



Global Convertible Bonds

Convexity for your asset allocation

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October 2023

Schroder ISF¹ Global Convertible Bond

Investment rationale



Sweet-spot for convexity

We focus our strategy on balanced convertible bonds in order to exploit equity market upside with efficient downside protection. In the long run, our investors can benefit from near equity-like performance with a more attractive risk/return profile than traditional equity investments.



Upside potential

The long running conversion right makes convertible bonds a fascinating package deal combining the defensive qualities of fixed income with the growth potential of equities. As with corporate bonds, the issuer promises to repay the holder their principal at maturity while investors can also benefit from a significant participation in any rise in price of the underlying stock.



Playing on every stage

Historically the asset class has demonstrated a more attractive risk/return profile than both equities and fixed income. It is impossible to replicate this profile even by combining the three separate income components.



Downside protection

With their equity like returns and lower volatility, convertible bonds provide participation in the upside potential of equities whilst offering an element of downside protection.

Source: Schroders. ¹Schroder International Selection Fund is referred to as Schroder ISF.

Convertible Bonds are back...

Converts are again offering attractive levels for smart risk-adjusted performance



Valuations

Convertibles are cheap and are trading under their fair value. That is a reaction to the asset class having fallen out of favour. We think at current valuation levels the asset class is overlooked and oversold.



Global economic outlook

Interest rates are high and will remain high. And higher rates are slowly eating into the cost structure for consumers, for companies, and for governments. Fast forward to a more long-term view for our favourite asset class: we will see high demand for refinancing from companies who will not be able to attract liquidity on traditional corporate markets – and they will offer cheap equity on top of high coupons by issuing convertibles.



Return potential

Traditionally convertible bonds have offered 75% upside participation from rising stock markets. We have not seen a return of highly convex, balanced bonds that generally can achieve such return characteristics.



Return to the mean

We expect to see high demand for refinancing from companies who will not be able to attract liquidity on traditional corporate markets. In the past companies had to offer cheap equity on top of high coupons by issuing convertibles. Converts have always been the market that stayed open in days of illiquidity.

Convertibles

Schroder ISF Global Convertible Bond

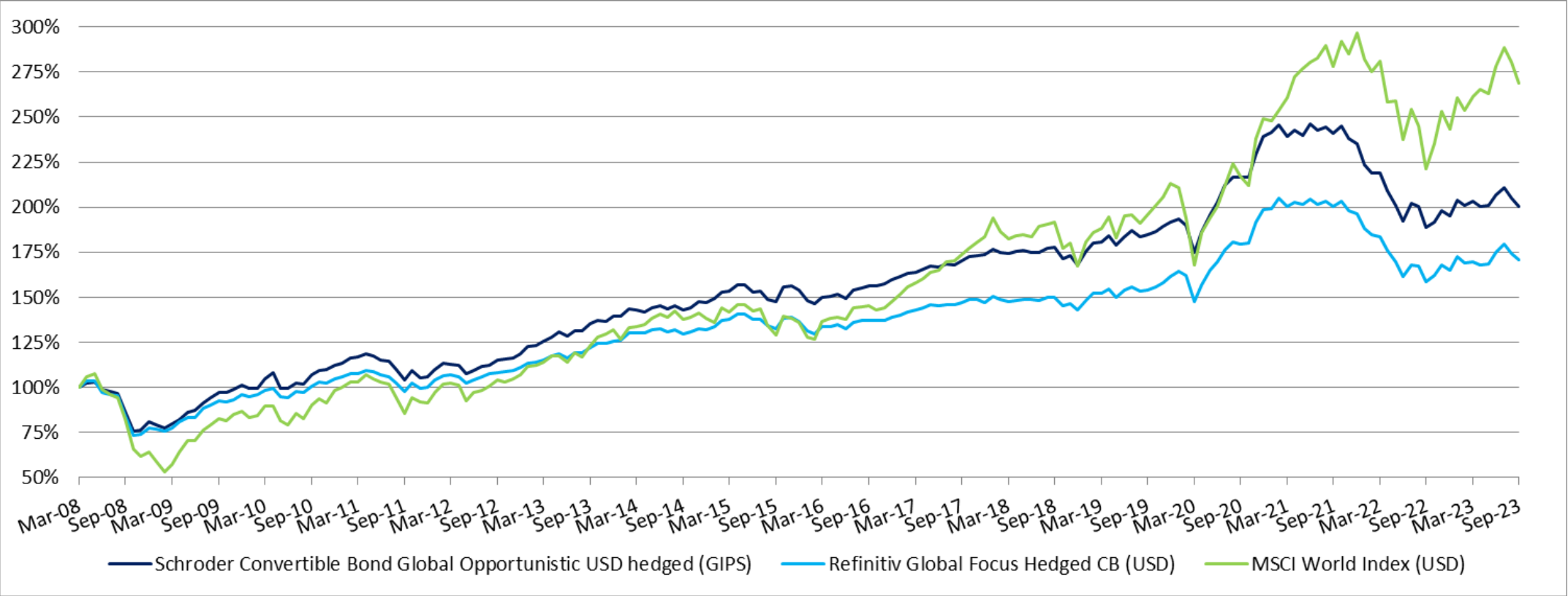
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The convertible market and the investment rationale for the asset class

Performance

Long-term equity correlated performance with added downside protection



Annual outperformance against BM

2008*	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*e
3.59%	1.31%	1.68%	-1.51%	0.86%	4.65%	0.89%	0.90%	1.83%	3.06%	-0.38	0.90%	2.15%	-0.71%	-1.03%	-0.85%

Past performance is not a guide to future performance and may not be repeated.
Source: Schroders, Bloomberg, 30 September 2023, data for Schroder GIPS composite gross in USD. *Outperformance for 2008 and 2023 not for a full calendar year.

