

# Schroders

## Schroder Investment Management North America Inc.

Advisory Brochure

Issued in March 2023

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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).

## Item 2: Statement of Material Changes

This brochure is the twenty-fourth amendment to the Firm’s Advisory Brochure. This version includes information regarding:

1. Annual update, including updates to Items 4, 5 and 8 to reflect changes to certain strategies, fees and risk disclosures and the introduction of the Value Long Corporate and SustainableShort Duration strategies.

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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 Small Cap
- US Small/Mid Cap
- US Mid Cap
- US Core Plus
- Municipal Bonds Intermediate and Short Term
- Global Credit (Corporate)
- Global High Yield
- Emerging Market Debt Multi-Sector (Relative Return)
- Value Core
- Value Sustainable Core
- Value Short Duration
  - Sustainable Short Duration
- Value Intermediate Duration
- Value Long Duration
- Value Long Credit
  - Value Long Corporate
- Value Opportunistic
- Value Opportunistic Investment Grade
- Value Tax Aware Opportunistic
- Securitized Products & Asset-Based Finance
- Opportunistic Credit

The Adviser also markets strategies focusing on non-US equity and fixed income securities as well as multi asset, systematic investments, 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 Equity
- Global/International Alpha
- International Alpha ADR
- Global/International Small Cap
- Emerging Markets Equity
- Emerging Markets Equity Alpha
- Frontier Markets Equity
- Emerging Markets Equity Impact
- Global Emerging Markets Small Cap
- Global Climate Change
- Global Climate Leaders
- Global Sustainable Growth

- Global Disruption
- Global Energy Transition
- Global Sustainable Food & Water
- Healthcare Innovation
- US Large Cap Equity
- Swiss Equities
- Asian Equities
- Indian Equities
- Global Strategic Bond

**The quantitative equity strategies are:**

- Global Core
- International (ex-US) Value
- Global Value
- Global Quality
- Global Blend
- Global ESG
- Emerging Markets
- Emerging Markets Synergy

**The Systematic Investments strategies are:**

- Sustainable Multi-Factor Equity
- Global Multi-Factor Equity
- Emerging Markets Multi-Factor Equity
- Developed Markets Multi-Factor Equity
- US Multi-Factor Equity
- Asia Pacific ex Japan Multi-Factor Equity
- European Multi-Factor Equity
- Japanese Multi-Factor Equity
- UK Multi-Factor Equity / UK Yield Multi-Factor Equity
- Islamic Global Equity
- China A Multi-Factor Equity

**The multi-asset strategies are:**

- Diversified Growth
- Alternative Risk Premia
- Sustainable Dynamic Balanced
- Multi-Asset Alpha

**The Adviser also offers alternative investment strategies including:**

- Commodities Total Return
- Emerging Market Debt (Absolute Return)
- Insurance-Linked Securities
- Multi-Strategy, Market Neutral

**The Adviser also offers Portfolio Solutions strategies including:**

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

Finally the Adviser also markets strategies focusing on Japanese equities. For these strategies, the Adviser delegates portfolio management of the account to an affiliated adviser – Schroder Investment Management (Japan) Ltd (“SIM Japan”). SIM Japan is regulated by the Financial Services Agency in Japan and registered with the Securities and Exchange Commission as an investment adviser on February 20, 2020. The strategies that are marketed to US clients are:

- Japanese Equity All Cap
- Japanese Equity Small Cap
- Japanese Equity Micro Cap
- Japan REIT

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 serves as the manager and general partner of private investment partnerships or funds. The Adviser also sub-advises funds that are registered with the SEC under the Investment Company Act of 1940. 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 is registered with the Financial Industry Regulatory Authority (“FINRA”). The FINRA license is a limited one. Other than fund sales, 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 SIMNA Ltd.

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 as a Portfolio Manager 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 does provide model portfolios to wrap-fee program sponsors but all orders for the program’s accounts are raised by the wrap fee program sponsor. Each sponsor exercises investment discretion and executes each client’s portfolio transaction based on such sponsor’s own judgement. The Adviser does not provide model portfolios based on the individual needs of any one client.

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 advisers, SIMNA Ltd. and SIM Japan.

<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 personnel necessarily possess any particular level of skill or training.

<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, 2022	Assets		# of Accts
Owned by SIMNA Inc.	\$ 118,010,000,000	USD	300
Delegated to SIMNA Inc.	\$ 53,287,000,000	USD	115
<b>Total SIMNA</b>	<b>\$171,297,000,000</b>	<b>USD</b>	<b>415</b>
Managed by SIMNA Inc.	\$ 88,148,000,000	USD	319
Managed by SIMNA Ltd.	\$ 83,065,000,000	USD	95
Managed by SIM Japan	\$ 84,000,000	USD	1
	<b>\$ 171,297,000,000</b>	<b>USD</b>	<b>415</b>

## Item 5: Fees and Compensation

The Adviser generally offers investment advisory services on a discretionary basis for institutions and pooled vehicles. It occasionally offers services on a non-discretionary advisory basis for certain clients.

The prospectus of each registered fund advised or sub-advised by the Adviser sets forth the applicable fees and expenses. With respect to unregistered private funds managed by the Adviser, the applicable fees and expenses are set forth in the relevant offering or governing documents, or in certain cases, in a separate fee agreement between the Adviser and an investor in a private fund.

The strategies available and the current standard fee structures for separate accounts are as follows:

### U.S. EQUITIES

#### **US Small Cap Core**

##### *Separate Account*

Management fee – 0.65% on first \$50 million and 0.60% thereafter

Minimum account size: \$10 million

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

##### *Separate Account*

Management fee – 0.65% on first \$50 million, 0.60% on next \$100 million, and 0.55% thereafter

Minimum account size: \$10 million

#### **US Mid Cap**

##### *Separate Account*

Management fee – 0.65% on first \$50 million, 0.60% on next \$100 million, and 0.55% thereafter

Minimum account size: \$10 million

### FIXED INCOME

#### **US Core Aggregate**

##### *Separate Account*

Management fee – 0.25% on first \$100 million, 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

**Municipal Bonds: Intermediate & Short-Term***Separate Account*

Management fee – 0.292575% on first \$50 million, 0.225% on the next \$50 million, 0.1125% on the next \$400 million, 0.09% for the next \$500 million, and .072% thereafter

Minimum account size: \$50 million

**Global Credit (Corporate)***Separate Account*

Management fee – 0.35% on first \$100 million, 0.25% on the next \$100 million, and 0.20% thereafter

Minimum account size: \$100 million

**High Yield: Global***Separate Account*

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

**Value Core, Value Short Duration, Sustainable Short Duration, Value Intermediate Duration, Value Long Duration, Value Long Credit, Value Long Corporate, Value Opportunistic, Value Opportunistic Investment Grade, Value Sustainable Core***Separate Account*

Management fee – 0.325% on first \$50 million, 0.25% on the next \$50 million, 0.125% on the next \$400 million, 0.1% for the next \$500 million, and .08% thereafter

Minimum account size: \$50 million

**Value Tax-Aware, Value Tax Aware Opportunistic***Separate Account*

Management fee – 0.2925% on first \$50 million, 0.225% on the next \$50 million, 0.1125% on the next \$400 million, 0.09% for the next \$500 million, and .072% thereafter

Minimum account size: \$50 million

**Securitized Products & Asset-Based Finance**

## Long Duration Securitized

*Separate Account*

Management fee – 0.30% on the first \$250 million, 0.30% on the next \$250 million, and 0.18% thereafter

Minimum account size: \$250 million

## Securitized Index IG

*Separate Account*

Management fee – 0.30% on first \$250 million, 0.25% on the next \$250 million, 0.175% on the next \$500 million, and 0.15% thereafter

Minimum account size: \$250 million



#### Securitized Credit IG

##### *Separate Account*

Management fee – 0.375% on first \$250 million, 0.325% on the next \$250 million, 0.25% on the next \$500 million, and 0.20% thereafter

Minimum account size: \$250 million

#### Securitized Credit Unconstrained

##### *Separate Account*

Management fee – 0.55% on first \$250 million, 0.50% on the next \$250 million, 0.45% on the next \$500 million, and 0.40% thereafter

Minimum account size: \$250 million

#### Opportunistic Securitized

##### *Separate Account*

Management fee – 0.65% on first \$350 million, 0.60% on the next \$250 million, 0.55% on the next \$200 million, and 0.50% thereafter

Minimum account size: \$350 million

#### Commercial Mortgage Loan

##### *Separate Account*

Management fee – 0.40% base fee

Minimum account size: \$300 million

#### ERISA Hi-Grade Flexible Securitized

This strategy is available only through a pooled investment vehicle.

#### ERIA Flexible Secured Income

This strategy is available only through a pooled investment vehicle.

#### **Opportunistic Credit**

This strategy is available only through a pooled investment vehicle.

