Schroders capital

July 2025

SCHRODER GAIA CAT BOND

THE STRONG INVESTMENT CASE PERSISTS FOR ILS

-

ALL SCHRODERS CAPITAL ILS FUNDS' YIELDS >11%

The current opportunity in Insurance-Linked Securities

Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Why ILS?

ILS offers investors **great diversification** from the market cycle and traditional asset classes

Floating rate structure generates return on collateral at the prevailing interest rates

Why now?

Inflation and underlying exposure growth globally have led to increasing demand for catastrophe protection.

Risk transfer pricing is at attractive levels both absolutely and historically resulting in a **highly beneficial environment for ILS investors.**

Why Schroders Capital?

Highly specialised team with $6.4 billion under management

Embedded into the Schroders Capital institutional platform

Strong and consistent performance, in spite of natural catastrophe activity

Source: Schroders Capital, 31 May 2025. Diversification cannot ensure profits or protect against loss of principal.

CONTENTS

*Schroders Capital is the private markets investment division of Schroders.

ILS AND SCHRODERS CAPITAL

Schroders capital

Private Equity

Buyout
Growth Capital
Venture Capital

Sustainability

Institutional Solutions

Wealth Solutions

Impact

Private Debt & Alternative Credit

Real Asset Credit
Structured & Corporate Credit
Specialty Finance
Impact Lending
Opportunistic Credit
Insurance linked Investments

Real Estate

Living & hospitality
Future workplaces
Ecommerce & logistics

Infrastructure

Renewables
Essential Infrastructure

Source: Schroders Capital, 2025.

$99bn
assets under management[1]

400+
investment professionals

$20bn
investment volume per year

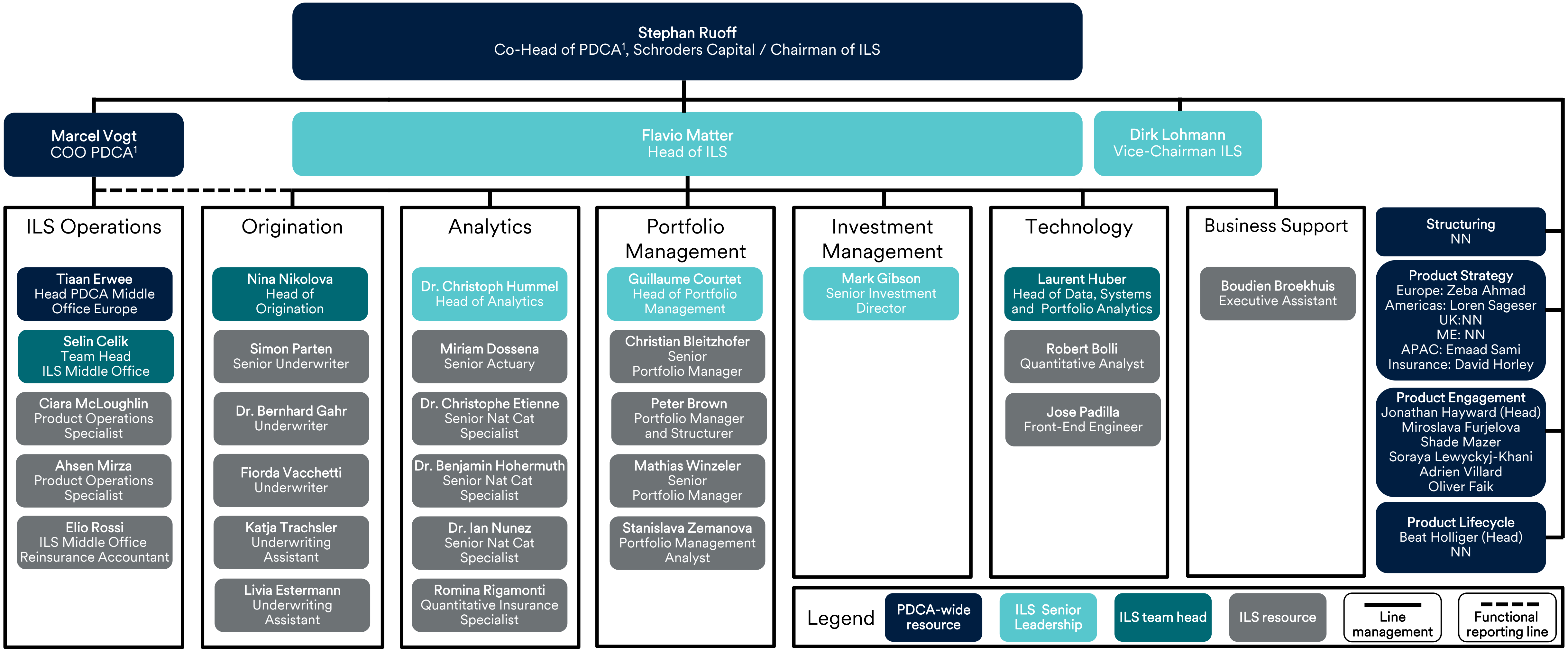
25
locations on six continents

725+
professionals dedicated to private assets

[1]AUM as of Q4 2024 including dry powder.

Insurance Linked Securities organisational chart

Our ILS team embedded within Schroders Capital's Private Debt and Credit Alternatives division



Source: Schroders Capital, 7 May 2025. Schroders Capital is the private markets investment division of Schroders. [1]Private Debt and Credit Alternatives. PDCA is a combination of our capabilities in Real Assets Debt, Structured & Corporate Credit, Specialty Finance (including Insurance Linked Securities) and Impact Lending, with $36 billion of assets under management (AUM) and a team of over 130 experts as per 31 December 2024.

ILS portfolio management

Meeting investor expectations through intelligent portfolio construction

Consistent management

- A team approach to fund management
- The portfolio managers are supported by **specialists with reinsurance and trading expertise**

Long-term success

- An investment process **tested over the long-term** to deliver diversified returns for our investors
- **All funds making positive returns since inception**[1] in spite of heavy global insured losses, particularly since the defining Atlantic hurricane season of 2017 and 2022's Hurricane Ian

An active trading strategy

- Running **one of the world's largest cat bond funds**[2], and actively provide **substantial capacity** to the primary and secondary markets
- Generating alpha from both core allocations according to risk appetite and **capitalising on tactical opportunities**

35

Investment professionals[3]

16

year track record

Source: Schroders Capital, June 2025. Past performance provides no guarantee of future results. [1]Please see fund factsheets for full returns since inception, [2]https://www.artemis.bm/news/ucits-cat-bond-funds-grow-26-in-2024-end-year-with-13-8bn-under-management/, [3]Total includes team members responsible for all asset classes in the Privat Debt and Credit Alternatives unit within Schroders Capital, including ILS.

Our ESG approach

Fully integrated into our investment process and with a view "behind" the risk

At Schroders

- A firm-wide commitment[1] to consider ESG in all investments
- Every ILS opportunity is ESG analysed, evaluated and approved before investing
- Screens apply to fund vehicle, transaction sponsor, SPVs and covered risks

Accreditation

- ILS is 'ESG Integrated'[2]
- ESG is part of governance and processes
- Open-ended, Luxembourg-based non-life ILS funds are SFDR[3] Article 8 funds
- Our ESG process also applies to our ILS funds without classification

Criteria and exclusions

- SFDR Article 8 funds invest min.
  - 80% in nat cat a/o life risks
  - 50% in meteorological risks
  - 5% in protection gap deals
- Positive absolute sustainability score
- Specific exclusions apply[4]

Engagement

- Active engagement with sponsors and broker/dealers to achieve better disclosures
- Founding member and driver of the Zurich ILS Working Group
- This group was later renamed into ILS ESG Transparency Initiative[5] and recognized by the industry[6]

Source: [1]https://www.schroders.com/en/sustainability/making-an-impact-through-sustainability. [2]Environmental Social & Governance (ESG) Integration means that certain ESG risk were considered in the evaluation of the investments made in a portfolio. [3]EU Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector regulation (SFDR). Schroder GAIA Cat Bond, Schroder Investment Fund Flexible Cat Bond and Schroder Investment Fund Core Insurance Linked Securities are effective as SFDR Article 8 funds. [4]Risks: e.g., lottery, terror or life settlements, sponsors: e.g., engaged in fossil fuel extraction and production, power generation from oil and coal, alcohol, tobacco or weapon production. [5]Following the extension of ILS managers outside of Zurich. [6]The ILS ESG Transparency Initiative won the ESG Initiative of the Year award at the Insurer Insider ILS Awards 2024. The fund has environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For information on sustainability-related aspects of this fund please go to www.schroders.com.

GOOD RISKS HAVE THE POTENTIAL TO LEAD TO GOOD RESULTS

Data-driven and transparent portfolios provide comfort with the possibility of superior results

Risks we like

- Quantifiable and reflected in a model
- Consistent, appropriate, accurate and timely data
- Where we understand the inherent potential information asymmetries
- Uncorrelated to financial markets
- Diversification as ‘life-line’

Risks we don’t like

- Cyber, operational risks, life settlements, terror, lottery insurance
- We don’t deploy financial leverage to ‘beef up’ returns

Source: Schroders Capital. Diversification cannot protect against loss of principal.

Market intelligence

High importance for gauging market sentiment

Being...

...close to the market

- Deep broker and cedent network
- Cedent visits (with and without brokers)
- Participation at all major reinsurance conferences
- Participation in industry initiatives (e.g., SBAI)
- Media research

...visible in the market

- Providing thought leadership through
  - Regular participations in round tables and panel discussions
  - Publication in the specialised press
  - Regular interviews

Leads to...

...knowledge

- Great visibility on the primary market pipeline
- Informed on the trends in the secondary market
- Approached to give advice on structuring, terms and conditions

...investment opportunities

- Approached before the initial marketing phase on renewing deals
- Excellent access to secondary trades
- These present opportunities for us to rebalance our portfolios
- Not shy to say “no” but always with justification

Source: Schroders Capital.

INVESTMENT CASE

Why ILS?

Persistent strong investment case in an environment of increased volatility

Great diversification and low duration

- An independent and pure risk premium
- Stable return pattern with positive outcome in 9 out of 10 years (depending on strategy)
- Attractive risk and return characteristics both in the absolute sense and compared to other asset classes
- Floating rate structure includes prevailing money market rates in overall returns

Attractive expected return

- Spreads (risk premiums) are at attractive multiples of expected loss
- Floating rate feature means that yields benefit from return on collateral
- Strong demand for protection will persist

Schroders offers wide range of ILS strategies with peer group-leading performance

- ILS boutique embedded in institutional setup
- Industry-leading analytics, modelling, valuation and fund management

Source: Schroders Capital, 31 October 2024.

ILS diversification benefits persist through market volatility

Low correlation of ILS to all major financial assets

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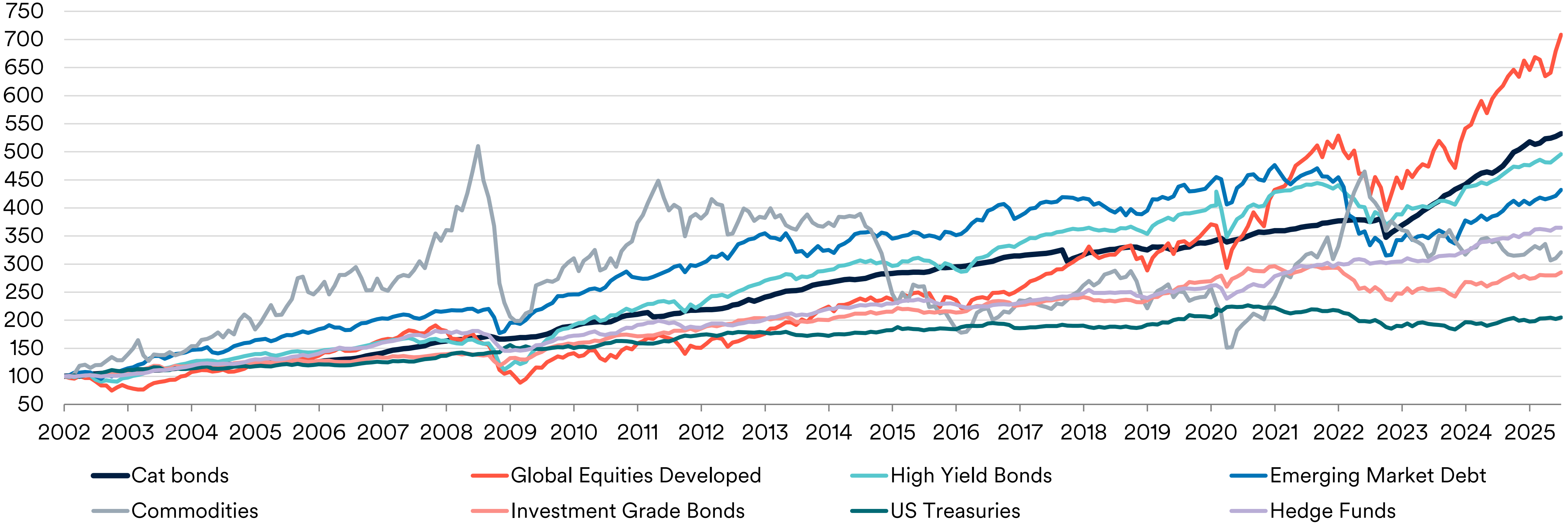


Source: Schroders Capital, Bloomberg, monthly returns from 1 January 2002 to 30 June 2025 in USD. Cat bonds: Swiss Re Global Cat Bond TR Index, Global Equities Developed: MSCI World, High yield bonds: BofA Merrill Lynch Global High Yield Index, Emerging Markets Debt: JP Morgan EMBI+, Commodities: S&P GSCI, Investment grade bonds: Bloomberg US Corporate Bond Index, US Treasuries: BofA Merrill Lynch US Treasury, Hedge Funds: Credit Suisse Hedge Fund Index. Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy. Our Funds invest in insurance-linked instruments which are particularly exposed to sudden substantial or total loss due to, natural and/or man-made catastrophes. Diversification cannot ensure profits or protect against loss of principal.