Risk considerations

Global investment performance standards

Composite: Schroder Convertible Bonds Global Opportunistic USD Hedged
Composite ID: INT-C000956
Inception Date: 31.03.2008
Base Currency: USD
Currency: USD
Benchmark: Thomson Reuters Global Focus USD Hedged Convertible Bond Index (UCBIFX02)
Gross/Net: Gross Performance
Report Start Date: 30.09.2021
Report End Date: 31.12.2021

Period	Annualised Composite Return	Annualised Benchmark Return	Excess Return (Ann. if > 1 Year), Benchmark 1	Cumulative Composite Return	Cumulative Benchmark Return	Excess Return, Benchmark 1	No. of Portfolios (Throughout Period)	Asset Weighted Dispersion	Equal Weighted Dispersion	Lowest Annualised Return	Median Annualised Return	Highest Annualised Return	Market Value at Start
1 Month	-1.20	-0.85	-0.35	-1.20	-0.85	-0.35	1 (1)	N/A	N/A	-1.20	-1.20	-1.20	2'646'281'500
QTD	-2.41	-1.92	-0.49	-2.41	-1.92	-0.49	1 (1)	N/A	N/A	-2.41	-2.41	-2.41	2'896'554'293
3 Months	-2.41	-1.92	-0.49	-2.41	-1.92	-0.49	1 (1)	N/A	N/A	-2.41	-2.41	-2.41	2'896'554'293
6 Months	-4.38	-3.98	-0.40	-4.38	-3.98	-0.40	1 (1)	N/A	N/A	-4.38	-4.38	-4.38	2'994'031'862
YTD	-1.82	-1.11	-0.71	-1.82	-1.11	-0.71	1 (1)	N/A	N/A	-1.82	-1.82	-1.82	2'589'905'181
1 Year	-1.82	-1.11	-0.71	-1.82	-1.11	-0.71	1 (1)	N/A	N/A	-1.82	-1.82	-1.82	2'589'905'181
2 Years	10.78	10.22	0.56	22.72	21.48	1.24	1 (1)	N/A	N/A	10.78	10.78	10.78	1'955'028'847
3 Years	11.84	11.17	0.67	39.90	37.39	2.51	1 (1)	N/A	N/A	11.84	11.84	11.84	1'661'765'713
4 Years	7.83	7.44	0.38	35.17	33.26	1.91	1 (1)	N/A	N/A	7.83	7.83	7.83	1'583'022'720
5 Years	8.07	7.15	0.92	47.43	41.25	6.17	1 (1)	N/A	N/A	8.07	8.07	8.07	1'466'228'579
6 Years	7.28	6.20	1.08	52.48	43.50	8.98	1 (1)	N/A	N/A	7.28	7.28	7.28	1'853'971'566
7 Years	6.92	5.86	1.05	59.69	48.99	10.70	1 (1)	N/A	N/A	6.92	6.92	6.92	1'771'404'463
8 Years	6.75	5.72	1.03	68.66	56.04	12.62	1 (1)	N/A	N/A	6.75	6.75	6.75	2'060'067'533
9 Years	7.91	6.51	1.41	98.49	76.38	22.10	1 (1)	N/A	N/A	7.91	7.91	7.91	847'059'639
10 Years	8.33	6.97	1.35	122.54	96.25	26.29	1 (1)	N/A	N/A	8.33	8.33	8.33	477'463'516
Since Inception	6.42	5.03	1.39	135.18	96.26	38.92	1 (1)	N/A	N/A	6.42	6.42	6.42	10'086'436
2021	-1.82	-1.11	-0.71	-1.82	-1.11	-0.71	1 (1)	N/A	N/A	-1.82	-1.82	-1.82	2'589'905'181
2020	24.99	22.84	2.15	24.99	22.84	2.15	1 (1)	N/A	N/A	24.99	24.99	24.99	1'955'028'847
2019	14.00	13.10	0.90	14.00	13.10	0.90	1 (1)	N/A	N/A	14.00	14.00	14.00	1'661'765'713
2018	-3.38	-3.01	-0.37	-3.38	-3.01	-0.37	1 (1)	N/A	N/A	-3.38	-3.38	-3.38	1'583'022'720
2017	9.07	6.00	3.07	9.07	6.00	3.07	1 (1)	N/A	N/A	9.07	9.07	9.07	1'466'228'579