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

#### **Global/International Equity**

##### *Separate Account*

Management fee – 0.50% on first \$100 million, 0.40% on next \$100 million, and 0.35% thereafter

Minimum account size: \$50 million

#### **Global/International Alpha**

##### *Separate Account*

Management fee – 0.60% on first \$100 million, 0.50% on next \$100 million, and 0.45% thereafter

Minimum account size: \$50 million

#### **International Alpha ADR**

Offered only through model delivery to wrap-fee program sponsors

#### **Global/International Small Cap**

##### *Separate Account*

Management fee –

0.80% on first \$100 million, 0.70% on next \$100 million, and

0.60% thereafterMinimum account size: \$100 million

**Emerging Markets 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

**Frontier Markets Equity**

*Separate Account*

Management fee – 1.35% on first \$100 million and 1.10% thereafter

Minimum account size: \$100 million

**Emerging Markets Equity Alpha**

*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

**Emerging Markets Equity Impact**

*Separate Account*

Management fee – 1.00% on first \$100 million, 0.80% on the next \$100 million, and 0.65% thereafter

Minimum account size: \$50 million

**Global Emerging Markets Small Cap**

*Separate Account*

Management fee – 1.35% on first \$100 million and 1.10% thereafter

Minimum account size: \$75 million

**Global Climate Change**

*Separate Account*

Management fee – 0.70% on first \$100 million, 0.60% on the next \$100 million, and 0.55% thereafter

Minimum account size: \$100 million

**Global Climate Leaders**

*Separate Account*

Management fee – 0.65% on first \$100 million, 0.60% on the next \$100 million, and 0.55% thereafter

Minimum account size: \$50 million

**Global Sustainable Growth**

*Separate Account*

Management fee – 0.65% on first \$100 million, 0.60% on the next \$100 million, and 0.55% thereafter

Minimum account size: \$50 million

**Global Disruption**

*Separate Account*

Management fee – 0.70% on first \$100 million, 0.60% on the next \$100 million, and 0.55% thereafter

Minimum account size: \$50 million

**Global Energy Transition**

*Separate Account*

Management fee – 0.70% on first \$100 million, 0.60% on the next \$100 million, and 0.55% thereafter

Minimum account size: \$50 million

**Global Sustainable Food and Water**

*Separate Account*

Management fee – 0.70% on first \$100 million, 0.60% on the next \$100 million, and 0.55% thereafter

Minimum account size: \$50 million

## **Healthcare Innovation**

### ***Separate Account***

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

## **US Large Cap Equity**

### ***Separate Account***

Management fee – 0.50% on first \$100 million, 0.40% on the next \$100 million, and 0.35% thereafter  
Minimum account size: \$50 million

## **Swiss Equities**

This strategy is available only through a pooled investment vehicle.

## **Asian Equities**

### ***Separate Account***

Management fee – 0.90% on first \$100 million, 0.80% on the next \$100 million, and 0.75% thereafter  
Minimum account size: \$100 million

## **Indian Equities**

### ***Separate Account***

Management fee – 0.75% on first \$100 million, 0.65% on the next \$100 million, and 0.60% thereafter  
Minimum account size: \$50 million

## **Japanese Equities**

### ***Separate Account***

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

## **Global Strategic Bond**

### ***Separate Account***

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

## **QUANTITATIVE EQUITY PRODUCTS (QEP)**

### **Global Core**

#### ***Separate Account***

Management fee: 0.27% on the first \$50 million, 0.20% on the next \$100 million, 0.15% on the next \$100 million, 0.14% on the next \$250 million, and 0.13% thereafter  
Minimum account size: Typically \$200 million

### **International (ex-US) Value**

#### ***Separate Account***

Management fee: 0.65% on first \$50 million, 0.55% on the next \$100 million, 0.45% on the next \$100 million and 0.40% thereafter  
Minimum account size: Typically \$100 million

### **Global Value**

#### ***Separate Account***

Management fee: 0.65% on first \$50 million, 0.55% on the next \$100 million, 0.45% on the next \$100 million and 0.40% thereafter  
Minimum account size: Typically \$100 million

**Global Quality**

*Separate Account*

Management fee: 0.65% on first \$50 million, 0.55% on the next \$100 million, 0.45% on the next \$100 million and 0.40% thereafter

Minimum account size: Typically \$100 million

**Global Blend**

*Separate Account*

Management fee: 0.65% on first \$50 million, 0.55% on the next \$100 million, 0.45% on the next \$100 million and 0.40% thereafter

Minimum account size: Typically \$100 million

**Global / International ESG**

*Separate Account*

Management fee: 0.65% on first \$50 million, 0.55% on the next \$100 million, 0.45% on the next \$100 million and 0.40% thereafter

Minimum account size: Typically \$100 million

**Emerging Markets**

*Separate Account*

Management fee: 0.70% on first \$200 million and 0.60% thereafter

Minimum account size: Typically \$150 million

**Emerging Markets Synergy**

*Separate Account*

Management fee: 0.75% on first \$200 million and 0.60% thereafter

Minimum account size: Typically \$150 million

**SYSTEMATIC INVESTMENTS****Sustainable Multi-Factor Equity**

*Separate Account*

Management fee – 0.20%

Minimum account size: Typically \$200 million

**Global Multi-Factor Equity**

*Separate Account*

Management fee – 0.20%

Minimum account size: Typically \$200 million

**Emerging Markets Multi-Factor Equity**

*Separate Account*

Management fee – 0.50%

Minimum account size: Typically \$200 million

**Developed Markets Multi-Factor Equity**

*Separate Account*

Management fee – 0.20%

Minimum account size: Typically \$200 million

**US Multi-Factor Equity**

*Separate Account*

Management fee – 0.25%

Minimum account size: Typically \$200 million

**Asia Pacific ex Japan Multi-Factor Equity***Separate Account*

Management fee – 0.25%

Minimum account size: Typically \$200 million

**European Multi-Factor Equity***Separate Account*

Management fee – 0.25%

Minimum account size: Typically \$200 million

**Japanese Multi-Factor Equity***Separate Account*

Management fee – 0.25%

Minimum account size: Typically \$200 million

**UK Multi-Factor Equity / UK Yield Multi-Factor Equity***Separate Account*

Management fee – 0.25%

Minimum account size: Typically \$200 million

**Islamic Global Equity***Separate Account*

Management fee – 0.35%

Minimum account size: Typically \$200 million

**China A Multi-Factor Equity***Separate Account*

Management fee – 0.50%

Minimum account size: Typically \$200 million

**MULTI-ASSET****Diversified Growth***Separate Account*

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: \$300 million

**Alternative Risk Premia***Separate Account*

Management fee – 0.65% on first \$250 million, 0.60% on the next \$250 million, and 0.55% thereafter

Minimum account size: \$250 million

**Sustainable Dynamic Balanced**

This strategy is available only through a pooled investment vehicle.

**Multi-Asset Alpha***Separate Account*

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: \$300 million

## **ALTERNATIVES**

### **Commodities Total Return**

#### *Separate Account*

Management fee: 0.70% on the first \$100 million; 0.60% on the next \$100 million; and 0.50% thereafter, plus a relative performance fee of 20% of outperformance over the Bloomberg Commodity TR Index (subject to watermark)

Minimum account size: \$100 million

### **Commodities Enhanced Beta**

#### *Separate Account*

Management fee: 0.70% on the first \$100 million; 0.60% on the next \$100 million; and 0.50% thereafter.

Minimum account size: \$100 million

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

#### *Separate Account*

Management fee: 0.70% on the first \$100 million; 0.60% on the next \$100 million; and 0.50% thereafter.

Minimum account size: \$100 million

### **Insurance-Linked Securities**

This strategy is available only through a pooled investment vehicle.

### **Multi-Strategy, Market Neutral**

#### *Separate Account*

Management fee: 1.25% on all assets + performance fee of 20% (subject to a HWM).

Minimum account size: \$50 million

## **PORTFOLIO SOLUTIONS**

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

#### *Separate Account*

0.20% on 1st \$250mm

0.15% on balance

\$150,000 per annum minimum fee

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

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

#### *Separate Account*

0.20% on 1st \$250mm

0.15% on balance

\$150,000 per annum minimum fee

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

The Adviser sometimes negotiates and agrees to fees on a different basis where the circumstances warrant it. The Adviser sometimes agrees to a lower fee, for example, where the amounts managed significantly exceed the minimum investment or where the client has multiple existing accounts. Fee proposals made by the Adviser in connection with Request for Proposals ("RFPs") sometimes vary from the published fee schedule. Some clients have fees based on a different fee schedule which was in effect at the time agreements were originally executed. Fees sometimes are higher for clients who seek specialized mandates that vary significantly from the standard strategies managed for other clients. The Adviser may waive the minimum account size.

With respect to the wrap-fee programs on which the Adviser provides model portfolios, the Adviser receives an investment management fee which is paid to the Adviser by the program's sponsor. The investment management fee is calculated as a percentage of assets under management and is generally payable quarterly.

The Adviser collects fees paid by clients for which the Adviser is providing portfolio management services. For separate accounts and for investments in funds that do not have fund-level advisory fees, clients may select to have the Adviser bill the client for fees incurred, or the client may instead agree to instruct its custodian to deduct advisory fees directly from the client's account.

