornados, windstorms, aviation accidents, fires, pandemics, explosions and marine accidents. The incidence and severity of such catastrophes are inherently unpredictable, and an investor's losses from such catastrophes could be material. The secondary market for insurance-linked instruments may experience limited liquidity. In situations where a large catastrophe has occurred or appears likely to occur, liquidity for potentially affected insurance-linked instruments may be diminished or completely eliminated.

### PORTFOLIO SOLUTIONS

#### 1. U.S. Risk-Managed Equity

The strategy aims to provide exposure to U.S. equities while limiting downside risk by utilizing Schrodors' proprietary risk management strategy coupled with a passive investment in index securities. In order to create the long exposure to equities, we purchase primarily ETFs, index mutual funds, and equity futures on either sub-indices or on the Russell 3000 index itself. The weights applied to sub-components are derived through a regression process with the aim of creating a portfolio with low tracking error to the Russell 3000 Index.

The strategy seeks to limit instantaneous losses to 20% of current portfolio value while capturing the majority of equity market gains. Downside is limited through a systematic process of purchasing long-term put options and selling short-term call options to finance the put purchases, i.e., a zero cost collar. The options may reference either the entire index or its sub-components which would then be weighted in the same manner as the underlying portfolio. The team uses intelligent design and systematic trading techniques to ensure the portfolio's target protection of 20% is generally maintained as market prices change over time. The approach also seeks to reduce the path dependency of the outcomes and therefore deliver a more reliable and stable outcome over time.



#### Risks

All investments, domestic and foreign, involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including adverse economic and market conditions, derivatives risk, risks related to investments in pooled vehicles, changing interest rates, and real or perceived adverse competitive industry conditions

### 2. International Risk-Managed Equity

The strategy aims to provide exposure to non-U.S. equities while limiting downside risk by utilizing Schroders' proprietary risk management strategy coupled with a passive investment in index securities. In order to create the long exposure to international equities, we purchase primarily ETFs, index mutual funds, and equity futures on either sub-indices or on the MSCI ACWI ex-US index itself. The weights applied to sub-components are derived through a regression process with the aim of creating a portfolio with low tracking error to the MSCI ACWI ex-US Index.

The strategy aims to limit the instantaneous equity downside risk (assessed on a daily basis and ignoring currency exposures) to 20% of the current portfolio value. Downside is limited through a systematic process of purchasing long-term put options and selling short-term call options to finance the put purchases, i.e., a zero cost collar. The options may reference either the entire index or its sub-components which would then be weighted in the same manner as the underlying portfolio. The team uses intelligent design and systematic trading techniques to ensure the portfolio's target protection of 20% is generally maintained as market prices change over time. The approach also seeks to reduce the path dependency of the outcomes and therefore deliver a more reliable and stable outcome over time.

The strategy does not hedge currency exposure.

#### Risks

All investments, domestic and foreign, involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including adverse economic and market conditions, derivatives risk, risks related to investments in pooled vehicles, changing interest rates, and real or perceived adverse competitive industry conditions.

Investing overseas involves special risks including among others, risks related to political or economic instability, foreign currency (such as exchange, valuation, and fluctuation) risk, market entry or exit restrictions, illiquidity and taxation. Emerging markets pose greater risks than investments in developed markets

## Item 9: Disciplinary Information

There have been no disciplinary actions against the Adviser, its officers or directors.

## Item 10: Other Financial Industry Activities and Affiliations

The Adviser is registered with the National Futures Association as a Commodity Trading Advisor and Commodity Pool Operator.

The Adviser is also registered as a Portfolio Manager with the Canadian Securities Commissions in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan.

The Adviser maintains significant relationships relating to its advisory business with affiliated companies.

Schroder Investment Management North America Ltd ("SIMNA Ltd") provides sub-advisory services on fund and separate account mandates for strategies as described in Item 4. SIMNA Ltd is regulated by the Financial Conduct Authority in the United Kingdom and registered with the SEC. SIMNA Ltd is also registered in Canada as a Portfolio Manager with the Securities Commissions in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan. The Adviser oversees the management by SIMNA Ltd, but the London-based investment teams carry out day to day management of delegated accounts. SIMNA Ltd receives a portion of the advisory fees that the Adviser receives as compensation. Some of the members of the Board of Directors of the Adviser also serve as Directors of SIMNA Ltd.