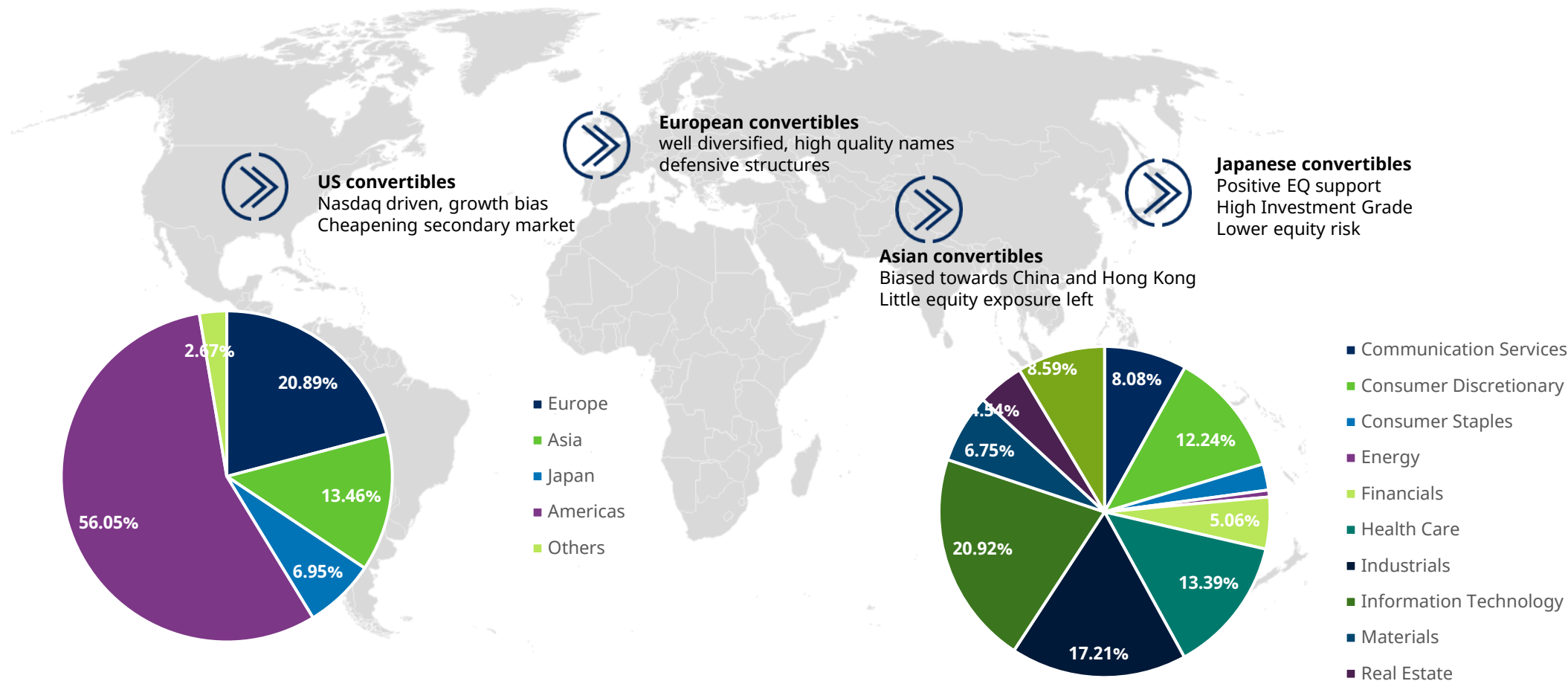
Past performance is not a guide to future performance and may not be repeated.

Source: Schroders.

The capital is not guaranteed. Non-investment grade securities will generally pay higher yields than more highly rated securities but will be subject to greater market, credit and default risk. A security issuer may not be able to meet its obligations to make timely payments of interest and principal. This will affect the credit rating of those securities. Investments denominated in a currency other than that of the share-class may not be hedged. The market movements between those currencies will impact the share-class. Investment in bonds and other debt instruments including related derivatives is subject to interest rate risk. The value of the fund may go down if interest rate rise and vice versa. It may be difficult to sell quickly positions of one or more companies to meet redemption requests upon demand in extreme market conditions.

Convertible bonds

Regional differences create potential alpha

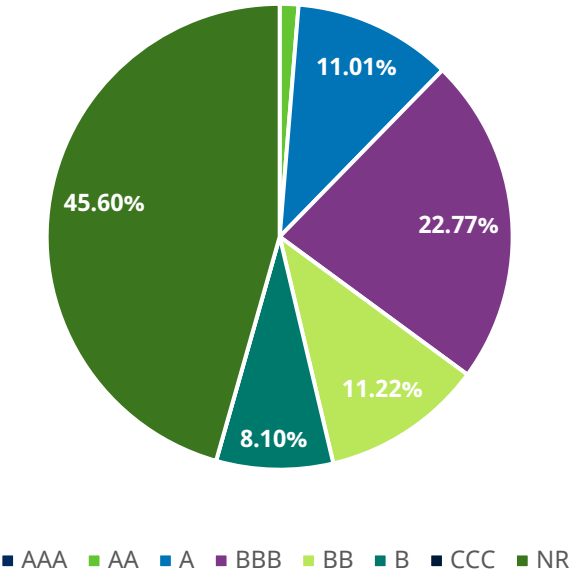


Source: Schroders. Regional and sectoral distribution based on Refinitiv Global Focus convertible bond index as of 30 September 2023.