Advisory clients incur other expenses apart from the advisory fee. These expenses typically include custody fees, brokerage commissions, taxes and other transaction fees. Funds and partnerships will have other expenses that include but are not limited to legal and accounting fees. Fund and partnership fees are shared by all participants in the vehicle.

The Adviser may also use non-affiliated money market funds as temporary investment vehicles for certain of its advisory accounts. Investing in money market funds for client accounts will incur a separate advisory fee paid to the manager of the money market fund. The client is responsible for that fee unless otherwise agreed or prohibited by law.

Neither the Adviser nor any of its employees accept compensation for the sale of securities or other investment services or products from third parties such as issuers or intermediaries. Please review Item 12 for disclosures about our brokerage practices and research provided by brokers.

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

The Adviser sometimes enters into agreements for performance-based fee with qualified clients. Some private funds also have fees calculated in part or in whole on performance.

There are instances in which a portfolio manager is managing accounts in the same strategy that have differences in the fee paid by different accounts. This would include the management "side-by-side" of accounts with performance based and non-performance based fee, including where the Adviser has made an investment in certain funds that also include a performance fee. Managers have a potential conflict of interest arising from the fee difference among accounts, including the possible incentive to favor accounts for which the Adviser receives performance based fees. Performance based fee arrangements may provide more of an incentive than asset based only fee arrangement for portfolio managers to make investments that may present a greater potential return but also present a greater risk of loss. Side-by-side management of accounts with different fee structures may also create an incentive for portfolio managers to allocate scarce investment opportunities to accounts that pay higher fees and those that pay performance based fees. To address these types of conflicts, the Adviser has adopted policies and procedures pursuant to which allocation decisions may not be influenced by fee arrangements, and investment opportunities are allocated in a manner that the Adviser believes is consistent with its fiduciary obligations to each client.

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 sub-advises 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. As noted, the Adviser provides model portfolios to wrap-fee program sponsors, whose clients typically are in the high net worth category.

The Adviser manages private institutional vehicles including trusts and partnerships and offers those only on a private placement 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 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. Small Cap, Small/Mid Cap and Mid Cap Strategies

The US Small Cap, Small/Mid Cap and Mid Cap investment strategies use a bottom-up, fundamental and research based approach. Bob Kaynor, 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 include company management, industry competitors, company filings, media and suppliers. Portfolios are diversified by type of company, with approximately 50-70% of the portfolio invested in what the Adviser believes are mispriced growth opportunities, 20-50% in “steady Eddies” (companies with stable and dependable earnings and revenue characteristics), and 0-10% in turnarounds. The strategies are flexible core investment styles; they aim to adapt to changing market dynamics throughout the economic cycle. The portfolios in the Small Cap strategy generally hold 100-130 stocks; the portfolios in the Small/Mid Cap strategy generally hold 90-120 stocks; and the portfolios in the Mid Cap strategy generally hold 60-80 stocks. The Small Cap strategy has as its benchmark The Russell 2000 Index; the Small/Mid Cap strategy has its benchmark the Russell 2500 Index; and the Mid Cap strategy has its benchmark the Russell MidCap Index. The Mid Cap strategy is also offered through model delivery to wrap-fee program sponsors. This version of the strategy differs slightly in that it, among other things, typically holds 50-70 stocks (as compared with 60-80 for a separate account) and excludes certain types of investments (e.g., IPOs, non-US securities, ETFs, futures, etc.).

#### 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, volatile political 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.

## **2. International and Global Small Cap**

The International and Global Small Companies strategy has a core investment style with a growth bias. It is managed by a team led by Luke Biermann and Alex Deane (SIMNA Ltd) for International Small Cap and Luke Biermann and Bob Kaynor (SIMNA Inc.) for Global Small Cap. 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. In normal market conditions, the portfolio of approximately 125-175 stocks (approximately 200-250 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 attempts to ensure 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**

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## **3. Global and International Equities**

The Global and International Equity strategies offers a high conviction, 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 at SIMNA Ltd 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 and global sector specialists who leverage the work of Schroders large network of locally based equity analysts.

### **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. Products with high turnover may experience higher transaction costs.

#### 4. Emerging Markets Equity and Frontier Markets Equity

The Emerging Market Equity strategy, which is managed by SIMNA Ltd, 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. Ideas may be generated from many sources including our ongoing program of company engagement, analysts' core coverage requirement, macroeconomic assessments, and our experienced investment professionals. In addition, we employ a system of quantitative style screens to flag potential new investment ideas. The investable universe is primarily defined by the MSCI Emerging Markets Index, which covers 25 countries and approximately 1400 stocks (index data as at 31st December 2021).

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 28 countries and approximately 80 stocks, although the investment team will also invest in the wider frontier markets universe (index data as at 31st December 2021).

*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 guided by a proprietary quantitative country model together with judgment overlay
- Fundamental in-house research with integrated ESG analysis, carried out by a large team of analysts drives stock selection
- Risk management is applied in a proactive and disciplined fashion and includes tracking error targets and stop-loss reviews
- Team based approach organized around a matrix structure

#### **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. These risks include political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of some foreign markets. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets. These countries may have relatively unstable governments and less-established market economies than developed countries. Emerging markets may face greater social, economic, regulatory and political uncertainties. These risks make investments in emerging market more volatile and less liquid than in more developed countries.

#### 5. Emerging Market Equity Alpha

The Emerging Market Equity Alpha strategy, which is managed by SIMNA Ltd, provides exposure to the team's top graded stocks from 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. Idea generation is driven by various sources including our ongoing program of company engagement, analysts' core coverage requirement, macroeconomic assessments, and our experienced investment professionals. In addition, we employ a system of quantitative style screens to flag potential new investment ideas. The investable universe is primarily defined by the MSCI Emerging Markets Index, which covers 25 countries and approximately 1400 stocks (index data as at 31st December 2021), plus selected companies from the wider emerging and frontier markets universe.

*Key characteristics of the strategy are summarized below:*

- Alpha generation is targeted through bottom-up fundamental stock selection, driven by in-house research with integrated ESG analysis, carried out by a large team of analysts
- Proactive and disciplined risk management including tracking error targets and stop-loss reviews is applied to produce a concentrated, high conviction portfolio of 30-50 stocks with no systematic style bias
- Team based approach organized around a matrix structure

### **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.

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## **6. Emerging Market Equity Impact**

The Global Emerging Markets Impact Strategy invests in companies that intentionally and materially contribute to having a positive impact to society in line with the UN sustainable development goals (SDGs), including in 5 key areas: climate change, health and wellness, responsible consumption, sustainable infrastructure and inclusion. The strategy is driven by fundamental bottom-up stock analysis conducted by fund managers and analysts globally. Each company in a portfolio must have a positive societal return, be managed in a sustainable way and be an attractive investment from a financial perspective. The strategy invests in a concentrated portfolio of 30-50 publicly listed equities within Emerging markets with a low turnover given the long term horizon of investments. The investable universe is primarily defined by the MSCI Emerging Markets Index, which covers 25 countries and approximately 1400 stocks (Index data as at 31st December 2021).

### **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. These risks include political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of some foreign markets. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets. These countries may have relatively unstable governments and less-established market economies than developed countries. Emerging markets may face greater social, economic, regulatory and political uncertainties. These risks make investments in emerging market more volatile and less liquid than in more developed countries.

## **7. 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 25 countries and approximately 1,800 stocks (index data as of December 31, 2021), although the strategy also aims to find good investments in medium-sized emerging companies and opportunistically in frontier market stocks. The strategy is managed by the Emerging Markets Equities team.

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. Key characteristics are summarized:

- Alpha generation is primarily targeted through bottom-up fundamental stock selection, driven by in-house research with integrated ESG analysis, carried out by a large team of analysts
- Proactive and disciplined risk management is in place at the stock, country and sector level to produce a portfolio of 60-120 stocks with no systematic style bias although low quality stocks will tend to be avoided
- Team based approach organized around a matrix structure

### **Risks**

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Emerging markets pose greater risks than investments in developed markets. These risks include political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of some foreign markets. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in

countries in emerging markets. These countries may have relatively unstable governments and less-established market economies than developed countries. Emerging markets may face greater social, economic, regulatory and political uncertainties. These risks make investments in emerging market more volatile and less liquid than in more developed countries.

## **8. 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 leaders; 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 at SIMNA Ltd by portfolio managers Simon Webber and Isabella Hervey-Bathurst. 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, typically resulting in a high conviction portfolio of approximately 50-80 stocks.

### **Risks**

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## **9. Global Climate Leaders**

Schroders' Global Climate Leaders is a thematic global equity strategy which is positioned as a Net Zero (or Paris Agreement) aligned global portfolio of best ideas from the Schroders Global Equity team and Global Climate Change investment team. Climate Leaders are companies that have ambitious targets to decarbonize, consistent with achieving a 1.5 degree scenario under the Paris Agreement on Climate Change or better. The strategy seek invest in the most attractive companies from a universe of approximately the top 5-10% of listed companies with respect to climate change alignment, as defined by their ambitions and the seriousness of their interim targets and delivery on these, based on the team's appraisal.