Schroder Fund Advisors LLC ("SFA") is a wholly owned subsidiary registered as a broker dealer with FINRA and an exempt market dealer in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario, Quebec and Saskatchewan. SFA distributes the shares of the Schroder mutual funds. SFA also conducts private placements of institutional investment vehicles that are offered in reliance on exceptions to the Investment Company Act of 1940. SFA may solicit existing qualified clients to invest into those vehicles.

The Adviser has delegated some back office functions to Schroder Investment Management Ltd. ("SIM"). SIM is a London-based investment manager regulated by the Financial Conduct Authority and not registered with the SEC. It provides finance, clearance and settlement and IT system support for the Adviser.

The Adviser may purchase for certain accounts shares of funds for which the Adviser serves as the investment manager. The Adviser will not assess its advisory fee on the portion of an account that is invested in such funds.

Private investment funds organized by the Adviser may invest in the same securities as those invested in behalf of other clients, including registered investment companies. The private investment funds' trading methodologies are generally different than that of other accounts and may include short selling and the aggressive use of leverage. At times, the private investment funds may be selling short securities held long in other portfolios. The Adviser is aware of potential conflicts of interest created in part by the compensation structure of the funds. It has instituted procedures to assure that transactions effected on behalf of the



## Item 11: Code of Ethics, Insider Trading Policy, Participation in Client Transactions and Personal Trading

private funds do not adversely impact other clients.

The Adviser is the investment manager for the Schroder Capital Management Collective Trust. The Trust consists of co-mingled funds available to ERISA/Public Sector pension plans. Where the Adviser has discretion over allocation of pension assets, it may invest the pension's funds in the Trust. In such instances, the Adviser will generally not assess an advisory fee at the trust level. The fees are generally negotiated at the time the agreement is executed when investments in the Trust are contemplated. The day to day management of the Trust has been delegated to SIMNA Ltd.

The Adviser has adopted a Code of Ethics that sets forth the standards of business conduct that it requires of all its supervised persons. The Code of Ethics addresses the Adviser's and its access persons' fiduciary obligations to its clients. The Code also addresses confidentiality of client information and includes the Adviser's Insider Trading Policy and its Policy on Personal Securities Transactions, discussed in further detail below. The Code of Ethics also requires all supervised persons to comply with the federal securities laws and to inform the Chief Compliance Officer of suspected violations of the Code. Clients or prospective clients who wish to request a copy of the Code of Ethics may do so by contacting the Chief Compliance Officer at Schroder Investment Management North America Inc., 875 3rd Avenue, 21<sup>st</sup> Fl, New York, NY 10022.

The Adviser's officers, directors and employees may, from time to time, buy or sell for themselves securities that the Adviser also buys or sells on behalf of clients. The Adviser imposes restrictions on such transactions in accordance with applicable law and regulations. All directors, officers, employees and supervised persons of the Adviser are subject to the provisions of a Code of Ethics regarding personal securities transactions and an Insider Trading Policy. These policies are designed to prevent conflicts of interest and violations of law by persons subject to the Code. In particular, all directors, officers and employees are required to pre-clear their personal transactions through a rules-based automated personal trade dealing system. In this way, all personal securities transactions can be monitored or, if necessary, prohibited or delayed so as not to conflict with a client transaction. The Adviser has also imposed upon employees a mandatory 60 day holding period on transactions in registered investment companies it advises or sub advises.

From time to time and in accordance with the terms of the Adviser's Code of Ethics, there may be instances when the Adviser may be precluded from trading in certain securities for its advisory clients' accounts. These instances may arise if the Adviser receives material non-public information from an issuer. The Adviser's parent maintains a stop list, which consists of securities for which one or more persons at the Adviser or its affiliates may hold price sensitive information. Employees of the Adviser are not permitted to trade in those securities.

It is a violation of United States federal law and a serious breach of the Adviser's policies for any employee to trade in, or recommend trading in, the securities of a issuer, for his/her personal gain or on behalf of the firm or its clients, while in possession of material, nonpublic information ("inside information") which may come into his/her possession either in the course of performing his/her duties, or through a breach of any duty of trust and confidence.

Further, it is a violation of anti-fraud provisions of the Advisers Act for employees who are or become aware of transactions being considered for clients or are aware of the portfolio holdings in the reportable funds to which the Adviser (or an affiliate)

acts an adviser to disclose such information to a party who has “no need to know” or to trade on such information for personal gain by, among other things, front-running or market timing.