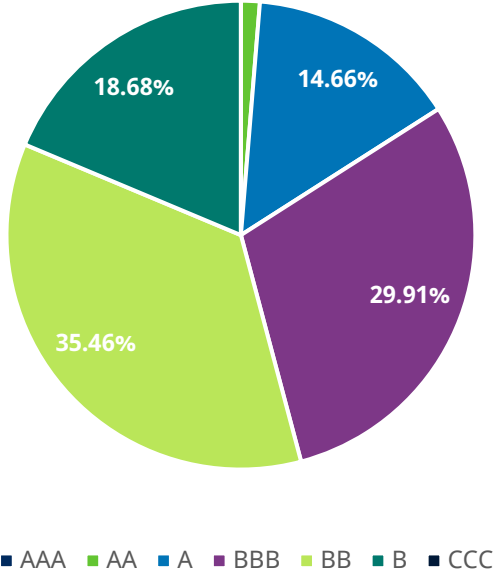
Convertible bonds

Credit distribution

Official ratings



Official and implied ratings

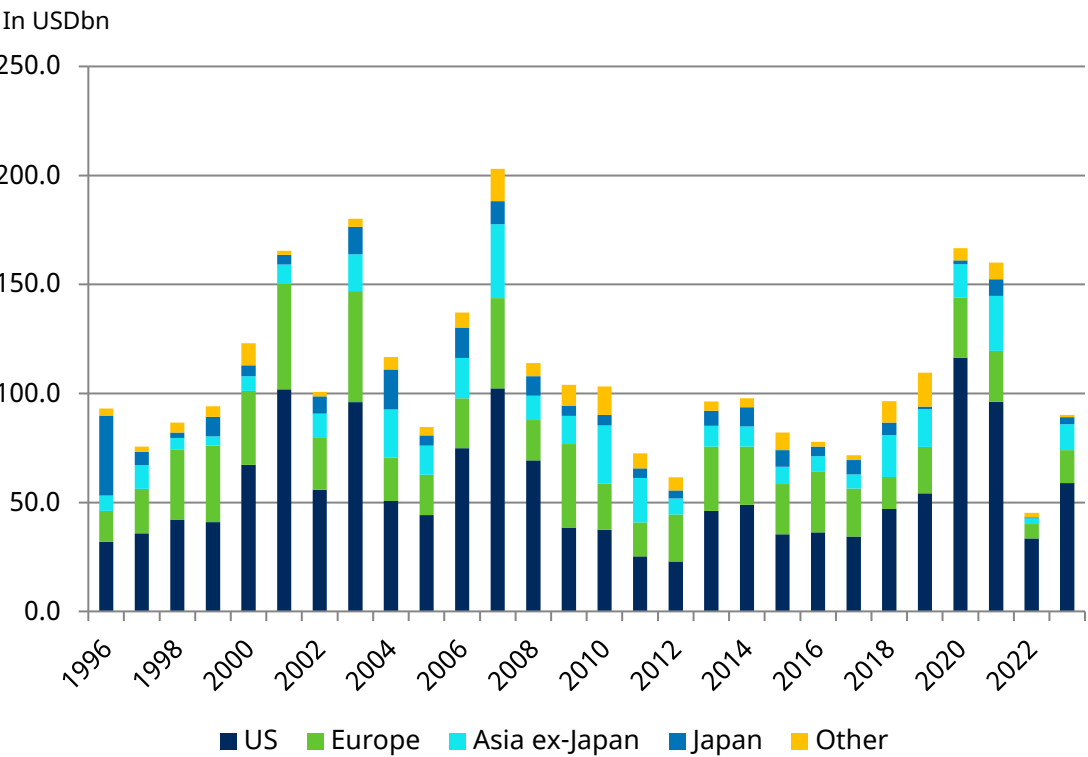


Source: Schroders, based on constituents of the Refinitiv Global Focus convertible bond index, as of 30 September 2023.