The strategy is managed at SIMNA Ltd by portfolio managers Simon Webber and Isabella Hervey-Bathurst. 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, typically resulting in a high conviction portfolio of approximately 50-80 stocks.

### **Risks**

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## 10. Global Sustainable Growth

The Global Sustainable Growth invests in issuers that the investment team believes are truly responsible companies that are managed for the long term, with stakeholder interests at heart, which offer the potential for capital growth. We believe that ultimately good corporate citizenship is an important driver of long term earnings durability and alpha generation. The strategy is managed with reference to material environmental, social and governance factors. This means issues such as climate change, environmental performance, labor standards or board composition may be considered in the assessment of companies. The strategy may invest in companies of any market capitalization.

The strategy is managed by portfolio managers Scott MacLennan and Charles Somers (SIMNA Inc.). 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, typically resulting in a high conviction portfolio of 30-50 stocks.

### Risks

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## 11. Global Disruption

The strategy seeks to exploit disruptive impact within and across industries on a global basis. Disruption is a persistent feature affecting the operating environment in many industries, occurring primarily due to the introduction of new technology, innovation, different service models, or the creation of new markets. The strategy aims to identify beneficiaries of disruption: typically, but not exclusively, the disruptors themselves. If a disruptive force gains traction in an industry or sub-sector, there is usually a dramatic change in the operating performance both of incumbents and disruptor(s).

The strategy's philosophy is based on the disciplined application of the Disruptive Innovation theme leading to a clear relationship between disruption and expectations for the forward-looking operating and financial performance of the stocks in the portfolio. Fundamental research forms the basis of our investment decisions, with an emphasis on medium to long-term returns. The strategy combines top-down analysis of the thematic drivers driving the sector with bottom-up stock research. Proprietary analysis seeks to understand the drivers of earnings growth within the context of major global sector dynamics and trends. The manager focuses on growth drivers which will support earnings growth ahead of market consensus. The portfolio provides exposure across the market cap spectrum, recognizing the disruptive influence of emerging technologies developed by smaller companies. The strategy incorporates an explicit sub component of the portfolio designated an 'incubator'. The incubator portion comprises 10 - 20 less liquid, smaller cap stocks considered early stage disruptors or adaptors.

The portfolio is built bottom-up and stocks weighted on the basis of the manager's expectations for the trajectory of earnings growth; fundamental risk; valuation; and conviction. Environmental, Social and Governance (ESG) analysis is fully integrated into stock research and portfolio construction. The manager seeks to deliver a high conviction portfolio comprising 75-100 names exhibiting under-appreciated growth potential. Stock weights reflect the portfolio manager's assessment of risk-adjusted return and degree of conviction in the particular investment idea. The strategy is managed at SIMNA Ltd by portfolio manager Alex Tedder.

## Risks

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## 12. Global Energy Transition

The strategy will aim to provide investors with a focused thematic exposure to the best performing companies involved in new clean energy systems, as the world transitions to lower-carbon energy. It will target Global Resource emerging technologies and strategic industries integral to the global shift to cleaner energy, seeking opportunities across key value chains, including renewable energy, energy storage and electric vehicles. It will also selectively offer exposure to the underlying materials and technologies required for the transformation to take place. The strategy will not invest in companies principally involved in fossil fuels or nuclear energy. Crucially, the focus will be kept on the energy system and the associated technologies needed to enable its change. This means the strategy will only invest in companies involved in the production and distribution of clean energy, the management of energy consumption, or the production of materials and technologies required to facilitate these activities. A detailed revenue-based screen is run to find any company that reports exposure to energy transition technologies in its accounts. This broad list of companies is then screened again to produce a more concise 'focus list'. First, each company is assigned a 'primary technology' based on reported revenue exposure and principal market activity. A set of quantitative filters are then applied to identify the best-in-class companies within each technology group. At the company level, the focus is on finding businesses with high returns on invested capital, a clear path to free cash flow generation and a desire to distribute returns to equity holders. Balance sheet management is important given that many clean energy technologies are in the early stages of their development and are subject to new industry risks. The portfolio is typically managed between 30 and 50 stocks. The strategy is managed at SIMNA Ltd by portfolio manager Mark Lacey.

## Risks

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### 13. Global Sustainable Food and Water

The strategy will aim to provide investors with focused thematic exposure to the best performing companies involved in sustainable food and water as the world transitions to make the system more sustainable whilst improving food security. It will target emerging technologies and strategic industries integral to the changing food and water system, seeking opportunities across key value chains, including water management, agricultural equipment, agricultural inputs, food production and processing, packaging, distribution, food and water retail, and recycling. As well as focusing on the wider food and water value chain, the strategy will have a sustainability overlay. In practice this means we will only invest in companies that are meaningfully addressing five core negative externalities (climate change and GHG emissions, biodiversity, water intensity and management, pollution and waste and wellbeing and health) associated with food and water, thus helping to alter the global food system so that it is more sustainable and encouraging of a healthy global population. The portfolio is typically managed between 40 and 60 stocks. The strategy is managed at SIMNA Ltd by portfolio manager Mark Lacey.

#### 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. Trading in a portfolio focused on companies which help the transition towards the sustainable provision of food and water involves certain risks and special considerations not usually associated with investing in a more diverse portfolio, including risks related to the nature of the market for water management, agricultural equipment, agricultural inputs, food production, processing, packaging and distribution, food and water retail and recycling. Equities, including risks related to the nature of the market for these equities, may be affected by market developments in different ways than issuers in other industries and may be more volatile than issuers in other industries.

### 14. Healthcare Innovation

The strategy's investment objective is to achieve capital growth by investing in companies within sub-sectors ranging from large pharma and biotechnology to health insurance as well as food and leisure products, offering investors the potential to invest in an array of companies with very different return and growth profiles. The strategy is positioned to benefit from the structural growth in demand for healthcare provision and medical treatments, supported by demographic trends, improving standards of living and, technological advancements. Our philosophy is based on the belief that companies which surprise the market by delivering earnings above those anticipated by market consensus (we term this 'a positive growth gap') will produce strong and consistent outperformance over time. In the healthcare sector, we believe three structural themes will drive positive growth gap: 1. Product Innovation: We believe innovation in medical treatments (drugs, medicines and medical devices) will continue to drive positive earnings growth. 2. Health Service Innovation: We believe increasing scrutiny in healthcare costs will drive innovation and shift market share to the most efficient service providers. 3. Demographics: The population is aging globally & healthcare utilization typically rises with age.

The investment approach leverages the insights gained from proprietary local research. Four regionally-based healthcare analysts examine companies on a stock-by-stock basis, supplementing the research of the Portfolio Manager providing an idea pool of interesting healthcare-related companies. The breadth of our capabilities enable us to tap into a large universe of stocks spanning a diverse range of industries and across the market cap spectrum. The team combines top-down analysis of the healthcare sub-sectors with bottom-up stock research of companies within these sub-sectors, providing broad sector exposure.



Fundamental research forms the basis of each investment decision as we strive to let stock selection drive the risk budget and portfolio allocations and thus country weightings are largely a by-product of bottom-up stock selection.

The portfolio is typically managed between 50 and 80 stocks. The strategy is managed at SIMNA Ltd by portfolio manager John Bowler.

### **Risks**

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## **15. US Large Cap Equities**

The US Large Cap Equity strategy offers a high conviction, 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 at SIMNA Ltd 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**

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, volatile political conditions, prospects of stocks in the portfolio, changing interest rates, and real or perceived adverse competitive industry conditions.

## **16. QEP Strategies**

The Global unconstrained strategies, which include a Value, Quality and Blend approach, are index unconstrained, and diversified. The portfolio management team, located at SIMNA Ltd, applies a proprietary investment analysis based on an evaluation of a number of valuation metrics such as dividends, cash-flow, earnings, and asset-based measures as well as quality metrics such as profitability, stability, financial strength, sales growth and governance. The team starts with a universe of over 10,000 stocks of all sizes across 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 determined by the evaluation of a company's 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 reduces stock specific risk and avoids concentrations at the stock, sector or region levels. The universe is adjusted for our International strategy, which targets 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.

The Emerging Markets Synergy strategy is a core EM offering, analyzing a universe of 5,000 stocks across emerging market countries, with a portfolio biased towards value and quality, and constructed to be highly diversified, typically containing over 250 stocks. The investment process also incorporates ESG considerations in several different ways: integration, research and engagement, and potential exclusions. The strategy is managed jointly by the Schroders' Global Emerging Markets (GEM) and QEP investment teams. In an effort to reduce stock-specific risks within the largest stocks in the MSCI emerging market index, we build a portfolio which takes active positions in liquid stocks with an average daily volume (ADV) of more than US\$150 million and an index weight of more than 0.5% up to +/-2%. This sleeve is managed by the fundamental Emerging Markets Equity team at Schroders based on their fundamental analysis of these stocks. The remainder of the portfolio is managed by the QEP Investment team via their usual approach, using their scalable quantitative tools to identify suitable opportunities from a Value and Quality perspective.