The Adviser selects brokers or execution forums to try to obtain the overall best execution for its clients. The Adviser does not execute trades for clients through affiliated broker-dealers. Its traders route orders where they expect to obtain the most favorable overall price and efficient execution. Traders do not operate under constraints concerning their choice of brokers other than on the basis of their creditworthiness or client restrictions.

## Item 12: Brokerage Practices

The Adviser uses a number of brokerage firms. Some are full service firms that may execute on the Adviser's behalf and others are electronic crossing networks, automated trading firms or execution-only firms. The Adviser deals with brokerage firms that it deems capable of providing best price and execution and is financially stable. All counterparties are approved by a Credit Committee operated globally for the firm. The Committee reviews the brokerage firm when trading begins and at least once a year. Where appropriate the Adviser establishes credit limits for the counterparties.

### 1. *Research Commissions*

The Adviser places trades for equity securities with broker-dealers that provide research. The Adviser may pay higher total commissions on equity trades when executing trades that include a provision for research. A Global Brokerage Committee proposes, reviews, and approves total commissions and the split of the commissions between the portion that compensates the broker-dealer for execution or research. Both US and UK law permit use of commissions to pay for research, and the Adviser programs are in compliance with both. Fixed income trades do not include a provision for research.

The Adviser may have an incentive to choose a broker based on receiving research or brokerage services but research does not play a role in broker selection. The trading desk trades where it believes it will obtain best execution. The Adviser tries to establish programs at the brokers where its traders execute orders. The Adviser periodically reviews where the trading desk is trading and establishes or changes programs at its top brokers.

The Adviser considers best price and efficient execution as the paramount considerations in choosing where to trade for clients. The Adviser establishes maximum commission rates for equity trading by type of security and reviews those rates periodically based on industry standards. The Adviser reviews both commission rates and overall commissions to monitor whether trades are being executed within guidelines. For trades placed through some electronic crossing networks and automated trading systems, the commission rates may include total commissions that are above the minimum rate that broker provides for execution—only. Additional commissions may be paid in light of research services provided, typically provision of third party research and services from other brokers or service providers. Research may constitute a larger portion of the total commission paid to an electronic crossing networks or automated trading systems than a similar commission paid to a full service broker that charges higher execution rates as a result of committing its own capital or providing other execution services.

The Adviser's research programs make research payments under the safe harbor in Section 28(e) of the Exchange Act. Because UK regulation has a more narrow definition of research than US regulation, the Adviser maintains some programs from which only research from broker dealers is paid to accommodate UK clients. The Adviser may obtain research in print or through verbal security analysis and opinion in these programs. The services the Adviser receives in its US only programs may include third party reports or services, seminars, computer software and certain related hardware for arranging and processing research data, portfolio evaluation services and brokerage services. Analysis of economic, political and market factors is also provided. The Adviser seeks research services that complement or expand on its internal research.

When the Adviser delegates management accounts to SIMNA Ltd, trades for that account will ordinarily be placed by SIMNA Ltd.'s trading desk. In those instances, the commissions paid may also reflect research services by the offshore brokers that are used by SIMNA Ltd. in the management of those accounts. SIMNA Ltd. only obtains research services permissible under the safe harbor set forth in Section 28(e) of the Securities Exchange Act of 1934 and the SEC interpretations thereunder.

Note however, that some research programs outside of the US may not operate identically to US programs. Where this is the case, SIMNA Ltd always complies with local broker-dealer and investment management rules and participates only to obtain research permissible under US law. If a research program offshore does not fully comply with US law, SIMNA Ltd and the Adviser determine in good faith whether participating complies with its fiduciary duty. If a client is subject to a regulatory requirement that its brokerage commissions comply with 28(e), the Adviser and SIMNA Ltd exclude those accounts from participating in any non US program that does not comply strictly with the requirements of 28(e) and related SEC guidance.

Portfolio managers periodically vote for the brokerage firms that provide research products or services and the value of such products or services. Brokers providing general research services are ranked as to their usefulness. The Adviser may also request a broker to provide a specific research product or service which may be proprietary to the broker or produced by a third party. The Adviser does not agree with any broker to direct a specific or minimum amount of commissions. It makes no commitment to compensate the broker if commissions fall short of covering the target level of commission for the specific research service. Although not obligated to do so, the Adviser may, at its discretion, voluntarily pay the balance due in cash from its own resources.