ILS asset class

Attractive historical returns, low volatility and excellent diversification over more than 20 years

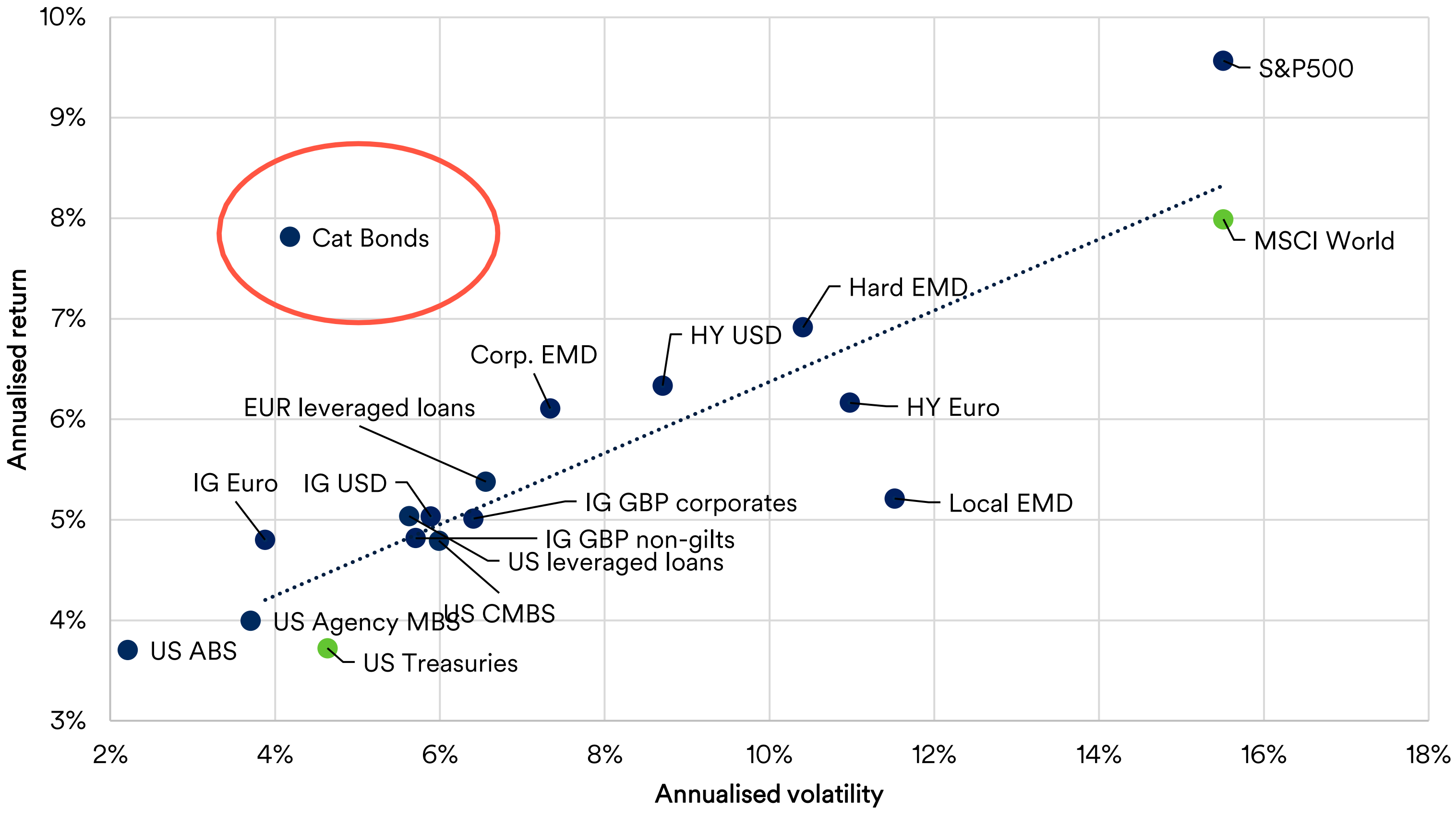
Past performance is not a guide to future performance and may not be repeated.

Since Cat Bond Index launch in 2002	Cat Bonds	Equities	IG Bonds	Hedge funds	Commodities	High Yield Bonds	EMD	US Treasuries
Annualised return (USD)	7.4%	9.5%	4.6%	5.7%	5.1%	7.1%	6.4%	3.1%
Volatility annual	3.5%	15.0%	6.4%	5.0%	22.5%	9.0%	9.7%	4.8%
Positive months	90.6%	67.3%	64.7%	69.8%	59.0%	69.8%	66.9%	57.6%
Cat bonds positive if index negative	-	85.3%	85.3%	80.7%	87.3%	88.8%	84.4%	84.4%
Worst month	-8.7%	-16.8%	-7.8%	-7.3%	-28.7%	-17.3%	-13.8%	-4.2%
Date of worst month	Sep 2022	Oct 2008	Sep 2008	Mar 2020	Mar 2020	Oct 2008	Oct 2008	Jul 2003

Source: Bloomberg, LSEG, Swiss Re, Schroders Capital. Data from 31 December 2001 to 30 June 2025. Cat bonds: Swiss Re Global Cat Bond TR Index, Equities : S&P 500 Total Return Index, High yield bonds: ICE BofA Global High Yield Index, Emerging Markets Debt: JP Morgan EMBI+, Commodities: S&P GSCI, Investment grade bonds: ICE BofA US Corporate Index, US Treasuries: ICE BofA US Treasury, Hedge Funds: Credit Suisse Hedge Fund Index. Cat bonds positive if index negative refers to monthly performance of Swiss Re Global Cat Bond Index vs. other indices. Worst month figure refers to the Swiss Re Global Cat Bond Index, which suffered the biggest draw-down over all cat bond indices in September 2022 from Hurricane Ian. The Fund invests in insurance-linked instruments which are particularly exposed to sudden substantial or total loss due to, natural and/or man-made catastrophes. Diversification cannot ensure profits or protect against loss of principal.

Cross-credit risk-return profile

Since January 1997 or inception



Cat bonds have offered comparatively attractive risk-return characteristics

- Using the Swiss Re Global Cat Bond Total Return Index as a proxy for cat bonds, the historical risk-return profile is favourable compared to other asset classes
- Historically returns are comparable with other asset classes that have higher volatility profiles
- The inclusion of an allocation to cat bonds within a balanced portfolio may help reduce volatility and contribute positively to returns

Past performance is not a guide to future performance and may not be repeated.

Source: Schroders, LSEG Datastream, ICE Data Indices, J.P. Morgan, Credit Suisse. Data as at 31 May 2025. All return and volatility figures shown as USD hedged, except EMD Local and MSCI World which are unhedged returns in USD.

Strong historical drawdown protection

Worst monthly market[1] drawdowns since inception

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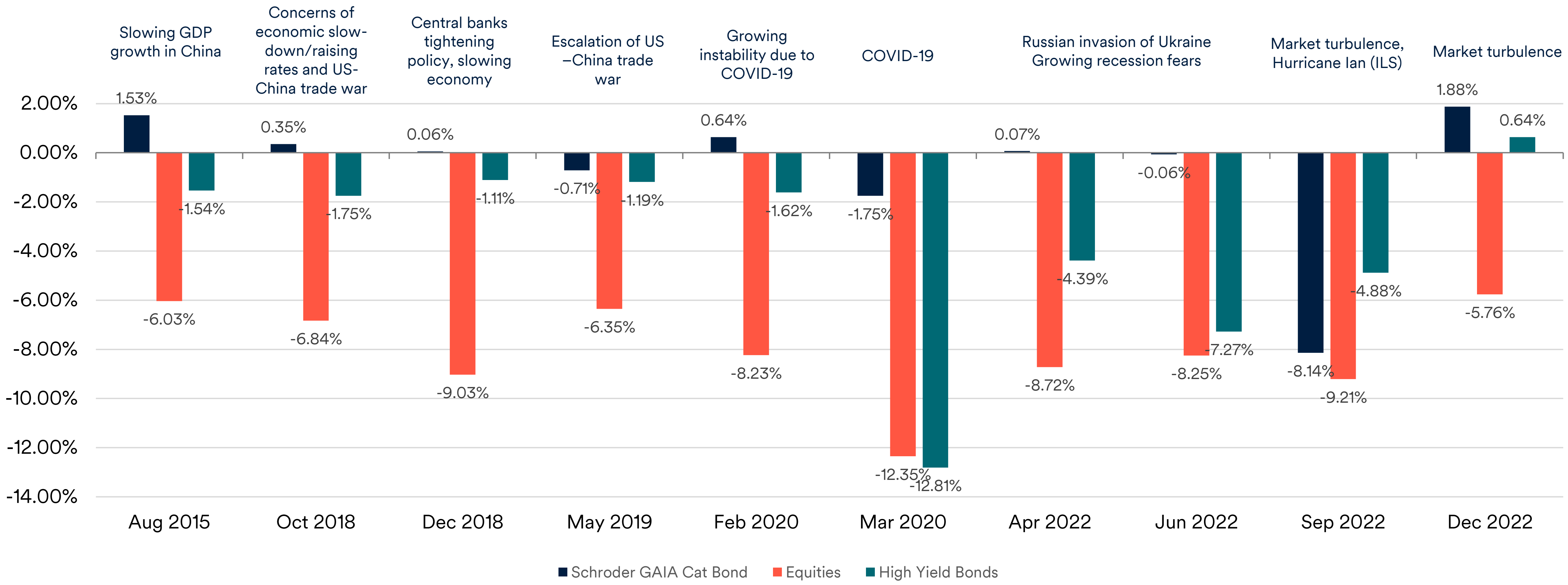
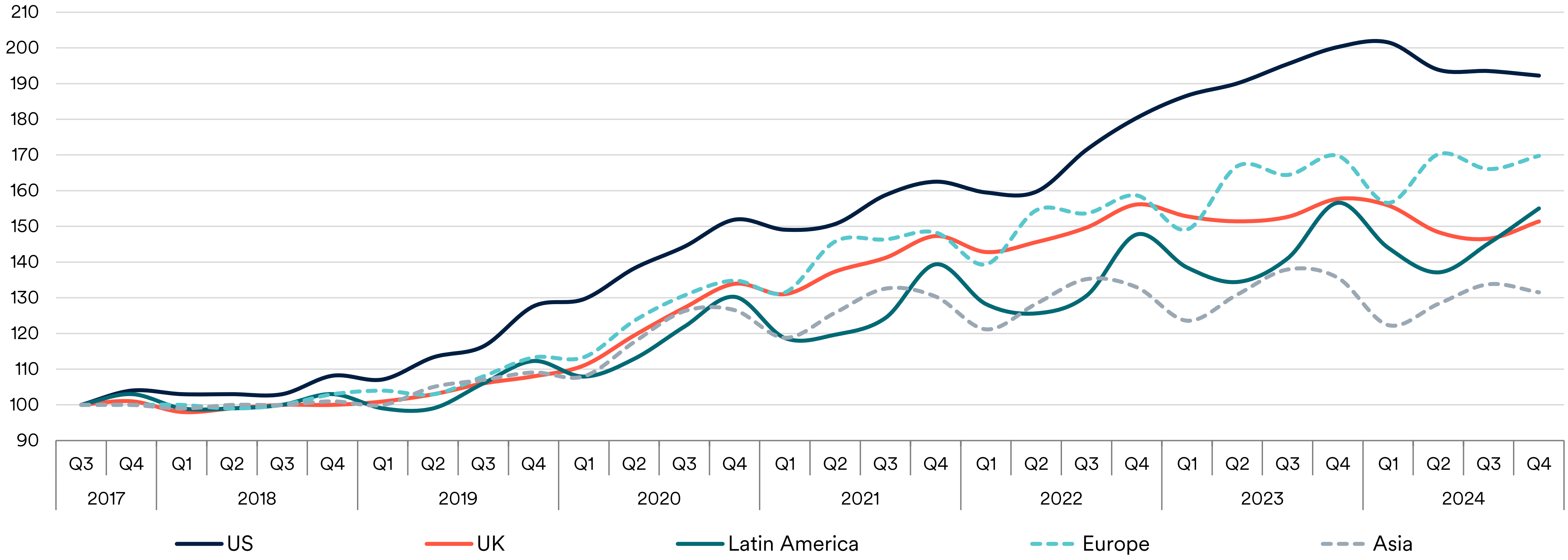


Source: Schroders Capital, Bloomberg, as at 28 February 2025. Worst monthly drawdowns in equity markets since inception of Schroder GAIA Cat Bond I Acc USD in October 2013, gross of management fees. Equities: S&P500 Composite Index, High Yield Bonds: BofA Merrill Lynch Global HY Index. [1]Markets refers to S&P500 Composite Index.

Insured events of 2017 through 2023 resulted in rates hardening globally

Primary property insurance market rate increases year-on-year per quarter, based to 100 from Q3 2017

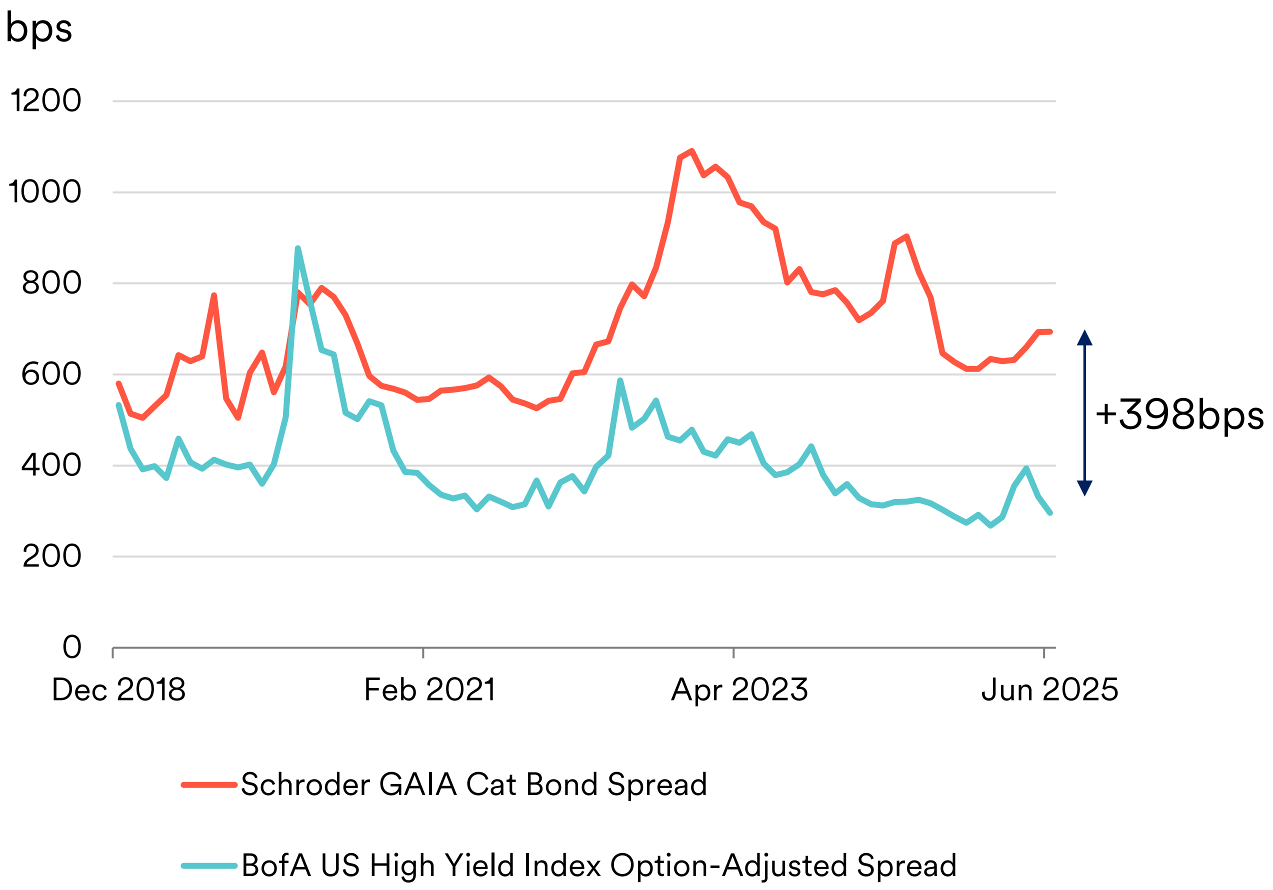


Source: Marsh – Global Insurance Market Index Q4 2024 (February 2025). Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

Attractive compensation and diversification

ILS investors benefit from higher spreads with less volatility

Schroder GAIA Cat Bond spreads vs. BB-rated bonds



- ILS is an attractive diversifier with higher spreads than the levels currently offered in the High Yield universe
- Schroder GAIA Cat Bond offers a spread that is +398 bps higher than the average of the BB-rated bond index
- Limited correlation to traditional asset classes, as demonstrated during the COVID-19 crisis, the Russian invasion of Ukraine and other market turbulence
- The fund is capitalising on pronounced rate increases in the ILS market, boosting the net return potential

Source: Schroders Capital, Federal Reserve Bank of St. Louis, ICE, 30 June 2025.