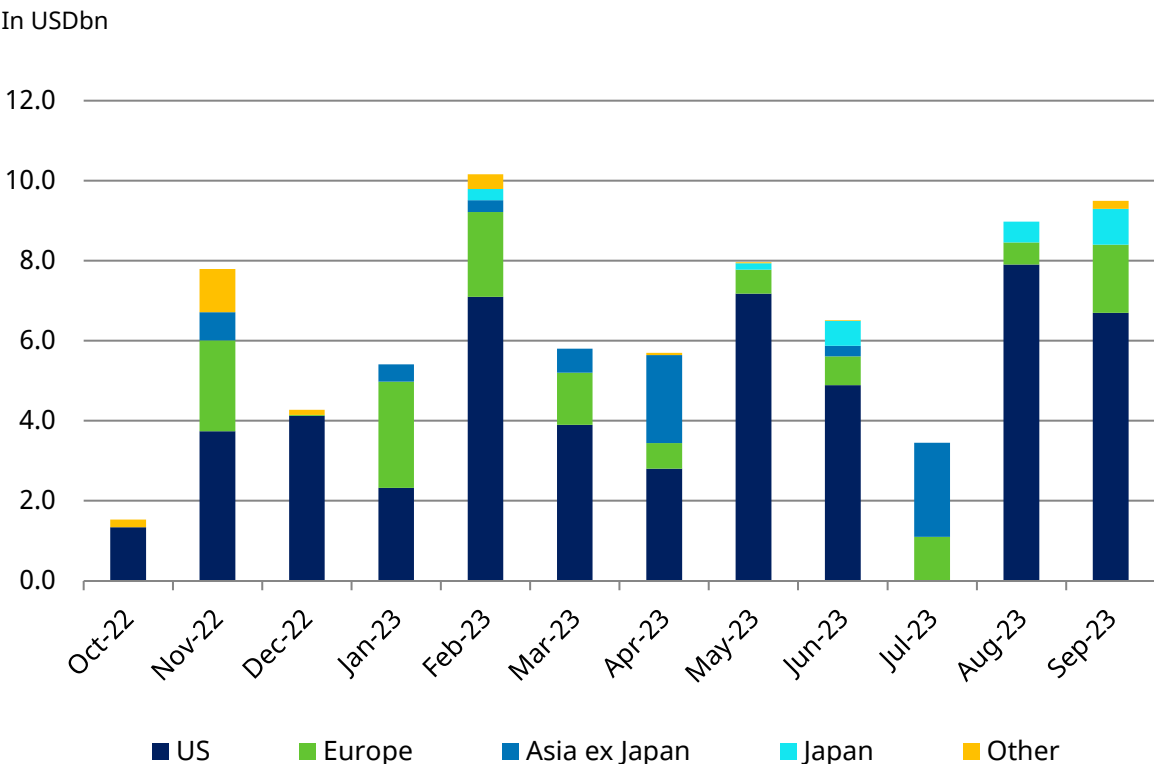
Convertible bonds

Market development

Annual convertible issuance over 25 years



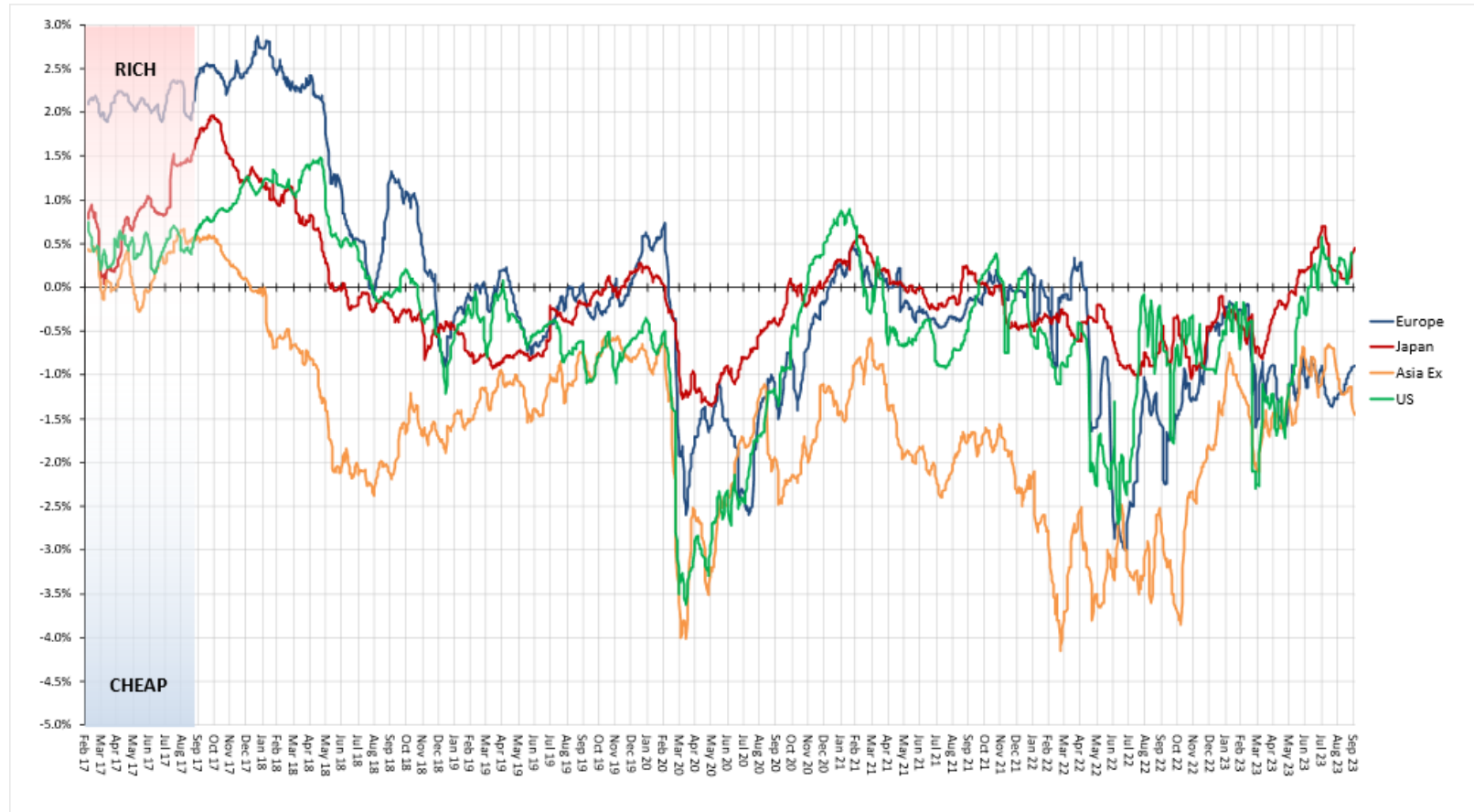
Monthly convertible issuance



Source Refinitiv, as at 30 September 2023.