## **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. Products with high turnover may experience higher transaction costs. 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.

## **17. Swiss Equities**

The Swiss-based investment team manages a bottom-up, fundamentally driven ESG-integrated 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. The integration of ESG occurs in a similar manner. Rather than only seeking optimized exposure to value, quality and small and mid-cap equities or environmental, social and governance aspects, 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.

The strategy is managed with reference to material environmental, social and governance factors. This means issues such as climate change, environmental performance, labor standards or board composition that could impact a company's value may be considered in the assessment of 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.

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.

## **18. Asian Equities**

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 Alex McDougall with professionals located in six 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.

The Asian Equities strategies includes a strategy which focuses on China A Shares as well as an All China strategy that focuses on onshore and offshore China equities. The China A strategy seeks to meet its investment objective by investing in equities of Chinese companies listed and traded on Chinese stock exchanges, predominantly the Shenzhen and Shanghai Stock Exchanges. The All China strategy seeks to meet its investment objective by investing in equities of Chinese companies listed and traded onshore on Chinese stock exchanges, as well as offshore stock exchanges including those in Hong Kong and the US.

### **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 interests 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. Products with high turnover may experience higher transaction costs.

Trading in Asian 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 Asian equities, including the risk that the Asian 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. Investing in the securities markets in mainland China is subject to the risks of investing in emerging markets generally and the risks specific to the mainland China market.

Emerging markets pose greater risks than investments in developed markets. These risks include political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of some foreign markets. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets. These countries may have relatively unstable governments and less-established market economies than developed countries. Emerging markets may face greater social, economic, regulatory and political uncertainties. These risks make investments in emerging market more volatile and less liquid than in more developed countries.

## **19. Indian Equities**

The Indian Equities strategy in general uses a disciplined and repeatable active fundamental approach with a focus on companies that grow shareholder value in the long term. The strategy utilizes research provided by Axis Asset Management Company Limited (Axis AMC) in India. We believe a fundamental investment approach focused on identifying such sustainable businesses while controlling risk is the best way to deliver returns in the Indian equity market over the long term. The experienced Schroders' investment team is led by Alex McDougall with professionals located primarily in Hong Kong and Singapore in Asia. The Axis AMC team is based in Mumbai, India. 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 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. There are no market capitalization restrictions on the securities that can be held.

The Indian Equities strategy seeks to meet its investment objective by investing primarily in equity and equity related securities of Indian companies or companies which have a substantial business exposure to India.

### **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. Products with high turnover may experience higher transaction costs.

Trading in Indian 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 Indian equities, including the risk that Indian 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.

Emerging markets pose greater risks than investments in developed markets. These risks include political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of some foreign markets. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that

historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets. These countries may have relatively unstable governments and less-established market economies than developed countries. Emerging markets may face greater social, economic, regulatory and political uncertainties. These risks make investments in emerging market more volatile and less liquid than in more developed countries.

## 20. Japanese Equities

The Japanese Equity investment strategies use a bottom-up, fundamental and research based approach. Ken Maeda, Head of Japanese Equities, and the team of four fund managers including Ken, nine sector analysts, one sustainable analyst, and three small cap specialists work to identify companies with long term earnings growth prospects and attractive or reasonable valuation levels. Comprehensive and detailed research is the key driver of our process and our fundamental research activities include meeting with company management. The team manages several strategies including Core, other specialists strategies, and Small cap/Micro cap, and the portfolios in each strategy are actively managed by the responsible fund managers. Each strategy has slightly different portfolio characteristics, but share the consistent investment philosophy and common features focusing on companies' long term value which is also assessed through ESG (Environment, Social, and Governance) factors. Our disciplined portfolio management and risk control are embedded in all strategies the team manages, which we believe benefits achieving superior risk adjusted returns for clients.

### 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, volatile political 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. 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.

Trading in Japanese 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 Japanese equities, including the risk that the Japanese 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.

## 21. Systematic Investments Strategies

The Systematic Investments strategies are a range of actively managed quantitative equity portfolios that seek to outperform their respective index benchmarks over rolling 3-5 year periods. These strategies are broadly diversified and designed to generate excess returns by capturing interactions among carefully chosen and constructed equity factors. The multi-factor investment approach offers potential diversification benefits that can help reduce the risk associated with exposure to a single factor. Some strategies are designed to provide a specific investment outcome, such as achieving an equity income target. Strategies that have a sustainability focus will also: a) apply exclusion criteria; b) seek a material reduction in portfolio carbon intensity; c) integrate environmental, social and governance (ESG) data into the stock selection process; and d) use ESG data to prioritize engagement targets, all in an effort to provide investors with a better ESG outcome. Relevant factors may include the following:

Low volatility – involves evaluating indicators such as share price movement and historical performance to determine those securities that the Investment Manager believes will experience smaller price movements than the global equity markets on average.

Momentum – involves evaluating trends in stocks, sectors or countries within the relevant equity market.

Profitability – involves evaluating indicators such as a company's profitability, stability and financial strength.

Value – involves evaluating indicators such as cash flows, dividends and earnings to identify securities that the Investment Manager believes have been undervalued by the market.

ESG – involves evaluating challenges and opportunities companies face from environmental, social and governance considerations.

The Islamic Global Equity strategy is multi-factor strategy that invests in Shariah-compliant equity. The investment universe includes all stocks in the Dow Jones Islamic Market World Index. An independent Shariah Advisory Board monitors and reviews the portfolio investments for compliance with Shariah principles and advises on Shariah related matters.

The China A Multi-Factor Equity strategy invests in a diversified portfolio of equities listed as A-shares on the stock exchanges of Shanghai and Shenzhen. The strategy seeks exposures to the aforementioned equity factors as well as factors specific to the China A market - Mean Reversion, Analysts Revisions, Investor Sentiment - using an integrated, systematic approach.

### **Risks for Systematic Investments**

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 stocks in the portfolio, changing interest rates, real or perceived adverse competitive industry conditions, inflation/deflation risk, mortgage and asset-backed securities risk, US Government securities risk and derivatives risk. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. 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. These risks exist to a greater extent in emerging markets than 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. The strategy may invest in property funds and property investment companies. It may be difficult to deal in these investments because the underlying properties may not be readily saleable which may affect liquidity. 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. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

## **FIXED INCOME**

### **1. US Multi-Sector**

#### **A. Core Plus**

The Core Plus strategy seeks to maximize total return by investing across the full maturity and investment grade spectrum of US fixed income sectors and securities. The 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. The investment team, led by Lisa Hornby, 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

## **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, Sustainable Short Duration Intermediate Duration Long Duration, Long Corporate, Long Credit Opportunistic, Opportunistic Investment Grade, Sustainable Core, Tax-Aware and Tax-Aware Opportunistic)***

Schroders Value seeks to generate total return by investing primarily in investment grade bonds denominated in USD. 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, and is based on the premise that pricing inefficiencies exist in the market and our ability to identify those leads to superior investment performance. The strategy focuses on identifying primarily investment grade bonds or sectors whose valuations have become dislocated from the underlying fundamentals primarily due to technical reasons and believe purchasing undervalued bonds and selling them once they are fully-priced rewards investors. Our sector and security weightings are made independent from the benchmark and our positioning reflects our value approach, as well as the attractiveness of the opportunities relative to the broad market.

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 portfolio duration is determined by shocking the three-year forward curve in combination with an analysis of the current shape of the yield curve and the value of roll. . 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.



### **C. Municipal Bonds**

The municipal bond strategy uses fundamental analysis and bottom-up security selection of municipal bonds with a goal of delivering maximum after-tax yield and income with 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

#### **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. Global Credit**

### **A. Global Corporate Bond**

The Global 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 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 or leveraged loans.

The team 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 Global Credit**

High yield risk - companies that are highly leveraged, less creditworthy or financially distressed. These investments (known as junk bonds) are considered to be speculative and are subject to greater risk of loss, greater sensitivity to interest rate and economic changes, valuation difficulties, and potential illiquidity.



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.

### **3. 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 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 investments in developed markets. These risks include political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of some foreign markets. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets. These countries may have relatively unstable governments and less-established market economies than developed countries. Emerging markets may face greater social, economic, regulatory and political uncertainties. These risks make investments in emerging market more volatile and less liquid than in more developed countries.

### **4. 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 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, political and 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.

## **5. Securitized Products & Asset-Based Finance**

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

The strategies are based on a research-oriented, value-driven approach to identify opportunities by participating in sectors where capital provision is inefficient. It begins with a top-down examination of the fundamentals and technical factors across sectors using macro-economic, sector and in-depth trend-oriented research of the mortgage and real estate landscape. This is combined with a detailed risk profiling analysis that groups securities across sectors into similar liquidity, volatility and structural leverage profiles. This bottom-up analysis incorporates an in-depth quantitative assessment and modeling of each bond over a wide variety of economic scenarios and is the foundation for our relative value decisions. This assessment is further enhanced with a qualitative analysis of several other key factors such as counterparty and servicer capabilities and risk. We believe this comprehensive approach is the ideal process to capture value in the securitized market.