SCHRODER GAIA CAT BOND

Schroder GAIA Cat Bond

Our UCITS cat bond vehicle

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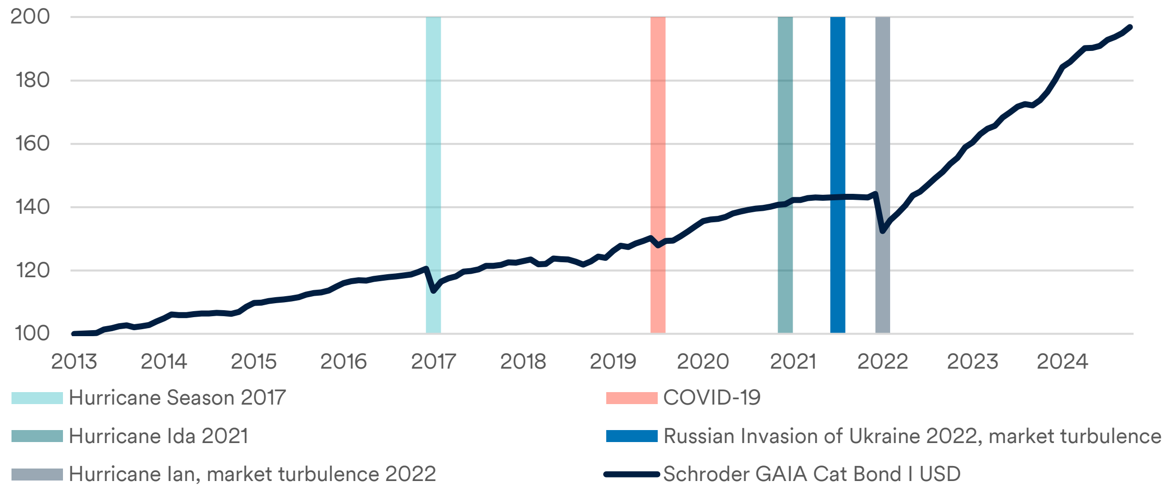
Fund highlights

- $3.8 billion, only in tradeable ILS instruments
- An **active trading strategy**
- **Effective portfolio construction** at the heart of the philosophy to **filter transactions without sufficient risk/reward characteristics**
- **Strong focus on sustainability** to facilitate our tailored ESG investment process
- UCITS structure: **high transparency and liquidity** for investors (three trade dates per month)

Historical performance



Fund history

2011 — **Fund launch:** one of the first UCITS cat bond-only funds in the market

2013 — **Move to Schroders:** institutional framework

2020 — **Significant growth in assets:** Global client base expanded

2022 — **Commitment to Sustainability and Impact:** Classified SFDR Article 8

2023 — **Record returns:** highest calendar year return produced since inception

Source: Schroders Capital, Bloomberg, 30 June 2025. Performance gross of fees in USD since 31 October 2013 for the Schroder GAIA Cat Bond I Acc USD share class (share class inception). Fund inception date 2 May 2011.The fund has environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For information on sustainability-related aspects of this fund please go to www.schroders.com. A Cat bond may lose much or all of its value if a catastrophe that it covers occurs, which may result in losses to the fund. The Fund invests in insurance-linked instruments which are particularly exposed to sudden substantial or total loss due to, natural and/or man-made catastrophes.

Schroder GAIA Cat Bond

Performance since launch

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I Acc USD

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2025	0.06	0.32	1.01	0.48	0.64	0.94							**3.50**
2024	1.58	0.94	1.08	0.48	-0.26	0.94	1.54	2.12	2.26	0.87	1.20	1.12	**14.78**
2023	2.23	0.85	1.44	1.44	1.38	1.62	1.28	2.17	0.90	1.65	1.07	0.54	**17.87**
2022	-0.05	0.06	0.07	0.07	0.00	-0.06	-0.09	0.82	-8.14	2.62	1.51	1.88	**-1.73**
2021	0.82	0.48	0.35	0.27	0.18	0.25	0.43	-1.12	2.25	-0.03	0.42	0.14	**4.51**
2020	0.62	0.64	-1.75	1.11	0.07	1.06	1.20	1.21	1.23	0.38	0.11	0.42	**6.45**
2019	1.39	-0.15	-0.10	-0.58	-0.71	0.86	1.20	-0.33	1.76	1.33	-0.31	0.88	**5.33**
2018	1.29	0.17	0.36	0.94	0.05	0.18	0.66	-0.07	0.47	0.35	-1.18	0.06	**3.31**
2017	0.40	0.31	0.22	0.17	0.24	0.25	0.75	0.79	-5.73	2.52	0.85	0.57	**1.15**
2016	0.18	0.31	0.39	0.66	0.47	0.17	0.54	1.08	0.92	0.58	0.21	-0.05	**5.59**
2015	0.31	0.16	0.01	0.22	-0.08	-0.20	0.55	1.53	1.12	0.07	0.49	0.21	**4.47**
2014	1.08	0.45	0.39	0.29	-0.39	0.25	0.44	1.10	0.94	1.18	-0.26	0.01	**5.63**
2013											0.11	0.07	**0.19**

10 year performance	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Schroder GAIA Cat Bond I Acc USD	4.47	5.59	1.15	3.31	5.33	6.45	4.51	-1.73	17.87	14.78

Source: Schroders Capital, Bloomberg. Performance gross of management fees in USD since 31 October 2013 for the Schroder GAIA Cat Bond USD I share class (the share class launch date). Fund launch date 2 May 2011. Performance table shows per month end or latest available date until 30 June 2025. A Cat bond may lose much or all of its value if a catastrophe that it covers occurs, which may result in losses to the fund.

Schroder GAIA Cat Bond

Risk considerations

Market risk	The value of investments can go up and down and an investor may not get back the amount initially invested.
Capital risk / distribution policy	As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.
Concentration risk	The fund may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down.
Counterparty risk	The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole.
Credit risk	If a borrower of debt provided by the fund or a bond issuer experiences a decline in financial health, their ability to make payments of interest and principal may be
Currency risk	If the fund's investments are denominated in currencies different to the fund's base currency, the fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. If the investor holds a share class in a different currency to the base currency of the fund, investors may be exposed to losses as a result of movements in currency rates.
Currency risk / hedged share class	The currency hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.
Default risk	If a debt instrument in the portfolio defaults or breaches the debt instrument covenants, this may reduce interest and/ or capital repayments and could impact the value of the fund.
Derivatives risk	Derivatives, which are financial instruments deriving their value from an underlying asset, may be used for investment purposes and/ or to manage the portfolio efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund.
High yield bond risk	High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk meaning greater uncertainty of returns.
Insurance-linked investment risk	The fund invests in insurance-linked securities which help insurers pay claims if certain insured risks or events happen, including natural or man-made catastrophes such as fires and floods. As a result these securities are particularly exposed to sudden substantial or total loss.
Interest rate risk	The fund may lose value as a direct result of interest rate changes.
Liquidity risk	The fund invests in illiquid instruments, which are harder to sell. Illiquidity increases the risks that the fund will be unable to sell its holdings in a timely manner in order to meet its financial obligations at a given point in time. It may also mean that there could be delays in investing committed capital into the asset class.
Operational risk	Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
Performance risk	Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.
Sustainability risk	The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.
Distribution Costs	The level of distribution costs in certain jurisdictions may impact the ability of the investment manager to meet the fund's investment objective across all share classes after fees have been deducted.

Schroder GAIA Cat Bond

Positioning as at 30 June 2025 – yield 11.2%

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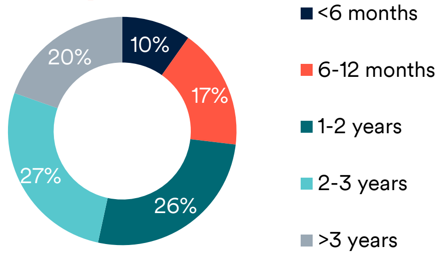
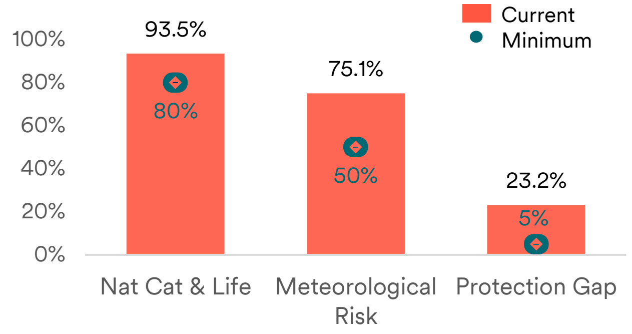
Key portfolio statistics

Portfolio Expected Loss	-3.0%
Annual Value at Risk 95%	-6.2%
Annual Tail value at Risk 95%	-16.4%
Annual Value at Risk 99%	-22.8%
Annual Tail Value at Risk 99%	-27.0%
Annual Probability of a 0% Portfolio Loss	8.4%
Annual Probability of a 10% Portfolio Loss	3.9%
Annual Probability of a 15% Portfolio Loss	2.6%

Maturity structure

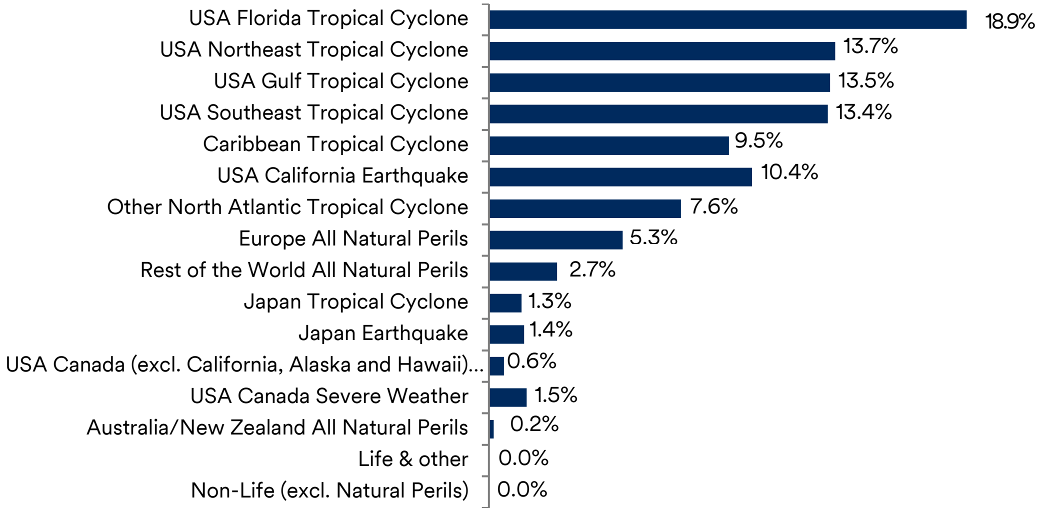


ESG binding criteria (in % of NAV)



Natural catastrophe risks

Contribution by peril-zone (% expected loss)



Modelled portfolio loss

Historical Events – based on modelled output

	Modelled impact on portfolio	Industry insured loss ($ billion)	Expected return period
San Francisco Earthquake 1906	-17.3%	95.3	208.3
Great Miami Hurricane 1926	-16.6%	155.5	43.5
Galveston Hurricane 1900	-15.2%	115.4	25.6
New England Hurricane 1938	-15.0%	84.8	16.5
Hurricane Andrew 1992	-12.7%	113.8	24.9
Hurricane Katrina 2005	-11.5%	114.2	25.1
Hurricane Donna 1960	-9.6%	86.4	16.8
New Madrid Earthquake 1812	-7.0%	74.8	133.3
Great Cascadia Earthquake 1700	-6.6%	73.4	126.6
Northridge Earthquake 1994	-6.3%	25.2	40.3
Hurricane Ike 2008	-3.5%	36.2	5.9
Hurricane Hugo 1989	-3.0%	32.0	5.2
Hurricane Wilma 2005	-1.5%	27.6	4.6
Hurricane Harvey 2017	-1.3%	24.6	4.2

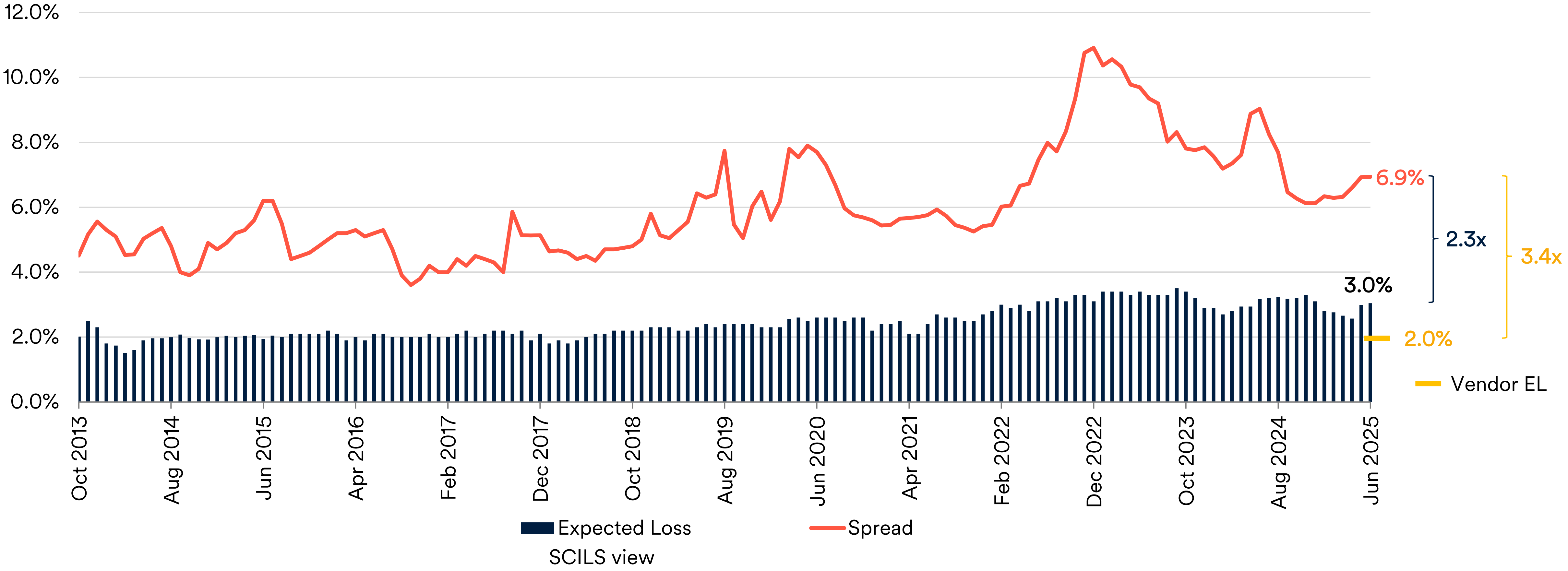
Source: Schroders Capital, data as per NAV end of June 2025. Portfolio yield calculation excludes cash and is shown gross of fees. Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy. A Cat bond may lose much or all of its value if a catastrophe that it covers occurs, which may result in losses to the fund.

Schroder GAIA Cat Bond – portfolio spreads

Multiple at 2.3x (SCILS[1] view) vs 3.4x (vendor view)

Past performance is not a guarantee of future results and may not be repeated.

Schroder GAIA Cat Bond spread and expected loss over time (% annualised)



Source: Schroders Capital, 30 June 2025. [1]Schroders Capital ILS. Portfolio spread calculation excludes cash. A Cat bond may lose much or all of its value if a catastrophe that it covers occurs, which may result in losses to the fund.