Convertible bonds

Current valuations



Expensive

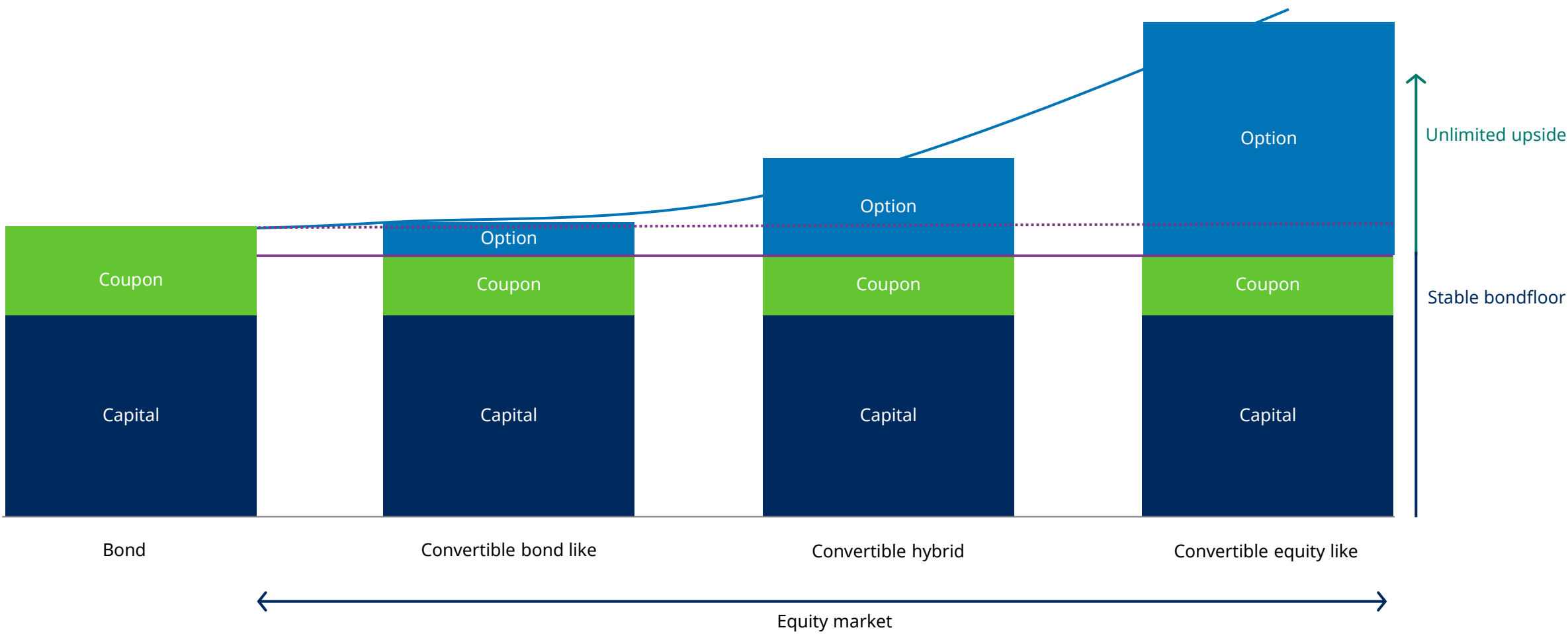


Cheap

Source: Jefferies, as at September 2023.

Investment rationale

Asymmetrical pay-out profile



Source: Schroders; for illustration purposes only.

Investment rationale

Package deal

Corporate bond



Payback at maturity
Coupon income

Conversion right



Right for the investor:
Receive fixed number of company stock
in exchange for bond

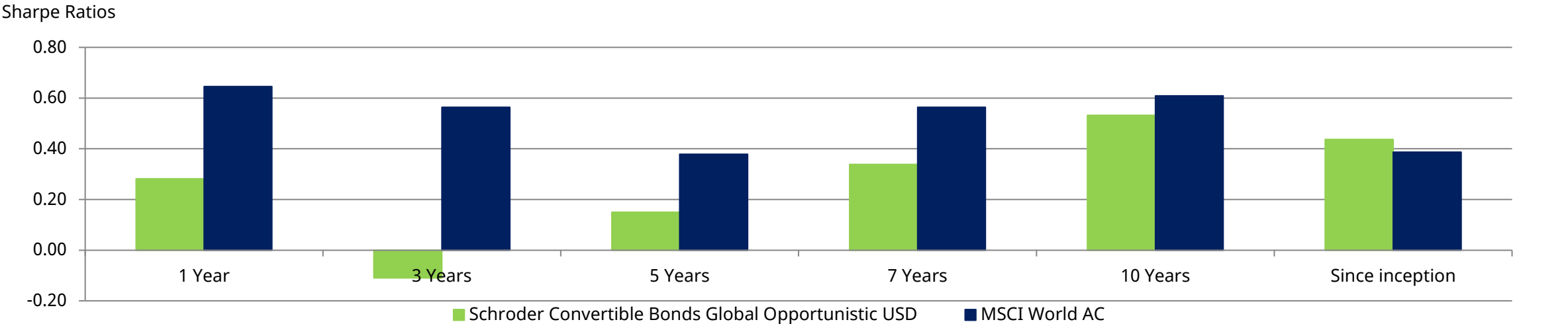
Convertible bond



Package deal:
Cannot be replicated
and cannot be
traded
separately

Investment rationale

Attractive risk/return characteristics



	Schroder Convertible Bonds Global Opportunistic USD		MSCI World AC	
	Return	Volatility	Return	Volatility
1 year	6.07%	8.21%	14.26%	13.43%
3 years (p.a.)	7.66%	10.92%	17.15%	19.46%
5 years (p.a.)	0.66%	10.31%	11.53%	17.27%
7 years (p.a.)	3.44%	10.38%	8.66%	17.90%
10 years (p.a.)	4.76%	8.90%	10.52%	15.56%
Since inception (p.a.)	4.90%	8.25%	9.35%	14.50%