### **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, political and 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.

## **6. Opportunistic Credit**

The Opportunistic Credit strategies are focused on generating attractive income and flexible opportunistic return focused on asset-secured lending and global securitized credit.

The strategies seek to provide attractive returns with low correlation to traditional asset classes and low interest rate sensitivity. The strategy employs a research driven approach to exploit specific market inefficiencies due to regulation and structural changes. The strategies can invest substantial assets in below investment grade and non-rated securities, and may also invest in loans and derivatives and use leverage.

### **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. The risk of default is higher with non-investment grade bonds than with investment grade bonds. Higher yielding bonds may also have an increased

potential to erode capital than lower yielding bonds. 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. Private commercial mortgage or related commercial real estate loans may be subject to prepayment and extension risks, real estate risk, as well as heightened delinquency and foreclosure risks. In addition, the performance of commercial real estate loans will be dependent on the performance of the commercial real estate backing such loans, which in turn will depend on commercial rental or occupancy rates as well as the management skills of the borrower or third party management firm overseeing the property. The loans in the portfolio are expected to be highly illiquid with limited trading market.

## **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. Alternative Risk Premia**

Schroders Alternative Risk Premia is a multi-asset, multi-strategy portfolio that seeks to deliver a return of US 90 Day T-Bill +5% while targeting a volatility of 10% and limiting equity beta to less than 0.2. The strategy invests in alternative return sources which can be defined as compensation for bearing risks that can arise from behavioral, economic or structural sources. Alternative Risk Premia has the ability to improve the risk-return profile of a portfolio of traditional assets due to its diversification characteristics. The strategy is implemented across a multi-asset investment universe comprising investments in equity, fixed income, foreign exchange, commodities and listed options. Alternative Risk Premia is designed to be market neutral and will seek to provide returns via a range of diversified long and short strategies, packaged together and delivered in a highly transparent and cost effective vehicle.

### **3. Sustainable Dynamic Balanced**

A multi-asset approach that helps clients who want to employ an ESG framework but are looking for governance simplicity and asset allocation. The strategy helps clients who want to employ an ESG framework but are looking for governance simplicity and asset allocation expertise. An investor in this strategy benefits from ESG application at both an asset allocation and security selection level.

The investment objective is to deliver a total return through a diversified range of investment strategies with an emphasis on Sustainability. The strategy seeks to limit the overall carbon intensity of the portfolio, with improved sustainability metrics compared to market indices.

The Diversified Growth team is responsible for managing the strategy; however, they will heavily utilize sustainable or integrated in-house ESG components. In addition, the asset allocation will take into account suitable ESG factors that have a contributory impact. As additional sustainable components become available, we will look to incorporate them over time.

The risk profile of the Fund is comparable to a 65% equity/35% fixed income portfolio.

#### 4. Multi-Asset Alpha

A growth-oriented Multi-Asset strategy focused on alpha generation. The strategy is seeking to balance the need to concentrate capital on high conviction ideas, with the need to diversify investment exposures to manage concentration risk. The strategy aims to deliver a return in excess of a 60% equity/40% fixed income benchmark, through a combination of dynamic asset allocation and security selection while still offering an attractive risk profile.

The strategy makes use of a range of internally managed active equity and fixed income strategies. Portfolios may employ derivative instruments such as exchange traded futures, total return swaps, currency forwards and options. The Multi-Asset portfolio managers harness the global resource at Schroders to identify disruptive trends and growth opportunities. The strategy is nimble and expansive to capture the investment opportunity, providing greater capacity than narrowly focused opportunities and take advantage of an ever shifting opportunity set.

##### **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 stocks in the portfolio, changing interest rates, real or perceived adverse competitive industry conditions, inflation/deflation risk, mortgage and asset-backed securities risk, US Government securities risk and derivatives risk. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. 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. These risks exist to a greater extent in emerging markets than 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. The risk of default is higher with non-investment grade bonds than with investment grade bonds. Higher yielding bonds may also have an increased potential to erode capital than lower yielding bonds. The strategy may invest in property funds and property investment companies. It may be difficult to deal in these investments because the underlying properties may not be readily saleable which may affect liquidity. 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. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

## ALTERNATIVES

#### 1. Commodities Total Return

The Schroders Commodities Total Return Strategy aims to provide capital growth in excess of the Bloomberg Commodity Total Return index over a 3-5-year investment cycle by investing in commodity related investments worldwide. The Strategy is actively managed on an unconstrained basis by SIMNA Ltd. The London based team comprises of three dedicated commodity fund managers, who report to Abdallah Guezour (Head of EMD and Commodities). The investment opportunity set includes more than 60 commodities traded on a wide variety of exchanges around the world.

##### **The strategy is:**

- Designed to give investors an actively managed diversified exposure to commodities but with considerable downside risk protection
- Invested in futures, swaps and cash
- Research driven and actively managed
- Managed with a long bias but can short any commodity opportunistically as well as use cash as a defense asset

- Able to invest in agriculture, energy and metals on an unconstrained basis
- Permitted to be up to 75% long in any of the three sectors of energy, metals and agriculture but a maximum of 25% short in any of these sectors

#### **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. Commodities Enhanced Beta**

The Schroders Commodities Enhanced Beta Strategy aims to provide investors a diversified exposure to commodities, through investment in single commodity derivatives and commodity-related equities. Although index unconstrained, this is an enhanced beta strategy with the return objective of outperforming the Bloomberg Commodity Total Return index. The London based team comprises of three dedicated commodity fund managers, who report to Abdallah Guezour (Head of EMD and Commodities). The investment opportunity set includes more than 60 commodities traded on a wide variety of exchanges around the world.

#### **The strategy is:**

- Designed to give investors an actively managed diversified exposure to commodities
- Invested in futures, swaps and cash
- Research driven and actively managed
- Managed with a long only approach
- Able to invest in agriculture, energy and metals on an unconstrained basis

#### **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.

## **3. Emerging Market Debt (Total Return)**

The Emerging Market Debt (EMD) Strategy is a long-only total return EMD product which can invest in all sectors of the emerging market debt and currency markets in over 50 countries. The product is 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 EMD products and to other asset classes. The broad investment universe available in the EMD range presents diverse opportunities for generating returns. The portfolio management team, which is part of SIMNA Ltd and is 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 investments in developed markets. These risks include political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of some foreign markets. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets. These countries may have relatively unstable governments and less-established market economies than developed countries. Emerging markets may face greater social, economic, regulatory and political uncertainties. These risks make investments in emerging market more volatile and less liquid than in more developed countries.

### **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 experiences more limited liquidity than traditional fixed income instruments. This in turn may mean that such instruments are more difficult to value. 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.

## 4. Multi-Strategy, Market Neutral

The strategy follows a multi-strategy market neutral hedge fund approach. The strategy is actively managed by an experienced central team and can make use of financial leverage for investment purposes via a long short approach. The strategy allocates its assets across multiple underlying strategies which will vary over time. These may include, but are not limited to, long/short and long only hedged equity, fixed income and credit, global macro, market neutral and relative value. The strategy aims to deliver attractive, non-market dependent returns which exhibit downside protection. The Adviser aims to allocate assets to a diversified set of underlying strategies and to manage overall risk centrally. The combination of underlying strategies will be diversified across investment styles, market sectors, investment themes and time horizons, with the aim of mitigating the strategy's dependency on any single source to drive returns. Allocations to each underlying strategy are sized to meet the return objective, risk tolerance and guidelines of the overall strategy. The impact of each underlying strategy on the overall strategy's overall risk profile is individually and collectively evaluated with attention given to correlations between investment strategies.

## Risks

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 stocks in the portfolio, changing interest rates, real or perceived adverse competitive industry conditions, inflation/deflation risk, mortgage and asset-backed securities risk, US Government securities risk and derivatives risk. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. 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. These risks exist to a greater extent in emerging markets than 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. The risk of default is higher with non-investment grade bonds than with investment grade bonds. Higher yielding bonds may also have an increased potential to erode capital than lower yielding bonds. It may be difficult to deal in these investments because the underlying properties may not be readily saleable which may affect liquidity. 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. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

To the extent that the strategy allocates assets to a strategy that focuses on one country or region, trading in that geographic area's 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 that region's equities, including the risk that the region's 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.



## PORTFOLIO SOLUTIONS

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

The strategy aims to provide exposure to U.S. equities while limiting downside risk by utilizing Schrodgers' 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. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

### 2. International Risk-Managed Equity

The strategy aims to provide exposure to non-U.S. equities while limiting downside risk by utilizing Schrodgers' 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. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

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.