Experience-based modelling in Schroder GAIA Cat Bond

Starting point view versus SCILS[1] view of risk – Portfolio level comparison

Drivers of SCILS view of risk

Adjusted for:

- Loss Adjustment Expenses (LAE)
- clustering
- growth
- inflation
- cedent specific considerations
- secondary and unmodelled perils

Consequences

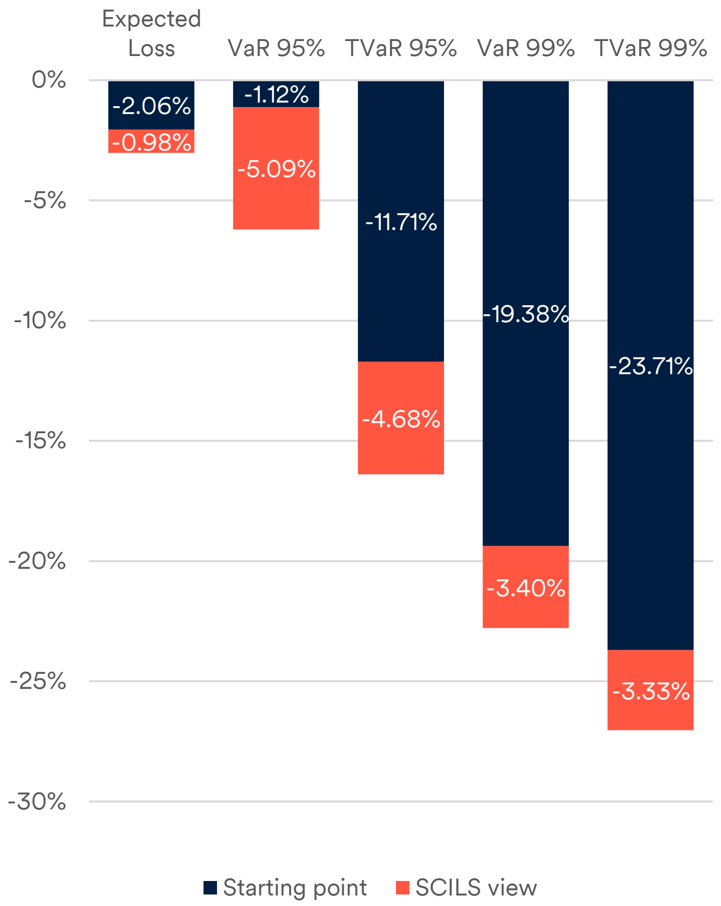
Portfolio-specific

- robust portfolio construction
- superior understanding of portfolio behaviour/dynamics
- minimising unexpected surprises
- a very robust valuation framework

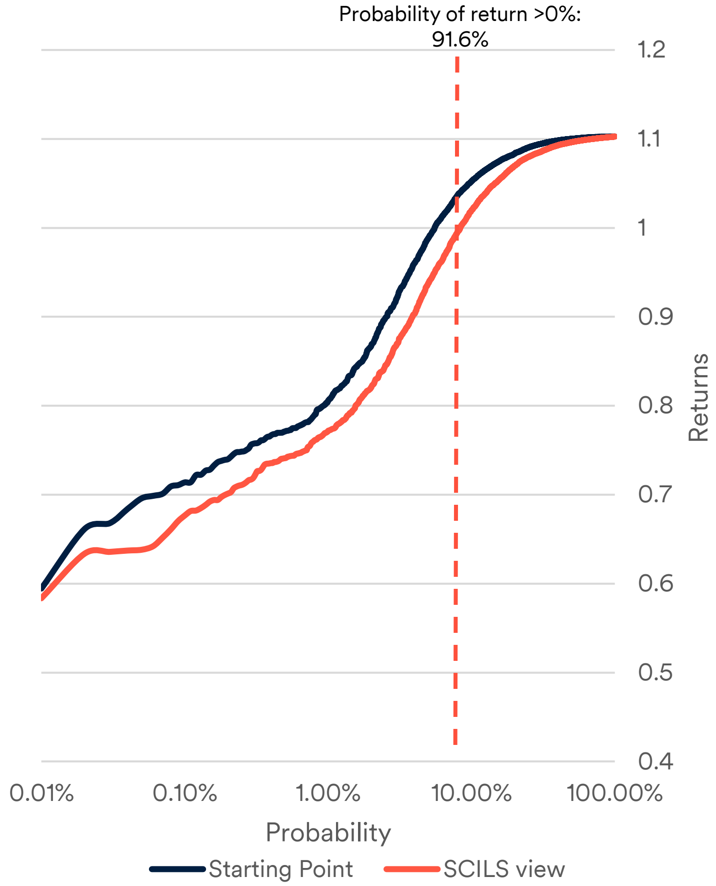
To the outside (e.g. investors and consultants)

- Like-for-like comparisons are difficult to perform without knowing the standards we apply

Main risk metrics



Return distribution for one unit of investment – probability at log scale

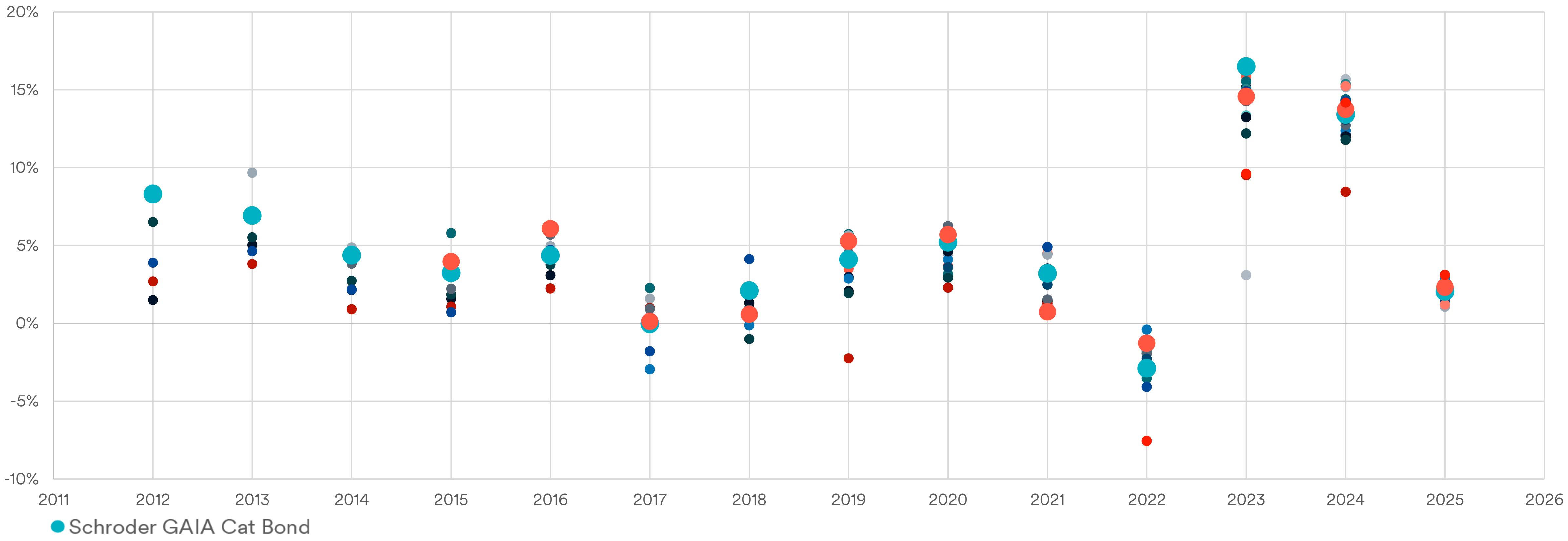


Source: Schroders Capital, 30 June 2025. [1]Schroders Capital ILS

Cat bond peer group calendar year performance

A long and proven track record versus competitors

Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise. Performance data does not take into account any commissions and costs, if any, charged when units or shares of the fund are issued and redeemed.



Source: Schroders Capital, Bloomberg, Preqin, eVestment, 31 May 2025. All competitors' performance shown net of fees.

ILS MARKET REVIEW AND OUTLOOK

ILS investment case is proven over the long term

The insurance market cycle and wider macro dynamics create a strong case for the asset class

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Diversification from traditional asset classes

- ILS has historically provided investors with **low correlation to traditional asset classes**, a benefit confirmed during recent market dislocations
- Portfolios can be built around liquidity needs by engaging in the full spectrum of ILS selectively
- Performance has been positive over a 10+ year period, even in the face of sizeable global insurance losses

Recent years' insured losses influenced compensation for ILS investors

- spreads were at record multiples in 2023 mainly due to:
  - prior years' losses
  - a lack of fresh capital in the reinsurance and ILS markets
- attractive conditions persisted in 2024, and strong performance has been driven by a lack of large losses
- an anticipated reduction in spread multiples is being observed as supply and demand dynamics rebalance

Outlook for the asset class

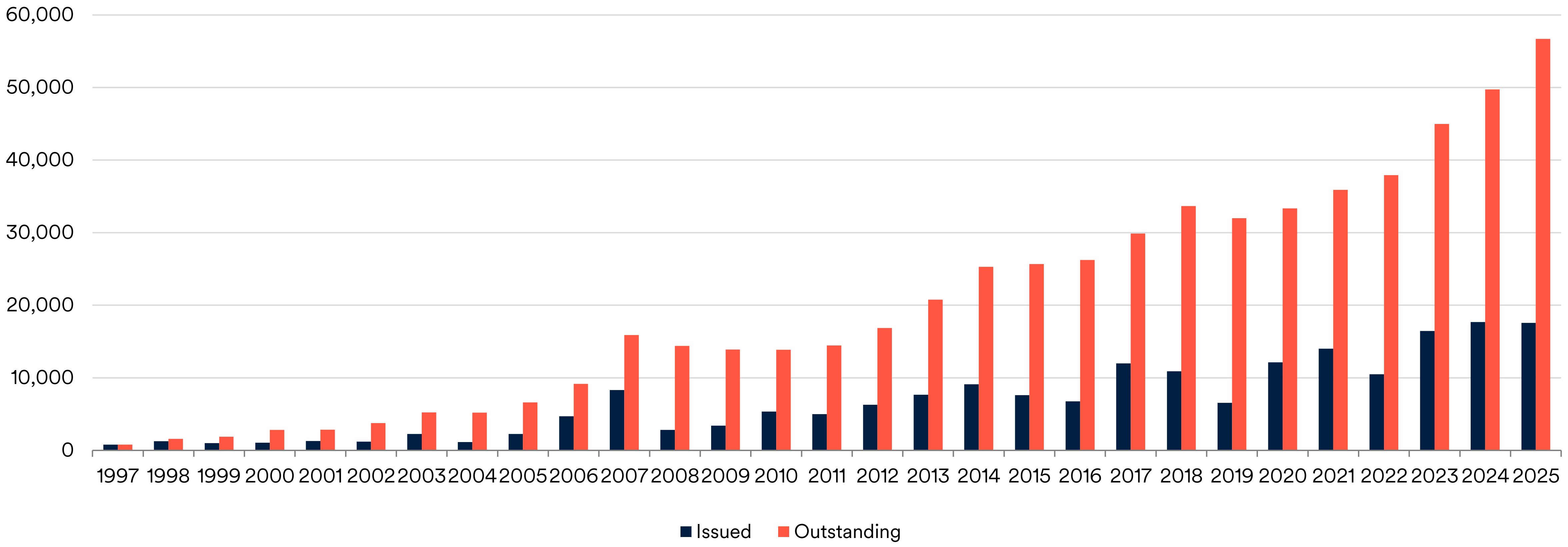
- strong results are attracting inflows to the ILS market - spread multiples reducing but still attractive
- diversification proven during recent market turbulence in 2025
- limited impact from wildfires to our strategies in January 2025
- broad ILS funds' yields are in the mid-teens, bond funds >11%
- higher yields could potentially be achieved for riskier strategies
- the primary market issuance pipeline remains buoyant

Source: Schroders Capital, June 2025. Diversification cannot ensure a profit or protect against loss of principal. The views and opinions shared are those of individual presenters and are subject to change. The slide contains some forecasted views which should not be relied upon and are not guarantee to materialise.

ILS growth drivers

Significant growth of the cat bond market since 2011

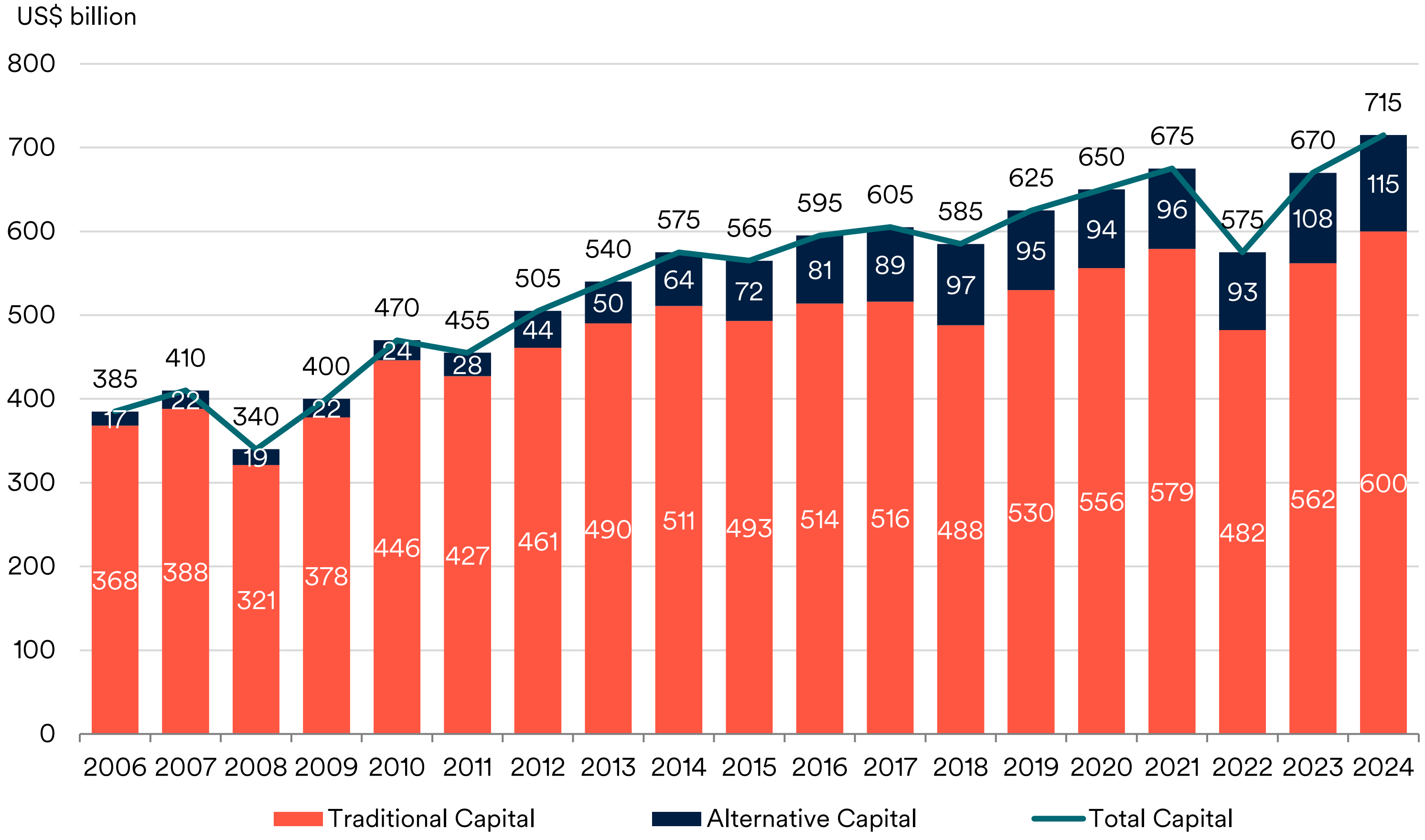
Cat bond market development 1997–2025 (in $m)



Source: Artemis.bm, 1 July 2025, excluding mortgage insurance risks which Schroders Capital does not invest in. Current growth trends may not continue or lead to favourable investment opportunities. The Fund invests in insurance-linked instruments which are particularly exposed to sudden substantial or total loss due to, natural and/or man-made catastrophes. Historical growth trends are not a guide to future results and may not continue.