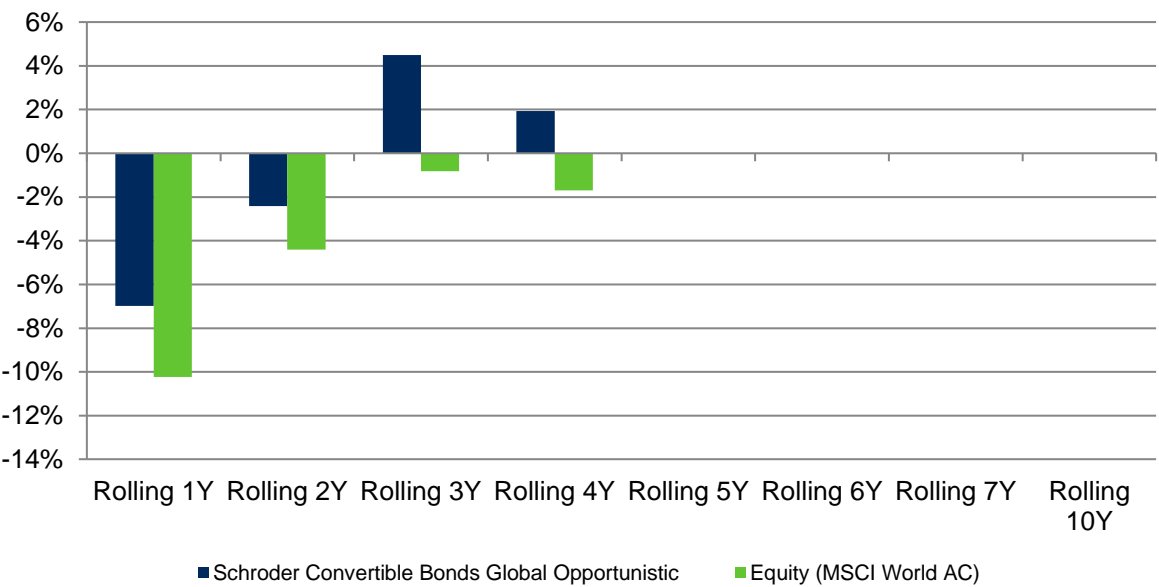
Past performance is not a guide to future performance and may not be repeated.
Source: Schroders and Bloomberg, data as of 30 June 2023, data for Schroder GIPS composite gross in USD.

Investment rationale

Downside protection/upside participation

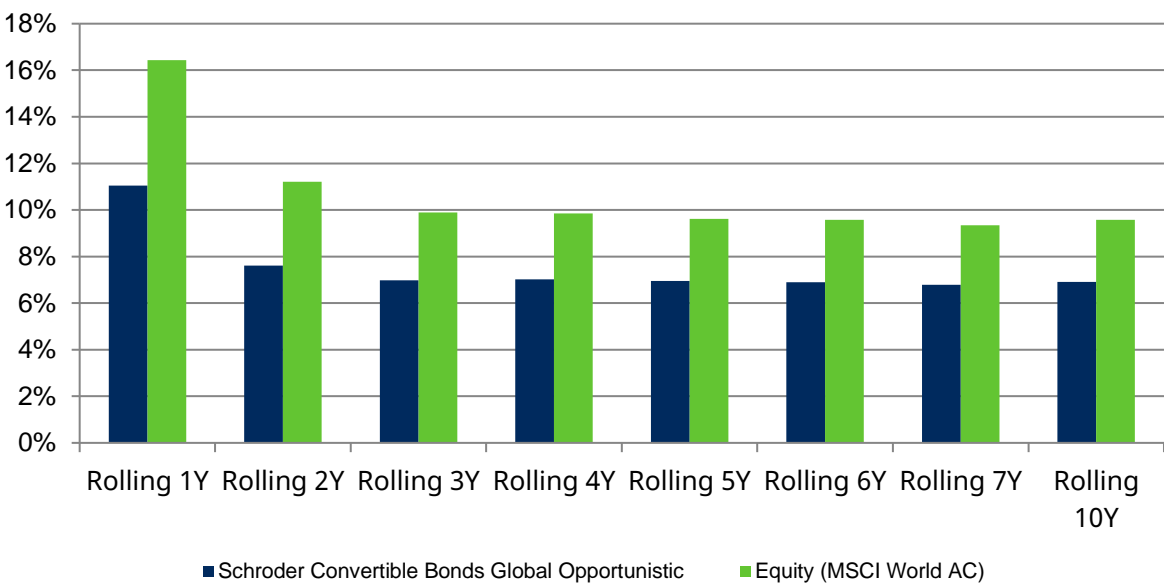
Average performance in any given rolling investment period since launch of our fund

Downside equity markets



Average downside participation over 1 year 68%
No negative convertible returns in any 2, 3, 4, 5 and 7 year investment period