## General Risks

**Coronavirus Outbreak Risks.** The global outbreak of the 2019 novel coronavirus (“COVID-19”) continues to affect negatively individual companies, markets, and economies worldwide, including those in which SIMNA invests. The effects of this pandemic to public health and business and market conditions may have a significant negative impact on the performance of accounts managed by the Adviser as well as increase account volatility. The pandemic may continue to exacerbate pre-existing political, social and economic risks to the accounts, and negatively impact broad segments of businesses and populations. Although it has not happened to date, the Adviser’s operations may be interrupted, which may have a negative impact on investment performance. In addition, governments, regulatory agencies, or self-regulatory organizations have and may continue to take actions in response to the pandemic that affect the instruments utilized in the management of client accounts, or the issuers of such instruments, in ways that could have a significant negative impact on such accounts’ investment performance. These actions include efforts to contain COVID-19’s spread, such as border closings and other significant travel restrictions and disruptions, significant disruptions to business operations, supply chains and customer activity, event cancellations and restrictions, service cancellations, reductions and other changes, significant challenges in healthcare service and delivery, and prolonged quarantines. While governments and businesses are beginning to relax pandemic related restrictions, the situation remains fluid and tighter lockdowns may be reimposed at any time. The full impact of the COVID-19 pandemic, or future global health related crises, remains unknown.

**Cyber Security Risk.** With the increased use of technologies to conduct business, the Adviser has become more susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and include, but are not limited to, gaining unauthorized access to digital systems and misappropriating assets or sensitive information, including personally identifiable information or proprietary models or algorithms, corrupting data, or causing operational disruption, including disrupting trading or accounting systems. Cyber security failures or breaches by a third party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents. While the Adviser has established security protocols designed to detect, protect against, respond to and recover from cybersecurity incidents, there are inherent limitations in such protocols including the possibility that certain threats and vulnerabilities have not been identified or made public due to the evolving nature of such threats.

**Derivatives Risk.** Certain strategies may use derivatives. Derivatives, including forward currency contracts, futures, options and commodity-linked derivatives and swaps, may be riskier than other types of investments because they may be more sensitive to changes in economic and market conditions, and could result in losses that significantly exceed the account’s original investment. Many derivatives create leverage thereby causing the account to be more volatile than it would have been if it had not been exposed to such derivatives. Derivatives also expose the account to counterparty risk (the risk that the derivative counterparty will not fulfill its contractual obligations), including the credit risk of the derivative counterparty. Certain derivatives are synthetic instruments that attempt to replicate the performance of certain reference assets. With regard to such derivatives, the account does not have a claim on the

reference assets and is subject to enhanced counterparty risk. Derivatives may not perform as expected, so the account may not realize the intended benefits. When used for hedging, the change in value of a derivative may not correlate as expected with the security being hedged. In addition, given their complexity, derivatives expose the Fund to risks of mispricing or improper valuation.

**Foreign Corrupt Practices Act ("FCPA") Risks.** Economic sanction laws in the United States and other jurisdictions may significantly restrict or completely prohibit the Adviser from transacting with certain countries, individuals and companies, including among other things, transactions with, and the provision of services to certain foreign countries, territories, entities and individuals.

**Foreign Sanctions Risks.** In the event that the Adviser determines that an investor is subject to any trade, economic or other sanctions imposed by the United Nations or any other applicable governmental or regulatory authority, the Adviser may take such actions as it determines appropriate to comply with applicable law, including: blocking or freezing accounts or interests therein; where permitted by the applicable sanctions law, requiring an investor in a pooled investment vehicle to redeem from the fund, and delaying the payment of any redemption proceeds, without interest, until such time as such payment is permitted under applicable law; excluding an investor in a pooled investment vehicle from allocations of net capital appreciation and net capital depreciation and distributions made to other investors; excluding an investor in a pooled investment vehicle from voting on any matter upon which investors are entitled to vote, and excluding the net asset value of such investor's interest in the fund for purposes of determining the investors entitled to vote on or required to take any action in respect of the fund.

**Foreign Securities and Emerging Markets Risk.** Investments in foreign currencies and foreign issuers are subject to additional risks, including political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of foreign markets. In certain markets where securities and other instruments are not traded "delivery versus payment," the account may not receive timely payment for securities or other instruments it has delivered and may be subject to increased risk that the counterparty will fail to make payments when due or default completely. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets. These countries may have relatively unstable governments and less established market economies than developed countries. Emerging markets may face greater social, economic, regulatory and political uncertainties. These risks make emerging market securities more volatile and less liquid than securities issued in more developed countries.

**LIBOR Replacement Risk.** The elimination of the London Inter-Bank Offered Rate ("LIBOR") may adversely affect the interest rates on, and value of, certain fixed income investments for which the value is tied to LIBOR. Such investments may include bank loans, derivatives, floating rate securities, and other assets or liabilities tied to LIBOR. On July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop compelling or inducing banks to submit LIBOR rates after 2021. On November 30, 2020, the administrator of LIBOR announced its intention to delay the phase out of the majority of the U.S. dollar LIBOR publications until June 30, 2023, with the remainder of LIBOR publications to still end at the end of 2021. There remains uncertainty regarding the future of LIBOR and the nature of any replacement rate. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies. The U.S. Federal Reserve, based on the recommendations of the New York Federal Reserve's Alternative Reference Rate Committee (comprised of major derivative market participants and their regulators), has begun publishing a Secured Overnight Financing Rate ("SOFR"), which is intended to replace U.S. dollar LIBOR. Alternative reference rates for other currencies have also been announced or have already begun publication. Markets are slowly developing in response to these new rates. Questions around liquidity impacted by these rates, and how to appropriately adjust these rates at the time of transition, remain a concern. The effect of any changes to, or

discontinuation of, LIBOR on certain fixed income strategies will vary depending on, among other things, (1) existing fallback or termination provisions in individual contracts and (2) whether, how, and when industry participants develop and adopt new reference rates and fallbacks for both legacy and new products and instruments. Accordingly, it is difficult to predict the full impact of the transition away from LIBOR until new reference rates and fallbacks for both legacy and new products, instruments and contracts are commercially accepted.

**Model Risk.** Some strategies may include the use of various proprietary quantitative or investment models. There may be deficiencies in the design or operation of these models, including as a result of shortcomings or failures of processes, people or systems. Investments selected in part by models may perform differently than expected as a result of the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models (including, for example, data problems and/or software issues) and there is no guarantee that oversight processes in place to identify and mitigate such issues will work as intended. Moreover, the effectiveness of a model may diminish over time, including as a result of changes in the market and/or changes in the behavior of other market participants. A model's return mapping is based on historical data regarding particular asset classes. There is no guarantee that the use of these models will result in effective investment decisions for clients.

**Regulation Risks.** Laws and regulations affecting our business change from time to time. We cannot predict the effects, if any, of future legal and regulatory changes on our business or the services we provide. For example, investment advisers that are located in the United Kingdom (including our affiliate SIMNA Ltd) are subject to certain restrictions on investing in an issuer involved in certain cannabis-related operations. In such cases, SIMNA Ltd would be required to forego what might otherwise be attractive investment opportunities and, therefore, might underperform vis-à-vis investment advisers that do not operate under similar restrictions.

## 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 overseas 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.

Schroder Investment Management (Japan) Limited provides sub-advisory services on fund and separate account mandates for strategies as described in Item 4. SIM Japan is regulated by the Financial Services Agency in Japan and is registered with the SEC. The Adviser oversees the management by SIM Japan, but the Tokyo-based investment teams carry out day to day management of delegated accounts. SIM Japan receives a portion of the advisory fees that the Adviser receives as compensation.

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 equity interests of certain pooled investment vehicles that the Adviser and its affiliates advise. SFA may solicit existing qualified clients to invest into those vehicles.

Schroders Capital Management US Inc. ("Schroders Capital Private Equity") is an affiliate of the Adviser. Schroders Capital Private Equity is an asset manager investing in private equity globally and offers specialized investment solutions which allow the firm's clients to access select private market segments through primary, secondary and direct/co-investments. There is a combined sales effort to market and sell Schroders Capital Private Equity's products; however, Schroders Capital Private Equity's investment management team operates independently of the Adviser's investment teams.

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 sometimes purchases 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.

An affiliate of the Adviser owns 20% of A10 Capital, a full service commercial real estate (CRE) lending platform specializing in mid-market CRE loans. Where permitted by applicable regulation, Adviser may purchase loans originated by A10 in accounts managed in the Global and US Securitized Credit, Securitized Credit Long/Short and Loan Opportunities strategies. A10 (like other loan originators) collects sourcing and servicing fees that are deducted from the loan interest payments made by borrowers prior to those interest payments being remitted to client accounts. The Adviser is potentially commercially incentivized to favor loans originated by A10.

Private investment funds organized by the Adviser 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 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 commingled 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 also is the investment adviser for certain collective investment trusts ("CITs") for which SEI Trust Company or Wilmington Trust, both of which are unaffiliated with the Adviser, serves as trustee. These CITs are commingled funds available to certain types of employee benefit plans. Where the Adviser has discretion over allocation of pension assets, it may invest the pension's funds in one or more CITs. In such instances, the Adviser will generally not assess an advisory fee at the CIT level. The fees are generally negotiated at the time the agreement is executed when investments in one or more CITs are contemplated. The day to day management of some of the CITs has been delegated to SIMNA Ltd.