Aggregated reinsurance capital

Alternative capital makes up approximately 15% of total capital



- Traditional reinsurance capital increased to a new high of $600 billion in 2024. The main drivers were retained earnings and the reversal of unrealized losses on fixed-income securities, due largely to the “pull-to-par’ effect, partly offset by increased capital returns to investors.
- Alternative capital reached a new all-time high with $115 billion; retained earnings and inflows to ‘sidecar’ structures and cat bond market were the main contributors to this growth.
- The increasing demand for catastrophe bond capacity reflects sponsors’ need for capacity beyond the traditional reinsurance market
- The share of alternative capital in comparison with total capital remained stable

Source: Aon, Reinsurance Market Dynamics, April 2025; Schroders Capital ILS. Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

Southern California wildfires 2025

Despite unprecedented destruction and economic loss our ILS strategies have experienced limited impact

Devastating Impact

- From January 7 to 31, 2025, a series of destructive wildfires impacted the Los Angeles metropolitan area and San Diego County in California.
- The fires were intensified by prevailing drought conditions, low humidity, accumulated vegetation from the previous winter, and Santa Ana winds reaching hurricane force, up to 100 miles per hour (160 km/h).
- Major fires include Palisades Fire and Eaton Fire, likely the third and second-most destructive fires in California's history, respectively.
- The wildfires have killed at least 29 people, forced more than 200,000 to evacuate, and destroyed or damaged more than 17,000 homes and structures.

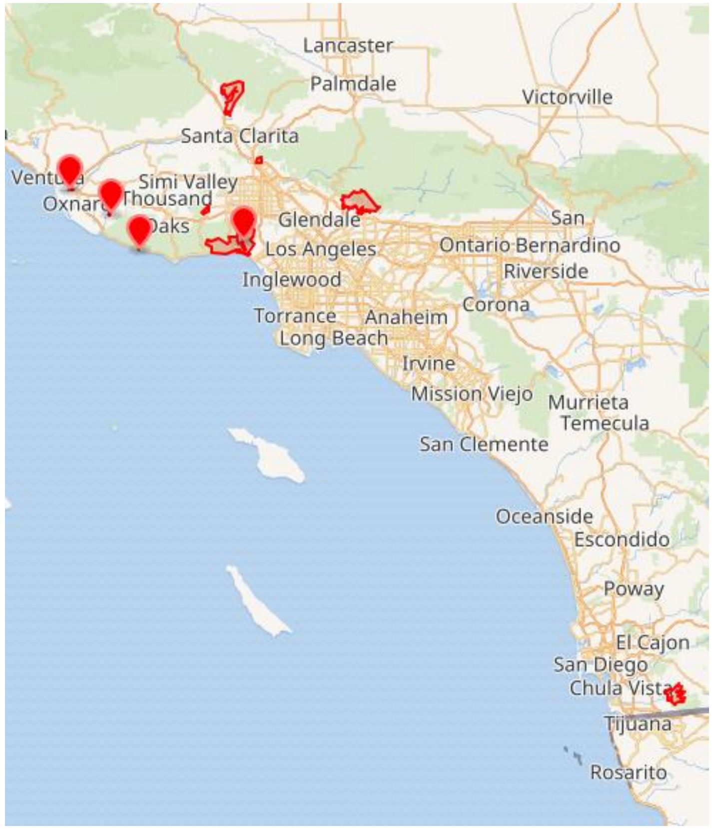
Estimated Insured Losses

- Estimates from four independent agencies range between $28 - 45 billion, mid-point at $31.1 billion.

Impact on ILS

- The Swiss Re Global Cat Bond Total Return Index recorded a negative return of -0.85% in January 2025.
- Primary detractors were concentrated around six major US insurers: Allstate (impacting some Sanders Re Cat Bonds affected), USAA (affecting parts of its Residential Re series), Liberty Mutual (with Mystic Re 2025-1 C), Fidelis (with Herbie Re 2021-1 A), Arch (impacting Claveaus Re 2021-1 A) and Farmers (with Topanga Re 2021-1 A).
- **Out of the 14 bonds impacted[1], 10 are not part of our liquid portfolios, and 4 are underweight relative to their market share.**

Perimeters of 2025 California wildfires



Source: Schroders Capital, National Interagency Fire Center, Public domain, via Wikimedia Commons, 15 February 2025. [1]The impact is assessed based on a price variation in response to the event.

Southern California Wildfires 2025

Implications for the Cat Bond Market

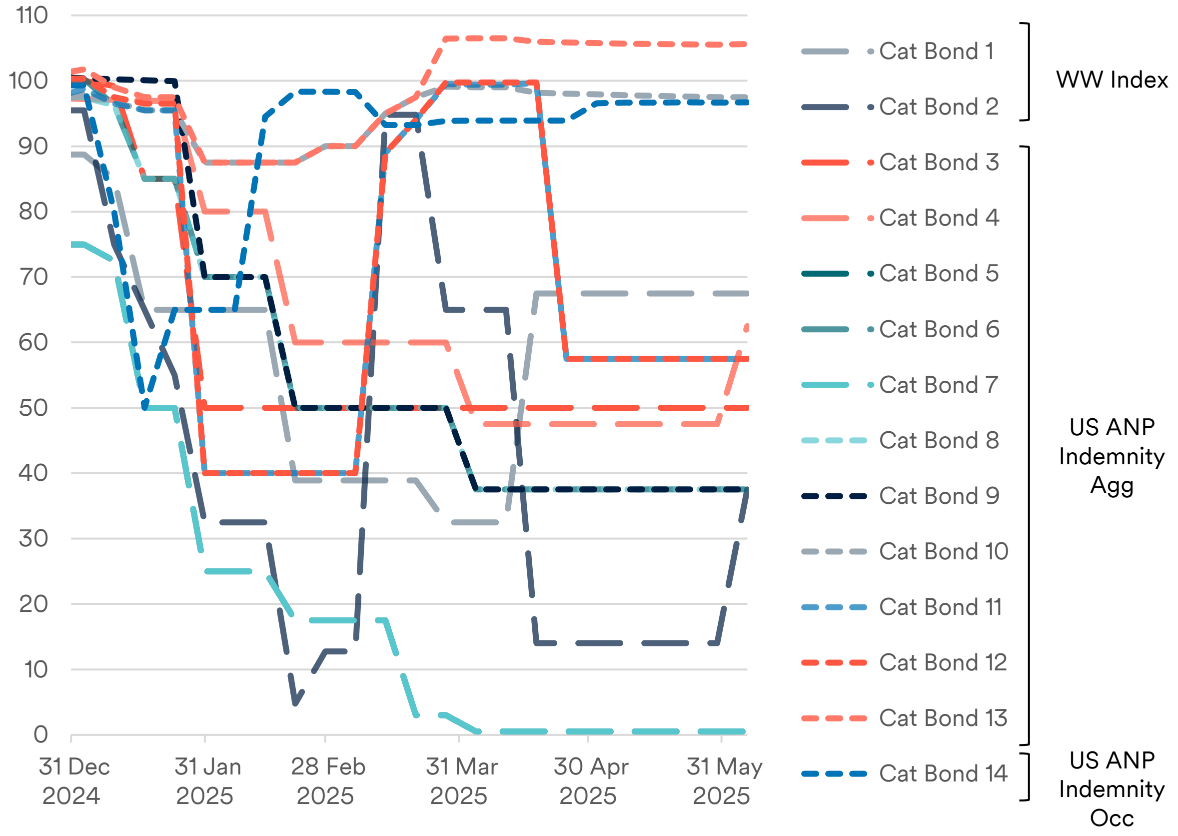
Exposed Cat Bonds

- There are 3 primary exposed segments:
  - WW[1] Index/PCS[2] based bonds with a broad coverage – 2 bonds
  - ANP[3], US nationwide indemnity aggregate bonds – 11 bonds
  - ANP, US nationwide indemnity per occurrence bonds – 1 bond
- Currently, there are no outstanding bond covering stand-alone Wildfire risk. However, the event may prompt new issuances due to the required coverage.

Magnitude

- The issuance size of exposed and at-risk catastrophe bonds directly threatened by the event amounts to approximately USD 1.57 billion.
- As of 31 December 2024, this represents about 3.2% of a market-weighted portfolio.
- There exists further exposure where a direct threat of impairment is not currently observed.

Price Movement



Source: Schroders Capital, 6 June 2025. [1]World-wide, [2]Property Claims Services, [3]All Natural Peril. Price movement based on mid price.

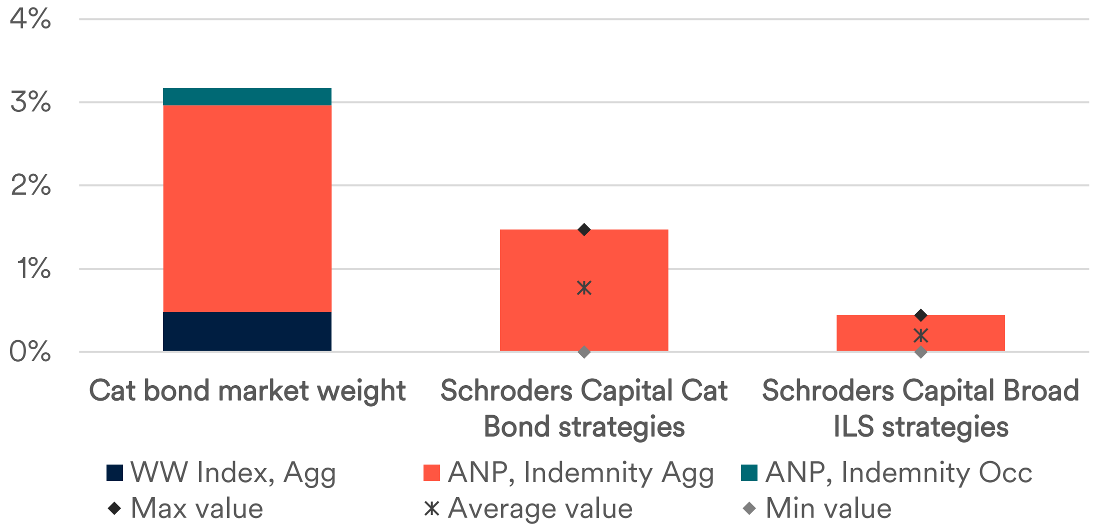
Southern California Wildfires 2025

Our positioning

Cautious stance towards secondary perils risk

- There are modelling limitations not only for the wildfire peril but also for other secondary perils, where the frequency and severity are often underestimated.
- While vendor models initially appear attractive, once adjusted for these limitations, the potential margins significantly diminish, becoming minimal or inadequate.

Exposure across market and different strategies



Decisions by Investment Committee and Portfolio Managers on individual securities

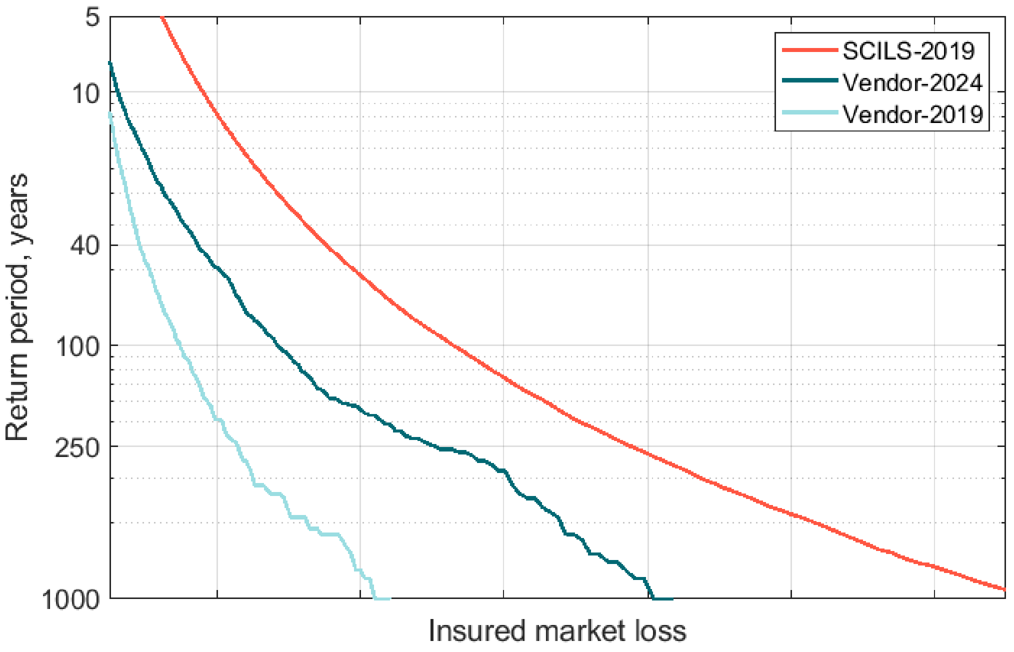
Bonds reacting to the event	Trigger type	Coupon	Vendor model Expected Loss	SCILS view Expected Loss	Investment Committee Decision	Portfolio Managers' Decision
Cat Bond 1	WW Index	17.25%	13.02%	17.76%	Declined	No Investment
Cat Bond 2		18.30%	13.43%	21.64%	Declined	No Investment
Cat Bond 3	US ANP Indemnity Agg	14.00%	4.38%	37.12%	Declined	No Investment
Cat Bond 4		9.93%	4.99%	7.99%	Approved	Underweight
Cat Bond 5		5.51%	2.72%	4.51%	Approved	Underweight to market-weight
Cat Bond 6		12.51%	5.52%	15.87%	Approved with limitations	No Investment
Cat Bond 7		7.79%	3.03%	8.75%	Approved with limitations	No Investment
Cat Bond 8		11.16%	2.72%	4.95%	Approved with limitations	Underweight to market-weight
Cat Bond 9		9.00%	2.48%	4.51%	Approved with limitations	No Investment
Cat Bond 10		13.17%	1.40%	NA	Declined	No Investment
Cat Bond 11		10.60%	1.42%	6.09%	Approved	Underweight
Cat Bond 12		13.00%	1.21%	7.71%	Approved	No Investment
Cat Bond 13		15.50%	0.85%	NA	Declined	No Investment
Cat Bond 14	US ANP Indemnity Occ	5.05%	1.70%	4.54%	Approved	No Investment

Source: Schroders Capital, 31 January 2025.

Wildfire Model Validation

Applications in modelling and validation of a vendor model for Californian Wildfire

Model comparison



Comment

- Vendor model 2019 was released after the Californian Fires in 2017 and 2018 and still used in reinsurance submissions for 1/1/2025.
- The vendor replaced it in 2024. It was hardly adopted for the 1/1 2025 renewals.
  - The return period of the Jan-2025 Fire (Palisades and Eaton as one event) is beyond 1 in 100 and 250 years in the 2024 and 2019 models.
- Based on our model validation carried out early 2019 following the fires in 2017 and 2018, we have rejected the vendor model at the time and replaced it by the market model SCILS 2019 based on EVT*.
- We have also rejected the Vendor model 2024.