The Adviser may subscribe to investment research services that have a “mixed use”, i.e., a part of the service is used in the investment decision making process and a part is used for non-research purposes. The Adviser allocates that portion used for investment research and will pay for the non-research portion dollars from its own resources.

The Adviser maintains a brokerage committee to oversee its commission practices. The committee includes representatives of the equity investment teams, trading, operations and compliance. The committee reviews issues including: which brokers the trading desk uses, soft dollar and other research programs, commission rates, the eligibility of services received and changes in research programs.

Because of the nature of the markets, most bond transactions are executed “over-the-counter” on a net basis. Therefore, execution ability dominates the decision for the selection of broker-dealers on bond transactions.

## 2. *Trade Aggregation and Allocation*

When the Adviser buys or sells securities for multiple clients, it ordinarily aggregates all client transactions to obtain more favorable prices, and efficient execution. Clients participating in an aggregated order will receive an average price and a pro-rata share of the transaction costs. There may be variable costs relating to aggregate trades imposed directly by the broker-dealer or custodian for an account that are not shared with other clients. Some clients may not be able to participate in because of regulatory or client-imposed restrictions. In those instances, trades are placed in a manner calculated to achieve the best overall execution for all clients.

When the adviser does not aggregate client orders traders may not be able to negotiate a single price for each client order and the prices may be less favorable than those achieved through aggregation. Commissions and transaction costs will not be uniform for all accounts. The adviser may not aggregate orders for all clients for reasons including the following:

- A client may direct that the Adviser use a specific type of broker such as the use of minority-owned broker dealers);
- A client may prohibit the use of one or more broker-dealers, sometimes for regulatory reasons;
- A client may require that the Adviser use a particular brokerage firm for some or all trades; or
- Some offshore markets may prohibit trade aggregation.

The Adviser also maintains procedures for allocating initial public offerings (“IPOs”) for its accounts. Accounts that are similarly managed will generally aggregate their expressions of interest orders.

Allocations of the shares in the IPO are made in a fair and equitable manner. The Adviser may exclude accounts from participating based on a client restriction, such as broker restrictions.

The Adviser allocates among eligible accounts on a pro-rata basis unless allocating a pro-rata would cause the participating account to receive only a de minimis amount such as a small odd lot. If an account could only receive a de minimis allocation, the Adviser will eliminate that account from the trade. If more than one portfolio manager indicates interest in an IPO, the allocation is first made to each portfolio manager

based on the indications of interest and then allocated pro rata to each portfolio manager's accounts. If the Adviser receives an allocation in an IPO too small to meaningfully aggregate, it will allocate to managers on an alternating basis. The Adviser then allocates to accounts for each manager in accordance with the policy set forth above. The Chief Compliance Officer must approve any allocation made other than on a pro-rata basis.

The Adviser may manage accounts that have significant investment by affiliates of the Adviser, as seed capital or as capital investments. In circumstances where the interest in an account on behalf of an affiliate of the Adviser exceeds 25%, the Adviser places restrictions on the trading of those accounts. Such accounts may be included in aggregated trades but only when its participation has been determined prior to the order, and the account may receive no more than a pro-rata allocation of securities.

Trades in municipal bonds often are for small lots that cannot be allocated across all accounts. The Adviser generally allocates among client accounts based on one or more of the following criteria:

- Client guidelines, including state specific needs;
- Cash availability;
- Duration needs;
- Sector needs, and
- Client restrictions, including issuer limitations, ratings, etc.

Trades in other fixed income mandates are generally allocated pro rata for accounts managed against the same or similar benchmarks. Transactions may be otherwise allocated to (i) equalize sector weightings relative to other portfolios with similar mandates; (ii) when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, and (iv) with respect to sale allocations, allocations may be given to accounts low in cash. Any allocation that is made other than on a pro-rata basis is reviewed by Compliance. Allocations are generally made prior to trade placement. Block trades that are placed without a prior allocation are allocated promptly thereafter and in any event not later than the close of trading on that day.

The Adviser may enter into arrangements with wrap program sponsors to provide a model portfolio. The financial services company that receives the model uses that model to construct portfolios for its clients. The sponsor of the program will buy or sell the same securities that the Adviser buys and sells for its clients. Because the sponsor places all trades for clients in model programs, these trades would not be aggregated with trades that Adviser places for its clients. Under most circumstances, the Adviser transmits its model after it places trades for client accounts. Trading generated by model programs could under some circumstances cause prices for a given security to increase and could adversely affect trading for client accounts.