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

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., 7 Bryant Park, New York, NY 10018-3706.

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 covered securities, including 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 are instances when the Adviser is precluded from trading in certain securities for its advisory clients' accounts. These instances may arise if the Adviser receives material non-public information ("Inside Information") from an issuer or otherwise. 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 Inside Information. Employees of the Adviser are not permitted to trade in those securities in their personal accounts. 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 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.

## Item 12: Brokerage Practices

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.

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 brokers 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. The Adviser's 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. US law permits the use of commissions to pay for research, and the Adviser programs are in compliance with the applicable regulatory requirements. Fixed income trades do not include a provision for research.

Schroder entities that are subject to MiFID II such as SIMNA Ltd, have committed to pay the full cost of research for clients of those entities. Therefore, client accounts that have day to day management delegated by the Adviser to SIMNA Ltd will not have any of their commissions used to pay for research. Similarly, client accounts delegated to the Adviser by an affiliate subject to MiFID II will also not have their commissions used to pay for research. Client accounts that contract with the Adviser and whose day to day management is performed by the Adviser will continue to participate in the soft dollar programs described herein. The allocation of research costs paid by the Adviser and its affiliates on behalf clients subject to MiFID and those paid through the soft dollar program are reviewed at least annually.

Accounts managed by SIM Japan do not utilize Research Commissions as Japanese law does not permit the use of commissions to pay for research.

The Adviser may have an incentive to choose a broker-dealer based on receiving research or brokerage services. However, the trading desk trades where it believes it will obtain best execution and the receipt of research does not factor in the traders' decision. The Adviser tries to establish programs at the broker-dealers where its traders execute orders. The Adviser periodically reviews where the trading desk is trading and establishes or changes programs at its top broker-dealers.

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-dealer 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 broker-dealers or service providers. Research may constitute a larger portion of the total commission paid to electronic crossing networks or automated trading systems than a similar commission paid to a full service broker-dealer that charges higher execution rates as a result of committing its own capital or providing other execution services.

The research products and services provided by broker-dealers through soft dollar arrangements benefit the Adviser and may benefit other clients of the Adviser. The Adviser may use the products and services in formulating investment advice for any and all advisory clients, including clients other than those that paid commissions to the broker-dealers on a particular transaction. As such, research generated by a particular client's trade may not benefit that particular client's account.

The Adviser's research programs make research payments under the safe harbor in Section 28(e) of the Exchange Act. The Adviser may obtain research through a variety of media including through verbal security analysis and opinion in these programs. The services the Adviser receives in its 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 day to day management for a client account to SIMNA Ltd, trades for that account will ordinarily be placed by SIMNA Ltd.'s trading desk and no research commissions will be generated. The Adviser makes a good faith determination regarding the allocation of research costs borne by the Adviser and its affiliates and the costs borne by the clients participating in the soft dollar programs. This allocation is generally done on the basis of assets under management in a particular strategy that are subject to MiFID II relative to the assets under management in that strategy are not subject to MiFID II. Periodic reviews of the cost allocation are made by the Adviser.

Portfolio managers periodically evaluate the value of the research products and services provided by brokerage firms. Broker-dealers providing general research services are ranked as to their usefulness. The Adviser may also request a broker-dealer to provide a specific research product or service which may be proprietary to the broker-dealer or produced by a third party. The Adviser does not agree with any broker-dealer to direct a specific or minimum amount of commissions. It makes no commitment to compensate the broker-dealer 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's Brokerage Committee oversees its commission practices. The Committee includes representatives of the equity investment teams, trading, operations and compliance. The Committee reviews issues including: which broker-dealers 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.

With respect to fixed income transactions, the Adviser does not have any soft dollar arrangements with broker-dealers and does not direct client trades to particular broker-dealers in exchange for research or other soft dollar benefits. However, the Adviser may receive or have access to research generally made available by a broker-dealer to its clients.

## **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 likely 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 sometimes excludes 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 subject to monitoring and review 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. There may be instances where a client is disadvantaged relative to another when allocating bonds with minimum pieces and lot sizes, due to the Adviser attempting to not leave such client with an uneconomical allocation, such as a position below minimum lot size.

The Adviser has entered into one or more arrangements to provide non-discretionary model portfolios to wrap program sponsors. These wrap program sponsors typically use the model portfolios provided by the Adviser to construct portfolios for their own underlying clients. Under these arrangements, because the wrap program sponsor



places all trades for its own underlying clients, these trades are not aggregated with trades that Adviser places for its discretionary clients.

Under most circumstances, the Adviser transmits model portfolios to wrap program sponsors after it places trades for discretionary clients using similar strategies to those used in the wrap program sponsors' model delivery programs. As a consequence, trading by wrap program sponsors may be subject to price movements, particularly with large orders or where the securities are thinly traded, which may result in a wrap program sponsors' clients receiving prices that are less favorable than the prices obtained by the Adviser trading the same securities for its discretionary clients. Alternatively, trading generated by a wrap program sponsor's model delivery program could, under some circumstances, impact prices for a given security that adversely affects trading for the Adviser's discretionary clients.

When communicating updates to model portfolios to wrap program sponsors, the Adviser generally gives priority on a rotating basis (fixed or randomized). The trade rotation used by the Adviser when delivering model portfolio holdings to sponsors will differ depending on the particular facts and circumstances. The Adviser may communicate updates to each program sponsor within the rotation with little or no delay. As a result, different wrap program sponsors may trade the same securities in the same markets at the same time, which could adversely impact execution prices received by each wrap program sponsor's model delivery program.

When the Adviser determines that a trade is large relative to the liquidity of the security, the Adviser may wait until a wrap program sponsor confirms that its trading is complete before moving on to the next wrap program sponsor in the trade rotation. In this scenario, trades by wrap program sponsors early in the rotation may move the market, causing trades by wrap program sponsors later in the rotation to receive less favorable prices. Information leakage and signaling (where other market participants use trading information potentially to their or their clients' advantage) could also impact execution prices, as could timing differences resulting in wrap program sponsors that are later in the rotation realizing less favorable execution prices.

### 3. Client Restrictions on Brokers

A client may direct the Adviser in writing to use a particular broker-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. Such restrictions on broker use can adversely affect best execution, and prospective clients should consider the possible costs or disadvantages of such an arrangement with the value of the services provided. 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 to effectively negotiate commission rates with that client's preferred brokerage firm. The client also will be unable to obtain allocations of new issues of securities if their designated broker cannot independently obtain them. The Adviser generally will not enter a client order with a directed broker until after executing such order for its other client accounts if such other order is with a different broker providing best execution. Certain fixed income accounts may experience sequencing delays in order to meet client directed brokerage requests which may impact the Adviser's ability to achieve best execution on behalf of such clients. For fixed income clients who have requested directed brokerage, the clients may lose certain benefits, such as volume discounts that the Adviser may have obtained for its non-directed accounts in a combined order. 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.

### 4. Cross Trading

The Adviser will, 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. Where permitted by applicable regulatory restrictions, the Adviser may "cross" the same security between client accounts. This is done at an independently determined market

price and without incurring brokerage commissions, although customary custodian fees and transfer fees may be incurred, none of which will be received by the Adviser. 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. The Adviser will not engage in any cross trades involving accounts subject to Employee Retirement Security Act of 1974 (“ERISA”). There are no “cross trades” with respect to trades in the Japanese equity strategies as Japanese law prohibits “cross trading.”

## 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 does occasionally enter into solicitation agreements with unaffiliated third parties. For affiliated persons, compensation is done on 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 certain strategies that the Adviser offers through separately-managed account or unified managed account platforms. SIMNA pays HFMC a fee based on the Adviser’s assets under management in each of the sponsor programs in which it participates. At this time, this is the only solicitation arrangement that the Adviser has with unaffiliated third parties.

## 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. However, the Adviser and certain affiliates do act as general partner to some private institutional partnerships and therefore is deemed to have custody under Rule 206(4)-2 under the Advisers Act. The partnerships are audited and the audit reports delivered to investors in the partnerships in compliance with 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 on the client's behalf and at the client's risk, 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 has entered into trade delegation agreements under which (i) orders from offshore affiliates route orders in US securities to the Adviser's trading desk for execution and (ii) orders it raises for client accounts in foreign securities are routed to the trading desk of affiliated advisers for execution. In such instances, those orders typically are 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 Schroders' Voting Guidelines (the "Guidelines"). The Guidelines 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 Guidelines 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 will

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 Guidelines and our Proxy Voting 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 Guidelines, the Adviser will vote or act in accordance with the Guidelines unless the Adviser considers it is in the best interests of clients to depart from the Guidelines. In that case or if the proposal or meeting business is not specifically covered by the Guidelines, 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 Guidelines 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.