Source: Schroders Capital, 28 February 2025. *Extreme Value Theory.

ATLANTIC HURRICANE SEASON

Portfolio construction

What we consider ahead of the hurricane season

Portfolio construction driven by market dynamics, as well as forecasting

Cat bond strategies	Broad ILS strategies
– All funds are well-invested, but with space for tactical trading – Close collaboration with brokers to tighten the structure of some transactions and make deals happen – Spread above longer-term averages and our products already have a strong performance ahead of the hurricane season – Avoided losses from wildfires in January 2025 from active avoidance of exposures	- Highly selective in Florida. We favoured bonds investments with robust structures over private investments - Portfolio built in a way that an event like 2022's Hurricane Ian or 2024's Hurricane Milton should result in a minimal impact to the portfolios - Support of established US Nation wide insurers on the private investments side - Potential profit-taking on bonds by year end

Key points

- The **strong earning power** of our funds, allowed to build a significant performance cushion ahead of the hurricane season
- Portfolios are **positioned to perform well** under a benign hurricane season or under a year where several medium-sized hurricanes would occur
- The **relative attractiveness of private transactions is still strong**, with higher yields available to investors

Source: Schroders Capital, June 2025. Past performance provides no guarantee of future results and may not be repeated. Forecast may not materialize.

Portfolio construction and what to look for ahead

Pre-Atlantic hurricane season positioning in 2025

Our strategies

- We still generally **prefer** more remote layers, and also prefer hurricane covers in the northeast over local Gulf of Mexico/southeast exposure
- We are **cautious investing** in deals with narrow geographic scope, such as single-state cat bonds
- Coverage on a per occurrence basis is preferred to aggregate structures
- Also, our funds are **positioned to absorb** a medium-sized hurricane making landfall in the Gulf of Mexico/southeast with limited drawdown
- The overall positioning of the funds is designed to avoid losses from small- and medium-sized events
  - We aim for individual investments to attach at no less than the following sizes of insurance industry loss: Florida $50 billion, rest of US $30 billion, rest of world $10 billion

Key points

- Portfolios are **positioned to perform well** in a benign hurricane season or during a year where several medium-sized hurricanes would happen
- The **strong earning power** of our funds, allows us to build a significant performance **cushion ahead of the Atlantic hurricane season**
- **Attractive levels of compensation are available** to investors for the level of risk assumed
- Losses are driven by **landfall location** and not necessarily by frequency of hurricanes
- **Avoiding losses** still remains a strong component to overall return expectations: January 2025's wildfire loss experience demonstrated this

Source: Schroders Capital, June 2025. There is no guarantee any objectives or outcomes will be achieved. Past performance provides no guarantee of future results and may not be repeated.

North Atlantic Seasonal Climate

Neutral ENSO and slightly warmer sea surface temperatures

Key climate metrics for hurricane activity

- Sea surface temperatures (SST) in the main development region (MDR) as well as the state of the El Niño Southern Oscillation (ENSO) are key indicators for hurricane activity.
- For ENSO all available forecast means from IRI for the main hurricane season Aug-Oct are summarized. This includes models from lead agencies like ECMWF, NOAA, UKMO, JMA. Anomalies[1] below -0.5 indicate a La Niña, anomalies[1] above 0.5 indicate an El Nino.
- For SST in the MDR, seasonal forecasts from all ensemble members from ECMWF are used. Anomalies[1] are calculated for the remainder of the season.

Seasonal climate outlook

- ENSO: average forecast points towards neutral conditions, with some models trending towards a La Niña.
- MDR SST: the MDR is still warmer than climatology[1] but significantly cooler than the last two years. Temperatures in the Gulf are slightly more elevated.
- Climate indicators point towards a normal to slightly more active season compared to the last 10 years.

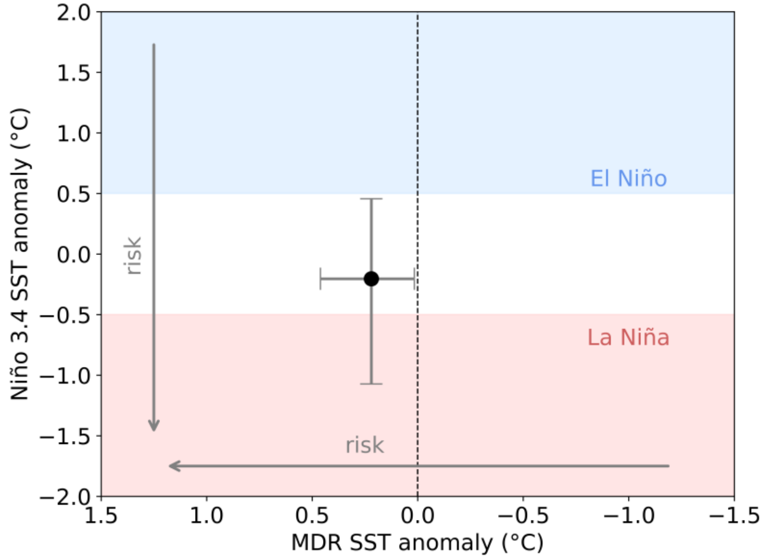


Figure. Sea surface temperature (SST) anomalies compared to 1991-2020 for the main development region (MDR) and the Niño 3.4 region (indicator for ENSO state). Error bars indicate 90% range.

Source: IRI – International Research Institute for Climate and Society | June 2025 Quick Look, Long-range forecasts | ECMWF. [1]Anomalies are calculated relative to 1991-2020.

Basin Activity Forecasts

Expected activity on par with the last 10 years

Seasonal forecast basics

- Seasonal forecasts use climate variables to predict the basin activity for the upcoming season;
  - *Statistical models* using measured current conditions
  - *Dynamical models* using simulated conditions from earth system models[1] to infer basin activity.

  Seasonal forecast skill markedly increases in June when they start to show significant correlation with observations.

Summary of available forecasts

- May-June forecasts converged towards a lower number of hurricanes and Accumulated Cyclone Energy (ACE) compared to the March-April forecasts.
- The forecast average indicates an above-normal season according to the NOAA definition (1951 – 2020).
- However, both the number of hurricanes and ACE is close to the recent 10-year average.
- 2011 – 2020 reference shown for comparison with Reask

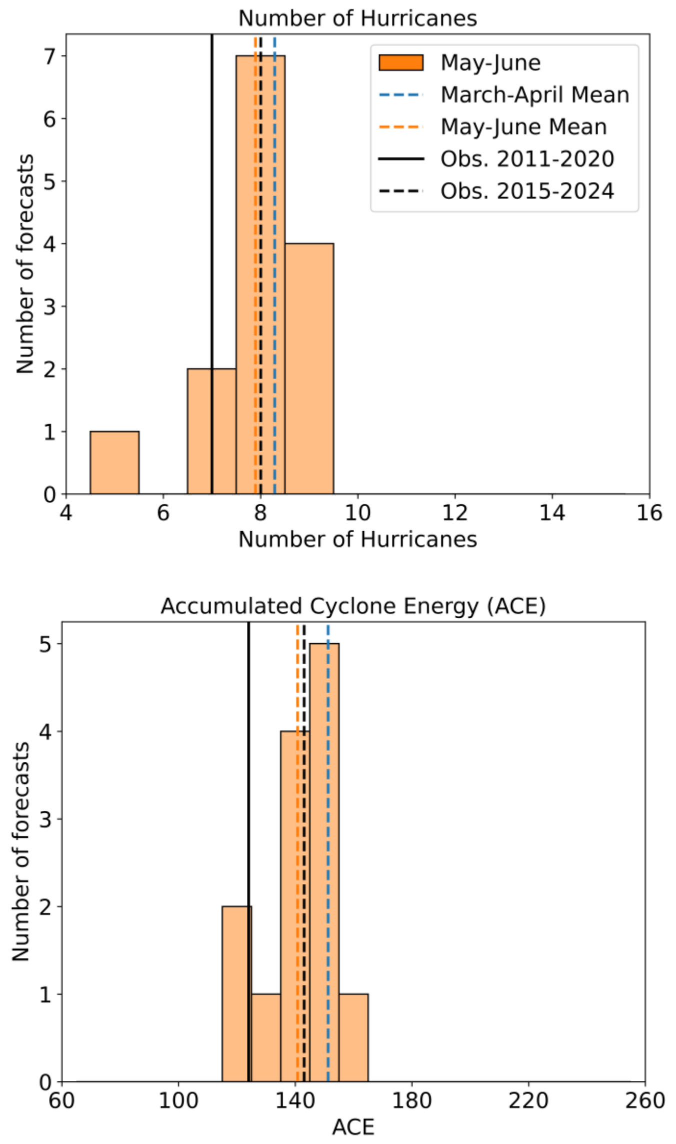


Figure. Distribution of seasonal basin forecast means from Home — Seasonal Hurricane Predictions complemented with CFAN's proprietary forecast.

Source: Home — Seasonal Hurricane Predictions, CFAN, CSU Hurricane Seasonal Forecasting Archive (observations), Climate Prediction Center - Atlantic Hurricane Outlook. [1] Also called "climate models"

Landfall forecasts (preliminary)

Increased landfall frequency in the Gulf, normal activity in the Northeast

- Seasonal landfall frequency forecast from Reask based on mid-June seasonal climate forecast from ECMWF (European Centre for Medium-Range Weather Forecasts).
- Seasonal adjustment from 2011-2020[1] baseline. Note that this does not correspond to the adjustment necessary to bring the Verisk WSST view to the 2025 season.

- More activity in the Gulf and the Florida east coast compared to 2011-2020 baseline.
- Slightly elevated activity in the southeast, average activity in the northeast.

- Outlook for future updates:
  - Adjustments for WSST view, and more recent baselines
  - Adjusted risk factors / sample ILW

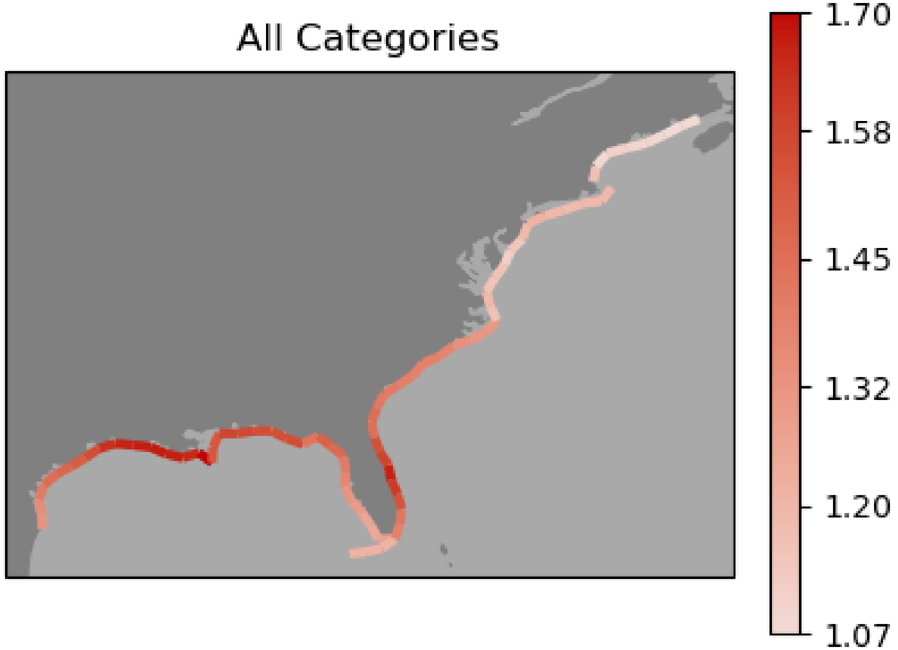


Figure. Frequency multiplier to adjust the period 2011-2020 to the 2025 seasonal forecast from mid-June.

Source: Reask. [1] 10 most recent years available for same earth system model in Reask, more recent years will be available soon.

Atlantic hurricane season – 2025 forecasts

Outlooks from different agencies and institutions

	Named storms	Hurricanes	Major hurricanes	ACE[1]
NOAA	13 - 19	6 - 10	3 - 5	-
Colorado State University	16	8	3	140
Tropical Storm Risk	15	7	3	126
Accuweather	13 - 18	7 - 10	3 - 5	125 - 175
Weatherbell	15 - 19	7 - 9	2 - 3	120 - 150
UK Met Office	16	9	4	154
The Weather Company	19	9	4	-
NC State University	12 - 15	6 - 8	2 - 3	-
ECMWF	15	7	-	-
Artemis Average forecast	16	8	4	148
2025 Hurricane Season Actuals	**3**	**0**	**0**	**0**
1950 – 2024 long-term average	12	7	3	107
2015 – 2024 recent average	18	8	4	142
1991 – 2020 NOAA average	14	7	3	122
1981 – 2010 median	12	6	3	106

– Forecasts predict an **average to above- average** Atlantic hurricane season

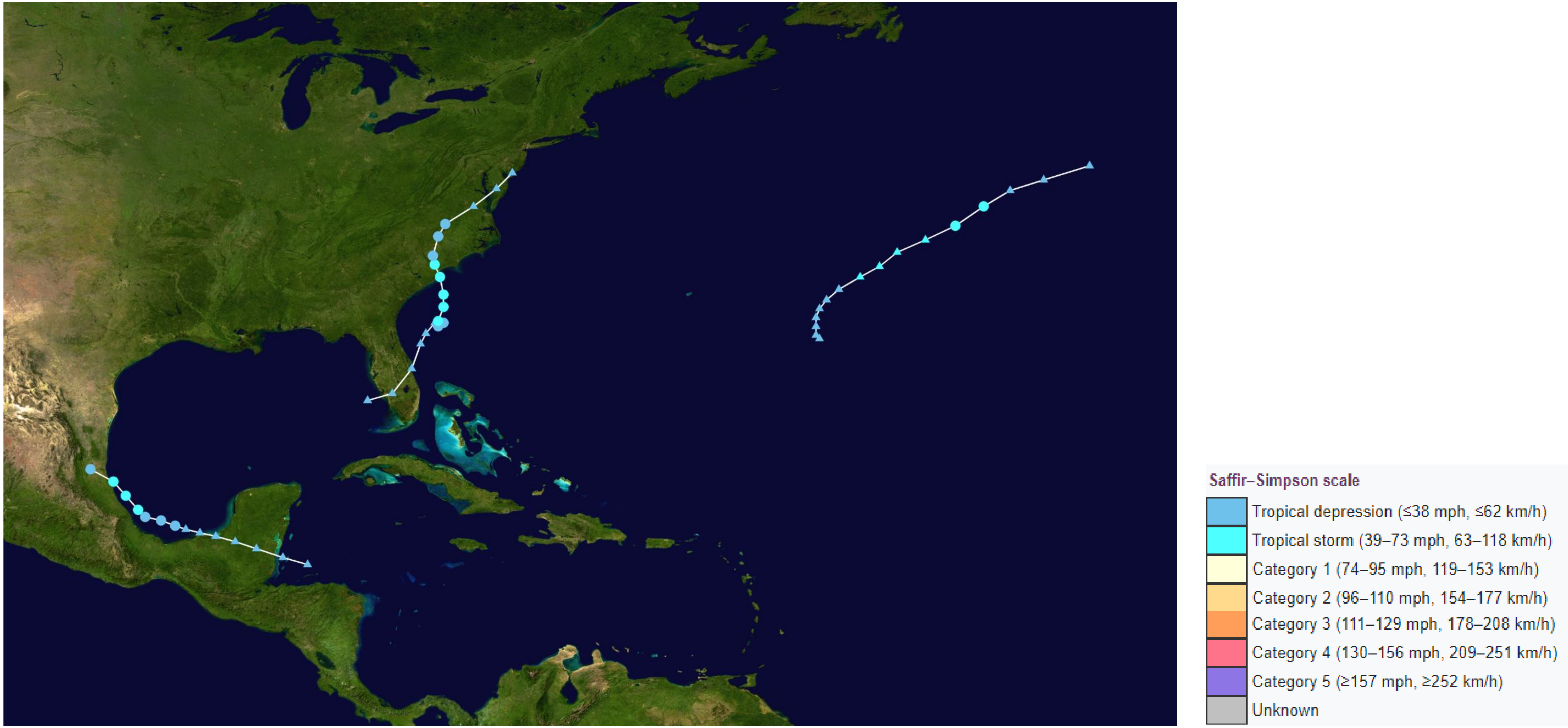
– The **main factor** that is driving the expectation for increased tropical cyclone activity is above-average sea surface temperature in subtropical eastern Atlantic Ocean and Caribbean Sea

– The tropical Pacific is currently characterized by **neutral ENSO conditions**, with a high likelihood that these neutral conditions will continue throughout the hurricane season

Source: Artemis.bm, Schroders Capital, NOAA, Colorado State University, Tropical Storm Risk, Accuweather, Weatherbell, UK Met Office, The Weather Company, NC State University, European Centre for Medium-Range Weather Forecasts. Numbers in parenthesis refer to initial forecasts, 10 July 2025. [1]Accumulated Cyclone Energy.