The Adviser does not have discretion to trade securities on behalf of accounts in model programs. Trades for discretionary clients will likely be placed while models for the programs of other financial services companies are still being formulated into orders by the sponsoring firms. Under most circumstances, the timing will effectively confer priority on orders placed by the Adviser for its discretionary accounts. If the Adviser determines that this priority is unfairly disadvantaging the model programs, it may attempt to communicate models simultaneously with placing orders for discretionary client accounts. The Adviser will not delay orders

for its discretionary accounts in order to confer priority on a model program. In instances where the Adviser may give priority in the communication of its model among different non-discretionary clients on a rotating basis if it determines that fair treatment of its client requires that measure.

### 3. *Client Restrictions on Brokers*

A client may direct the Adviser in writing to use a particular broker-dealer. Such restrictions on broker use can adversely affect best execution. Where a client restricts all or most trading to a particular broker-dealer, that client cannot benefit when traders buy an aggregate block for other accounts at a favorable price. The Adviser also may not be able effectively to negotiate commission rates with that client's preferred brokerage firm. The client may also be unable to obtain allocations of new issues of securities if their designated broker cannot independently obtain them. The Adviser will only do business with broker dealers that it believes can meet their financial obligations from trading. The Adviser ordinarily will not accept an instruction to trade with a broker-dealer that is not credit-worthy.

Clients sometimes ask to send trades to a particular broker-dealer in recognition of services/payments provided to the client by the broker or dealer. A client who chooses to designate the use of a particular broker or dealer on a "restricted" basis, should consider whether such a designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions on some transactions than might otherwise be attainable by the Adviser, or may receive less favorable execution of some transactions, or both. Prospective clients should consider the possible costs or disadvantages of such an arrangement with the value of the services provided. The Adviser reserves the right to refuse such requests where it believes that it cannot achieve best execution.

### 4. *Cross Trading*

The Adviser may, from time to time, recommend that a client sell a particular security while at the same time recommend that a different client buy the same security. Except for ERISA clients, the Adviser may "cross" the same security between client accounts. In the case of "cross trades" involving registered investment companies, the Adviser will only effect such transactions in compliance with Rule 17a-7 under the Investment Company Act. The Adviser does not receive any additional compensation as a result of such transactions and only engages in such transactions when it is in the best interest of its clients to do so.

### 5. *Transactions with Clients*

Ordinarily, accounts in which affiliates of the Adviser have an interest in excess of 25% will not buy securities from, or sell them to, client accounts. The Adviser will not arrange such trades for types of clients such as registered investment companies where there is a regulatory prohibition on such trades. In rare circumstances, the Adviser may engage in transactions with clients where the Adviser believes that the client account will benefit—for example to provide liquidity during periods of market turmoil—and only at prices that the Adviser believes are fair. If transactions of this nature are undertaken, the Adviser will obtain prior written agreement from the client following disclosure of the nature of the interest that the Adviser or its affiliates has in the transaction and the reasons for undertaking the transaction.



## Item 13: Review of Accounts

Portfolio managers review all transactions in client accounts on a daily basis. The Adviser also assigns product managers to each team. The product manager reviews the portfolio characteristics and act as the liaison with clients. Portfolio managers or product managers approve client reports before the Adviser sends them to clients. Additional reviews take place when necessary. The events that might trigger additional reviews can include changes in client objectives; unusual investment environments; or a change in investment strategy. The Adviser uses an automated system that allows its compliance function to review trades daily to confirm that the trades meet regulatory requirements and client guidelines.

## Item 14: Client Referrals and Other Compensation

The Adviser compensates affiliated persons for client solicitations and may occasionally enter into solicitation agreements with unaffiliated third parties. For affiliated persons, compensation is done on the basis of a discretionary basis. Assets raised are taken into account in determining discretionary bonuses. For unaffiliated persons, the Adviser will pay a portion of its advisory fee to the third party for introducing or servicing accounts. All such arrangements must comply with SEC Rule 206(4)-3. Among other requirements, the Adviser must ensure that the third party provides a written disclosure statement that sets forth the terms of the arrangement. The costs of any such referral fees would be paid entirely by the Adviser and therefore would not result in any additional charges to the client.