Atlantic hurricane season activity in 2025

Official season: 1 June to 30 November



Source: Schroders Capital, HikingHurricane, Public domain, via Wikimedia Commons, 8 July 2025.

CLIMATE CHANGE AND ESG

Climate change – one factor of global developments

The ability to price risks is a defining factor

Increase in population since 1970 - United States	- Country: +65% - State of Florida (FL): +217% - Hurricane Ian landfall area in FL: +620%
Improved standard of living	- Middle class is growing rapidly worldwide
Concentration of people/assets in urban areas	- Share of urban population increases continually: 37% (1975) – 56% (2023) – 70% (2050)
Settlement and industrialisation of vulnerable areas	- Especially coastal areas, areas close to rivers
Increase of complexity and interdependencies	- Increasing complexity of value chains (i.e., production cycles) in industrial facilities
Climate Change	- **Intensification and accumulation of extreme weather events in certain areas**

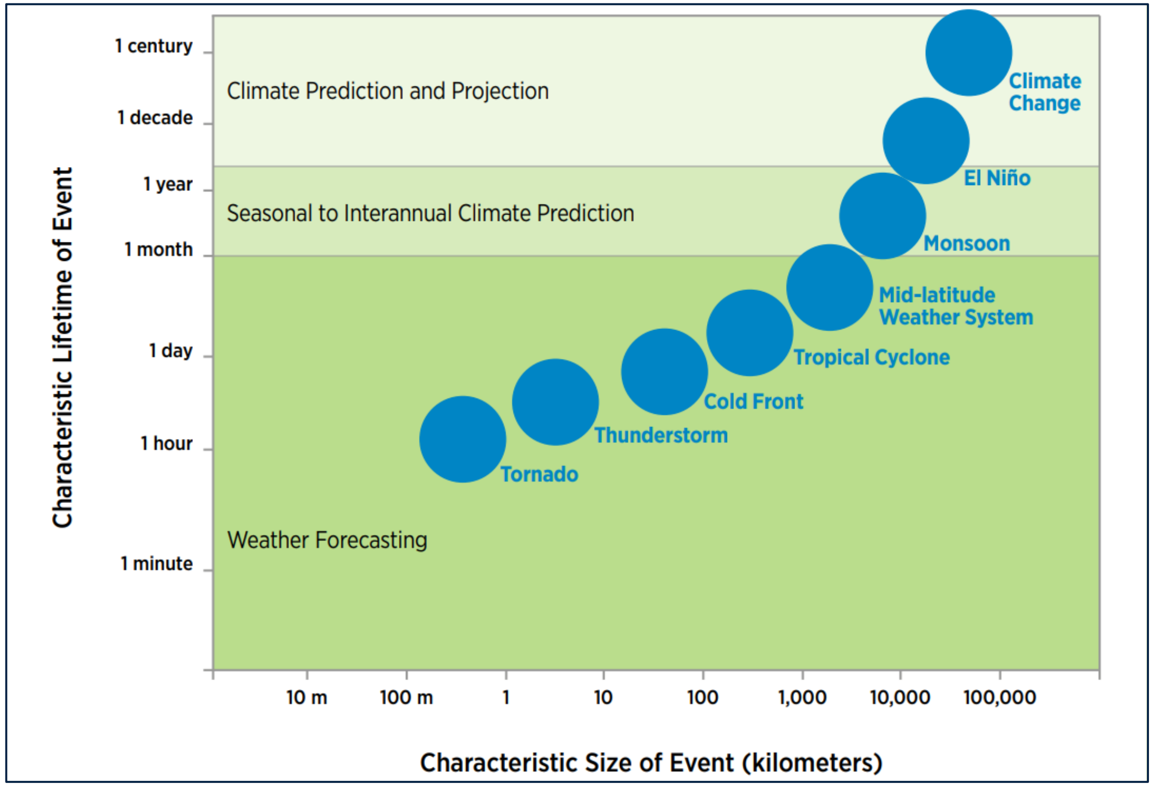
Not necessarily problematic for risk carriers (premiums grow proportionally with risk)

Problematic for risk carriers, if risk models are not adjusted accordingly

Source: Munich Re, Swiss Re, Schroders Capital ILS, September 2023.

Climate-related risks in the context of climate change

Reinsurance industry confronted with near-term and long-term phenomena



Climate change is a gradual and long-term phenomenon, while typical ILS instruments are short-term

Only weather-related insurance risks are in scope; other natural catastrophe risks such as earthquakes – a key driver of 'tail risk' for the overall ILS market – are not affected

Near term climate change effects observed for secondary perils:

- Severe convective storms caused $35 billion or nearly 70% in insured losses worldwide in H1 2023 (Source: Swiss Re)
- Wildfire (drought) – wildfires in Hawaii
- Intense precipitation (flood) – recently in Italy or Australia

Impact on tropical cyclones / extra tropical cyclones is inconclusive. Other recurring transitory phenomena (El Niño, MJO, AMO) appear to have more influence on actual observed activity

Increasing exposures (industrialisation, urbanisation) – especially close to coasts – and increased complexity of value chains (e.g., business interruption) are principal factors driving loss cost

- **Climate change and increasing exposures will lead to growing needs for insurance protection which results in opportunities and threats**
- **If the underlying risk models appropriately reflect the increased risk levels associated with these trends and if risks are adequately compensated for, then the broader trends offer an opportunity for ILS investors**

Source: Schroders Capital. The World Bank, November 2013: Building Resilience – Integrating Climate and Disaster Risk into Development. See also Schroders 'Climate change and ILS' September 2023. The views and opinions shared are those of the Schroders ILS team and are subject to change.

Mission, Vision, Values

Insurance in itself creates socio-economic benefits

Insurance-linked Investments

Mission

People and businesses in industrialised and emerging economies are hit hard by natural and man-made disasters and are often ill-prepared for the consequences

Risk financing and insurance are effective and reliable means of mitigating the effects of such events for individuals, companies and economies

Vision

The insurance industry plays a central role in mitigating the effects of and adapting to natural and man-made disasters

Insurance can become a critical tool to prepare for and help withstanding the consequences of adverse events

Furthermore, insurance against natural disasters makes a real and lasting contribution to building social and economic resilience

Values

ILS managers contribute to sustainability by investing in (re)insurance providers and financial instruments that

- Actively support society's adaptation to natural disasters and climate change
- Promote society's resilience to such events
- Support the transition to a circular economy
- Promote ESG criteria in a targeted manner and address current issues in innovative ways

ILS help economies to increase risk resilience and to create investment opportunities with the rare quality of being uncorrelated to most other assets

Schroders Capital ILS offers strategies/mandates by integrating assets with remote attachment probabilities and high resilience to the effects of climate change and the ability to meet different sustainability and impact requirements

Source: Schroders Capital ILS.

Criteria and exclusions

Market leading S&I characteristics applied to our SFDR Article 8 funds

Criteria

Schroders' ILS SFDR Article 8 funds have environmental and/or social characteristics; each fund invests at least:

- 80% of its assets in investments linked to natural catastrophe and/or life risks with an aim of reducing the negative consequences of such events, contributing to the rebuilding of economies and societies post event and hence increasing their resilience going forward
- 50% of its assets in investments linked to meteorological risks with an aim of reducing the negative consequences of such events, contributing to the rebuilding of economies and societies post event and hence increasing their resilience going forward, and potentially easing the negative consequences of climate change
- 5% of its assets in investments that are designed to address the unavailability of affordable insurance cover against natural catastrophes

Exclusions

Each fund also excludes ILS transactions that are sponsored by the following companies on a standalone basis:

- Environmental: Companies that are active in fossil fuels extraction and production (including but not limited to oil drilling and coal mines) or power generation from oil and gas
- Social: Companies from the following sectors: Alcohol, Tobacco, Gambling, Adult Entertainment, Conventional Weapons, Civilian Firearms, and Nuclear Weapons

Further, each fund exclude certain risk classes from inclusion into its portfolio:

- Lottery, mortgage insurance, life settlements and terror on a stand-alone basis

Source: Schroders Capital. The fund has environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For information on sustainability-related aspects of this fund please go to www.schroders.com

Our ESG engagement framework

How do we engage at Schroders Capital ILS?

Bilateral engagement with broker / dealers throughout the investment lifecycle

Pre-investment selection

- **Sourcing:** S&I[1] considered from the outset of our investment process
- **Screening**: Include positive risk/sponsor selection through strict triage process

Investment due diligence

- **Proactive engagement:** to receive additional information
- **ILS ESG Framework:** completed for each transaction
- **Documentation:** Investment decision includes ESG commentary

Post-investment monitoring

- **Ongoing engagement dialogue:** regular dialogue with the broker/dealer community to improve disclosure and improve data transparency with the aim to establish an industry-wide accepted data reporting framework

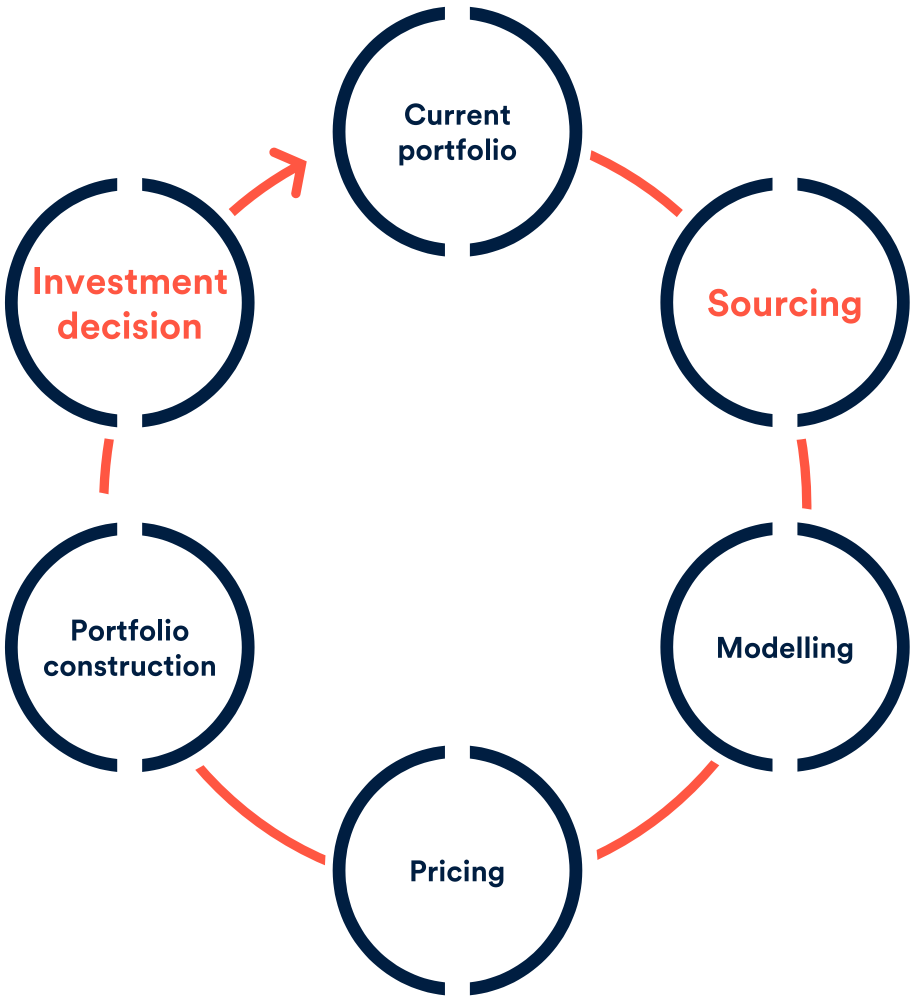
ILS ESG Transparency Initiative[1]

- Cooperation among ILS managers to improve data transparency on ILS
- The main goal of this Initiative is to establish a generally accepted data reporting standard for ILS transactions
- The initiative follows strict Antitrust standards
- As a result of this initiative, a significant improvement of data reporting was achieved during 2023 in terms of ESG disclosures in offering documents and also by providing answers to the ESG questionnaire
- The ILS ESG Transparency Initiative (formerly the Zurich ILS Working Group) won the '2024 ESG Initiative of the Year' award from Insurance Insider ILS, following a previous recognition in 2023 by Trading Risk.

Source: Schroders Capital ILS. Trading Risk. [1]Sustainability and Impact. [1]This initiative was initially called the Zurich ILS Working Group as it only included ILS managers domiciled in the Greater Zurich area; in September 2023 the group was enlarged to include ILS managers outside or Switzerland and was renamed to ILS ESG Transparency Initiative.

ILS investment process

Where ESG is embedded



Source: Schroders Capital ILS.

Sourcing

- Strict triage process – our broker/dealers know our risk appetite and the risks we like
- Qualitative analysis of each transaction includes ESG assessment based on our proprietary ESG Framework which is annually reviewed and approved by the Group Sustainability Team
- We engage bilaterally with transaction sponsors and the broker/dealer community as well as the Zurich ILS Working Group to improve data reporting on ILS transactions (see next slide)

Investment decision

- ILS Investment Committee (IC) decides on every transaction we participate in
- Terms of Reference of IC govern that every investment decision incorporates ESG considerations that are in accordance with the commitments made based on (a) Schroders internal sustainability accreditation of the ILS investment desk and (b) external binding criteria as per adopted fund-specific accreditations
- For each investment proposed, the result of the ESG assessment must be presented to the IC and recorded electronically; if an assessment scores below a certain threshold but is still approved, the rationale why the investment was approved must be recorded

CONCLUSION

Wrap-up

Schroder GAIA Cat Bond continues to **deliver for investors in H1 2025**, following two strong calendar years of performance in 2023 and 2024

With our stringent focus on climate impact on ILS, we have avoided many pitfalls allowing us to generate strong absolute and relative performance – California wildfires in early 2025 demonstrated our positioning

As a leader in cat bonds - both in size and technical know-how - we benefit from excellent market access

Source: Schroders Capital, June 2025. Past performance provides no guarantee of future results and may not be repeated.