SIMNA has entered into a solicitation agreement with Hartford Funds Management Company ("HFMC") pursuant to which HFMC will refer, offer and provide marketing support services with respect to SIMNA's International EAFE ADR strategy model which SIMNA offers through separately-managed account or unified managed account platforms. SIMNA will pay HFMC 15 basis points on total new assets invested in the SIMNA ADR Strategy as measured at the end of each quarter. In addition, SIMNA will pay HFMC an annual fee of 8 basis on certain "aged assets" that remain invested for more than one year, which will generally be calculated as 2 basis points on the amount of aged assets which will be paid quarterly within 30 days of the end of each calendar quarter.

## Item 15: Custody

The Adviser does not take or retain custody of client funds or securities. Clients retain their own custodians and the Adviser does not make custodial recommendations. The Adviser and one affiliate do act as general partner to some private institutional partnerships. The partnerships are audited and the audit reports delivered to investors in the partnerships in compliance with SEC Rule 206(4)-2. The Adviser has authority to deduct fees for some clients.

## Item 16: Investment Discretion

The Adviser generally manages investments on a discretionary basis. Under a discretionary arrangement, portfolio managers have the authority to determine which securities to buy and sell, consistent with the client's investment guidelines. In some instances, however, there are restrictions imposed by clients on investments in specific industries or companies.

The Adviser provides model portfolios to sponsors of third party wrap programs. In those instances, the Adviser only has discretion over the model. The sponsoring firm raises all orders for the underlying accounts after determining how to implement the model for its individual clients. The Adviser does not include the assets in model portfolio programs as part of its assets under management as set forth in Item 4 above.

The Adviser may enter into trade delegation agreements under which orders from offshore affiliates route orders in US securities to the Adviser's trading desk for execution. In such instances, those orders may be aggregated with orders for the Adviser's clients or executed sequentially subject to a written order priority procedure.



## Item 17: Voting Client Securities

The Adviser treats the voting of proxies as an important part of its management of client assets. It votes proxies in a manner that it deems most likely to protect and enhance the longer term value of the security as an asset to the account.

The Adviser has a Proxy Committee consisting of investment professionals and other officers which is responsible for ensuring compliance with its proxy voting policy. That committee includes input from all offices including affiliated advisers. The actual voting of proxies is carried out by Schroder Investment Management Ltd., the UK affiliate of the Adviser. When voting proxies, the Adviser and its affiliates follow a Corporate Governance Policy (the "Policy"). The Policy sets forth positions on recurring issues and criteria for addressing non-recurring issues. The Proxy Committee exercises oversight to assure that proxies are voted in accordance with the Policy and that any votes inconsistent with the Policy are documented.

The Adviser uses proxy research from third party service providers. It considers their recommendations for voting on particular proxy proposals. The Adviser bears ultimate responsibility for proxy voting decisions. Occasionally, proxy voting proposals may raise conflicts between the Adviser's interests and those of its clients. Those conflicts are managed in accordance with the procedures set out in the Policy.

If the Adviser receives a proxy relating to an issuer that raises a material conflict of interest, the proxy is voted after review by the Global Head of Equities. The proxy will be voted as follows:

- if a proposal or aspect of the meeting business is specifically addressed by the Policy, the Adviser will vote or act in accordance with the Policy unless the Adviser considers it is in the best interests of clients to depart from the Policy. In that case or if the proposal or meeting business is not specifically covered by the Policy, the Adviser may vote or act as it determines to be in the best interest of clients, provided that such vote or action would be against the Adviser's own interest in the matter
- if the Adviser believes it should vote in a way that may also benefit, or be perceived to benefit, its own interest, then the Adviser will either (a) vote in accordance with the recommendations of a third party (which will be the supplier of our proxy voting processing and research service); or (b) obtain approval of the decision from the Adviser's Head of Equities: the rationale of such vote will be recorded in writing; or (c) in exceptional cases, inform the client(s) of the conflict of interest and obtain consent to vote as recommended by the Adviser. If the third-party recommendation is unavailable, we will not vote.

A copy of the entire Proxy Voting Policy and information as to specific votes are available to clients upon request. Requests should be made to your Client Service Representative.

## Item 18: Other Financial Information

The Adviser is a subsidiary of a public company in the UK, Schroders plc. Schroders plc. is listed on the London Stock Exchange. The shareholder reports for Schroders plc. are available on the internet at <http://ir.schroders.com/>. Clients or prospective clients may also obtain copies of Schroders plc. reports by contacting their Client Service Representative.

## Item 19: Requirements for State-Registered Advisers

The Adviser makes notice filings with each State and may register some of its employees as advisory representatives in States that so require.

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