APPENDIX

Investment mantra

Key factors we apply in our approach to ILS management

Understand diversification drivers	ILS is a diversifier for investors already to provide a source of uncorrelated returns – and adding diversifying exposures within an ILS allocation has to make sense in the context of the overall portfolio (e.g. to manage peak peril-driven tail risk)
Information symmetry	Overcome information asymmetry – we adjust model assumptions, choose our counterparties carefully and focus on the details of contract wordings and transfer structures
Transparency	Take advantage of opportunities through clearly-defined portfolio building blocks – this facilitates effective portfolio construction and influences how we build funds
Attrition losses	Be aware of attrition losses by addressing the possible impacts of developing weather patterns and consider the macro environment, climate change, inflation and global exposure trends
Trapped collateral	Maximise the return potential of invested capital for our investors - don't allow collateral to be trapped unnecessarily; manage it actively if it is trapped

Source: Schroders Capital. ILS funds invest in insurance-linked instruments which are particularly exposed to sudden substantial or total loss due to, natural and/or man-made catastrophes.

Schroder GAIA Cat Bond

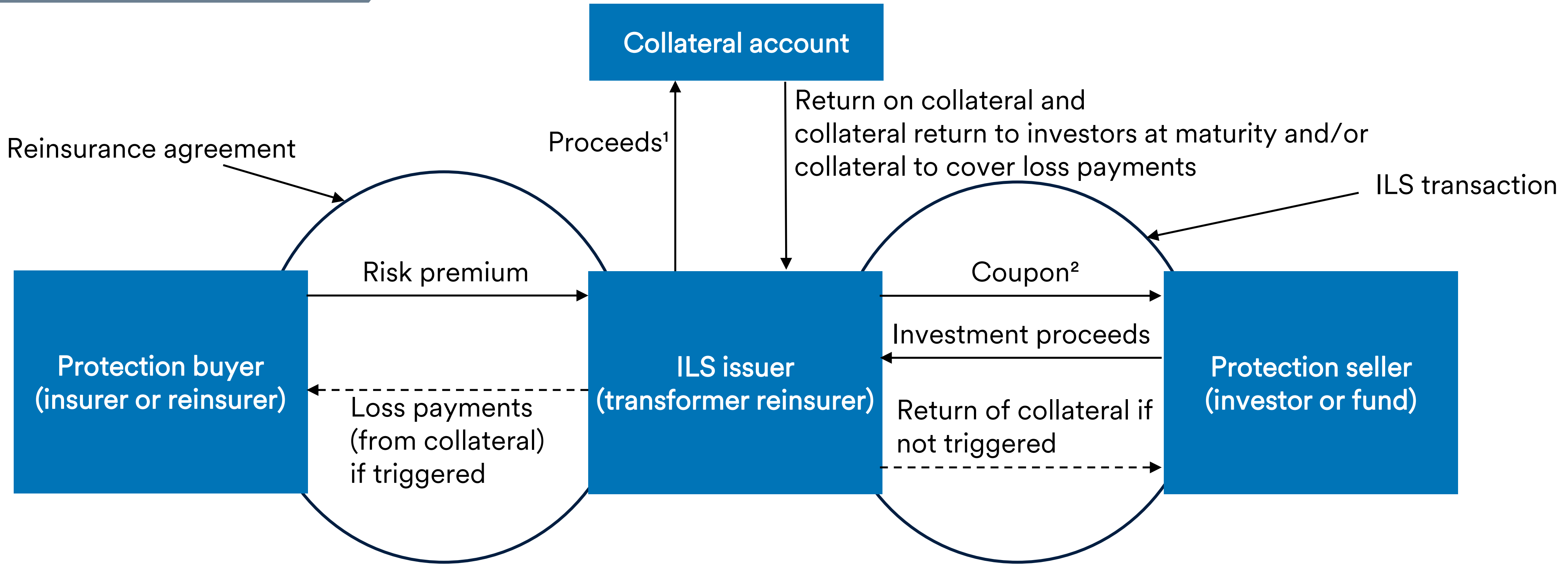
Fund summary

Fund name	Schroder GAIA Cat Bond
Regulatory regime	Luxembourg SICAV, UCITS
Currency	USD (base currency), CHF-, EUR-, GBP-, JPY-, SGD- and SEK-hedged share classes
Investment objective	The fund aims to provide a positive return after fees have been deducted over a three year period by providing exposure to insurance risks that meet the manager's sustainability criteria. This fund is actively managed.
Strategy inception date	May 2011[1]
Investment approach	– Actively managed fund investing in tradable ILS instruments – Focus on catastrophe bonds (min. 80%) – Other tradable ILS risks (e.g. aviation or offshore energy) for diversification – Using proprietary SPOT portfolio management tool
Permitted instruments	– Cat bonds – Structured notes – Interest rate futures – FX forwards – Money market instrument
Minimum subscription	$100,000 (A, C and F share classes) $1,000,000 (IF share classes) $5,000,000 (I share class)
Management fee	1.50% (F share class) 1.10% (IF share class) I share class – negotiable
Subscriptions and redemptions	Second and fourth Fridays and last business day of month, seven days' notice for redemptions, three days' notice for subscriptions

Source: Schroders Capital, as at 25 March 2025. The Next Generation Absolute Return-Secquaero ILS fund EUR-hedged A share class was launched on 2 May 2011.
[1]Schroder GAIA Cat Bond was launched in October 2013 to accommodate a transfer of shareholders from the Next Generation Absolute Return-Secquaero ILS fund to the Schroder GAIA SICAV. Prior to 21 October 2013 the fund uses the track record of the Next Generation Absolute Return-Secquaero ILS fund as a performance track record, starting from the actual launch date of the share class. Objectives may not be achieved.

What are Insurance Linked Securities (ILS)?

ILS are — **Investments that enable investors to participate in pure insurance risk, in the form of bonds or shares, and (re)insurers to obtain high quality protection**



Drivers of return: coupon comprises risk premium (fixed) and return on collateral (floating)
Market trading price determinants: primary issuance, loss activity, seasonality, structure (including peril, trigger mechanism)

Source: Schroders Capital, March 2025. [1]Proceeds from share or bond issuance, [2]Coupon = risk premium + return on collateral

What types of risk are transferred to the ILS market?

Diversification across perils and geographies

Natural catastrophe risks

- Hurricanes, tornados, typhoons
- Winter storms
- Earthquakes
- Hail and winter freeze
- Drought
- Flood
- Wildfire

Other non-life-related risks

- Marine and aviation
- Cyber
- Other insurance lines

Source: Schroders Capital; world map for illustration purposes only. Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

What types of transaction structure are there?

Diversification across transaction types

Transaction types	Instrument types	Trigger types
Public (liquid) • Cat bonds, Cat bonds lite **Private (illiquid)** • Collateralised reinsurance	Notes or bonds Shares (preferred, common)	**Indemnity** • Payout is based upon losses suffered by the protection buyer **Non-indemnity** • Payout is *not* based upon losses suffered by the protection buyer • Payout is based on an observable index such as wind speed or magnitude of earthquake in a defined geographic area, or the total insurance industry losses from an event

Source: Schroders Capital

ILS market

Structure of insurance and reinsurance market

Securitisation/Capital markets: Insurance and reinsurance companies cede part of their risks to capital market players for a coupon	ILS	
Retrocession Reinsurers manage concentration risk by geographical diversification/investing different lines of business	Reinsurer	ILS
Reinsurance Insurance companies transfer portfolio of similar risks to reinsurer in return for a risk premium; this reduces loss volatility	Reinsurer	ILS
Primary insurance Individuals and companies buy insurance protection for a premium; small losses are retained and paid by the insurer	Insurer	ILS

Catastrophes

Homeowner/ Renters Property | Auto | Commercial | Life

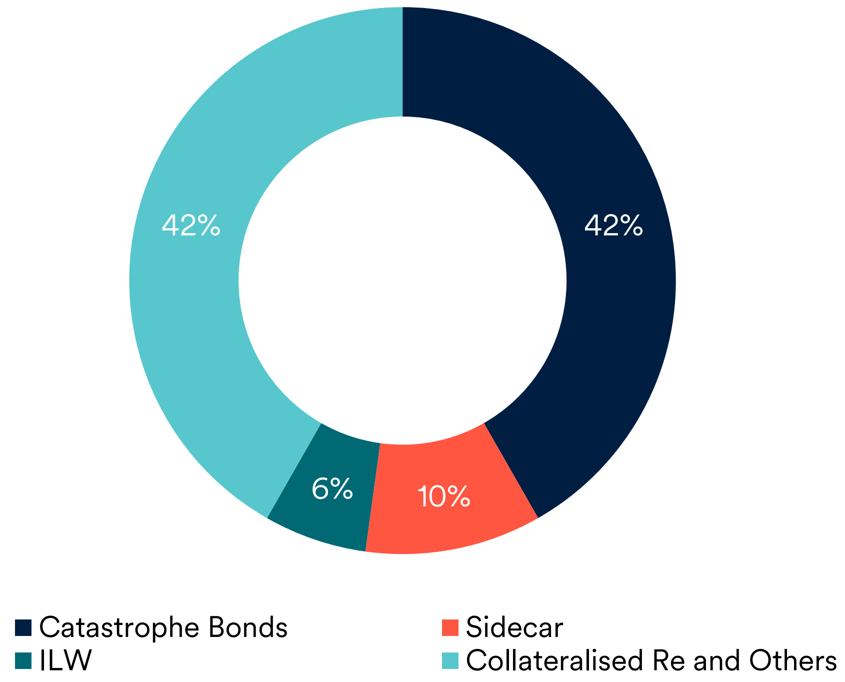
Source: Schroders Capital; images: freepic.com and dreamstime.com. Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

ILS instruments

Breakdown of the building blocks that make up the asset class

Total ILS Universe: ~$115 billion[1]

Approximate[2] ILS universe split by instrument type



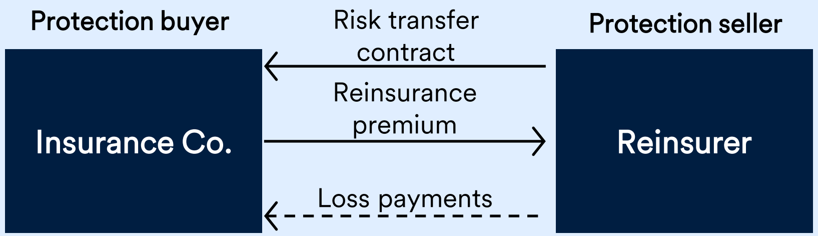
Instruments to access ILS exposure		Typical Term	Trading/Liquidity
Catastrophe Bonds	– Standardised tradable securities that incur losses in the event of specified perils and trigger types – Active secondary market	Multi-year	Publicly tradeable, liquid
Collateralised Reinsurance	– Private reinsurance agreements – Ability to customise risk/return profile – Provides reinsurance capacity on fully collateralised basis – Ability to enhance return through operational leverage	1 year or less	Privately negotiated, limited liquidity
Industry Loss Warranties (ILWs)	– OTC insurance derivatives contracts linked to industry-wide losses – Private, with the ability to customise – Used by insurers and ILS managers – Triggers based on third-party reporting agency (PCS, Perils etc.)	1 year or less	Privately negotiated, limited liquidity
Sidecars (Quota Shares)	– Vehicles established by reinsurers and capitalised through syndicated preferred shares or notes – Participate in risk portfolio side-by-side with reinsurer – Diversified across region and peril based on a pre-agreed book of business	1 year	Privately negotiated, limited liquidity

Source: Schroders Capital, Aon Benfield. [1]Aon Reinsurance Market Dynamics, April 2025. [2]Cat bond total figure excludes mortgage insurance risks. Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

Difference between traditional reinsurance and ILS

Rated promise to pay vs. fully secured structure

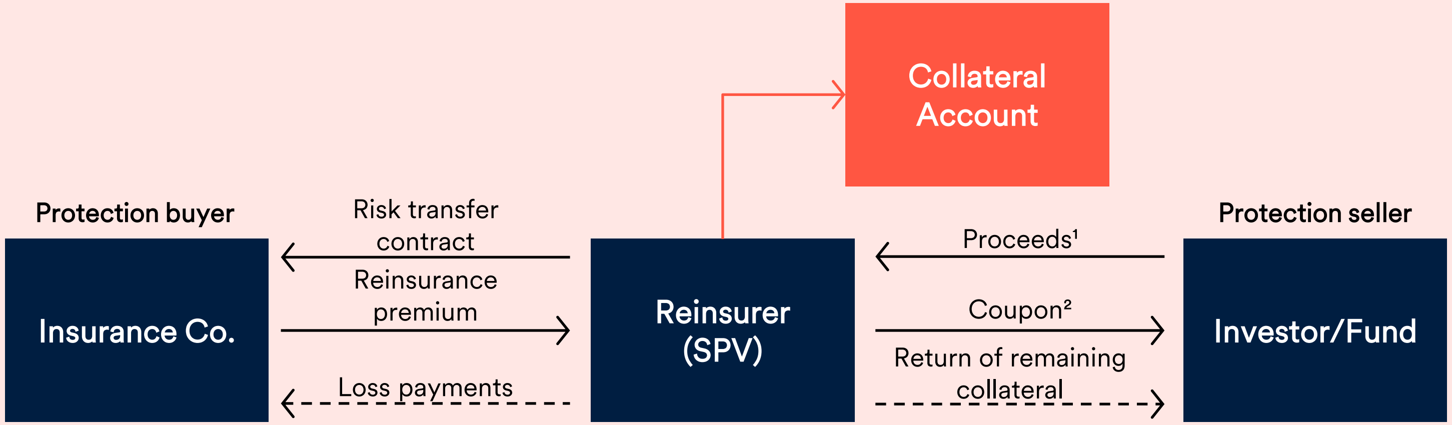
Traditional reinsurance



Protection sold by Reinsurer

- Counterparty is strongly capitalised and rated A or better by A.M. Best or Standard & Poor's
- Obligation is not secured other than through contractual promise to pay in event of loss
- Protection buyer takes counterparty credit and performance risk

ILS



Protection is sold through SPV Reinsurer

- Counterparty is thinly capitalised and not rated
- Obligation to pay in event of loss is fully secured through an on-demand collateral trust structure where the protection buyer is the beneficiary

ILS Structure provides investors the benefit of uncorrelated exposure to insurance risk:

- SPV structure limits exposure to insurer, removing credit risk
- Collateral account is funded by high-quality fixed income assets, limiting duration risk

Source: Schroders Capital, 31 October 2024. [1]Proceeds from share or debt issuance, [2]Coupon = reinsurance premium + money market return.

Conditions that influence the Atlantic hurricane season

Multiple factors contribute to how active a season can be

1

El Niño

El Niño can **inhibit the formation of hurricanes** through increased wind shear and atmospheric moisture

The Caribbean and Gulf of Mexico can experience wind shear **that disrupts hurricanes and tropical storms**

2

Sea surface temperature

Sea surface temperature (SST) plays a role in the formation and intensity of hurricanes, as **warmer SSTs provide more energy for hurricane** development, while **cooler SSTs can inhibit their formation**

3

Saharan Air Layer

The Saharan Air Layer (SAL) **can impede hurricane formation** by reducing moisture and impeding convection, as well as **increasing vertical wind shear, which can cause hurricanes to dissipate**

4

Madden-Julian Oscillation

The Madden-Julian Oscillation (MJO) can impact tropical-cyclone activity in both the eastern Pacific and Atlantic basins during the Northern Hemisphere

The complexity of making hurricane season forecasts based on all these variables is considerable, and the correlation to landfalling events is even more uncertain

Source: Schroders Capital, 2024.

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