Upside equity markets



Average upside participation over

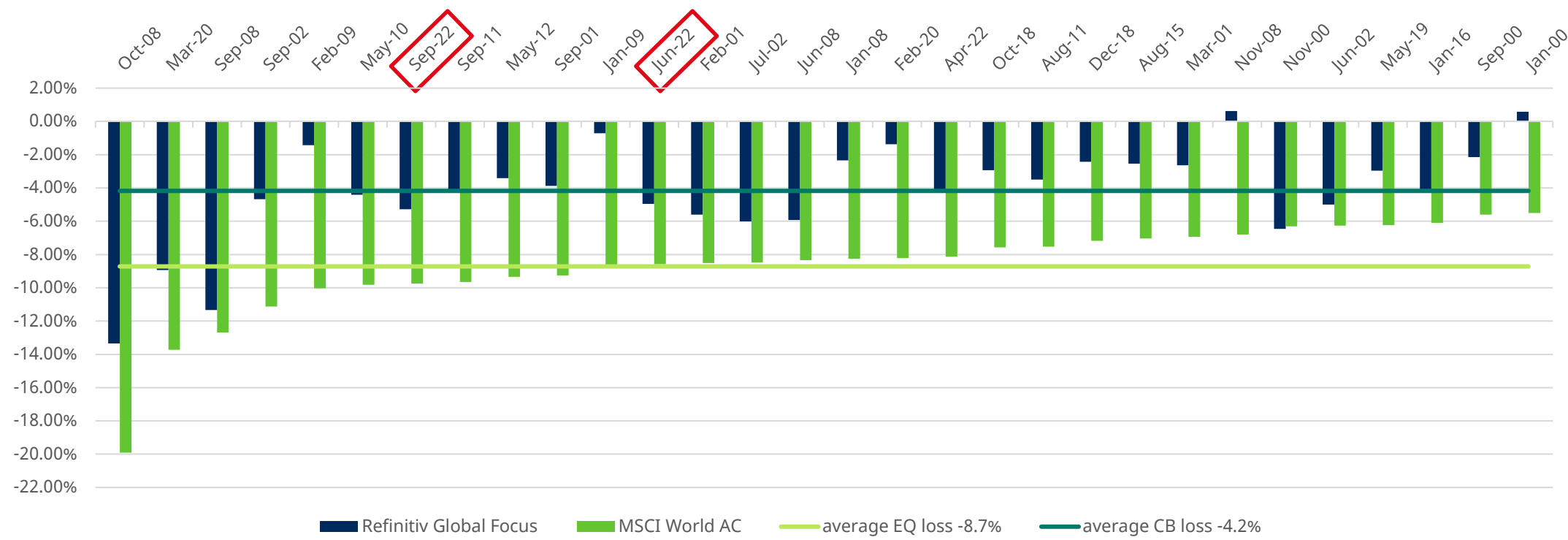
1 year:	67%	2 years:	68%	3 years:	71%
5 years:	73%	7 years:	73%	10 years:	72%

Past performance is not a guide to future performance and may not be repeated.
Source: Bloomberg, Schroders 31 July 2023, data for Schroder GIPS composites gross in USD.

Investment rationale

Downside protection

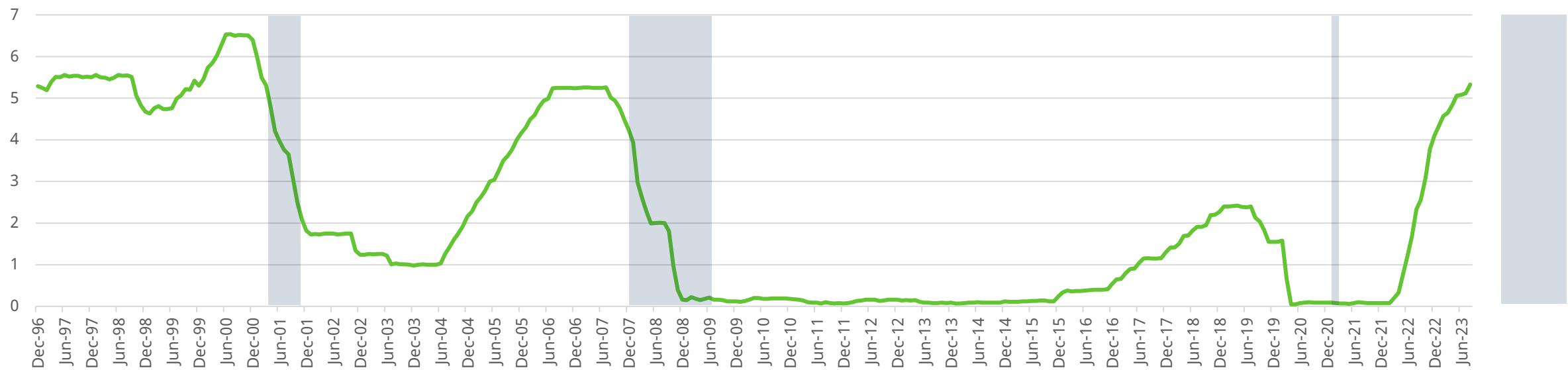
The worst 30 equity months in the last 20 years



Past performance is not a guide to future performance and may not be repeated.
Source: Schroders and Bloomberg, data as of 30 September 2022, data for Schroder GIPS composite gross in USD.

Convertible Bonds

Reaction to rising rates – and following recessions



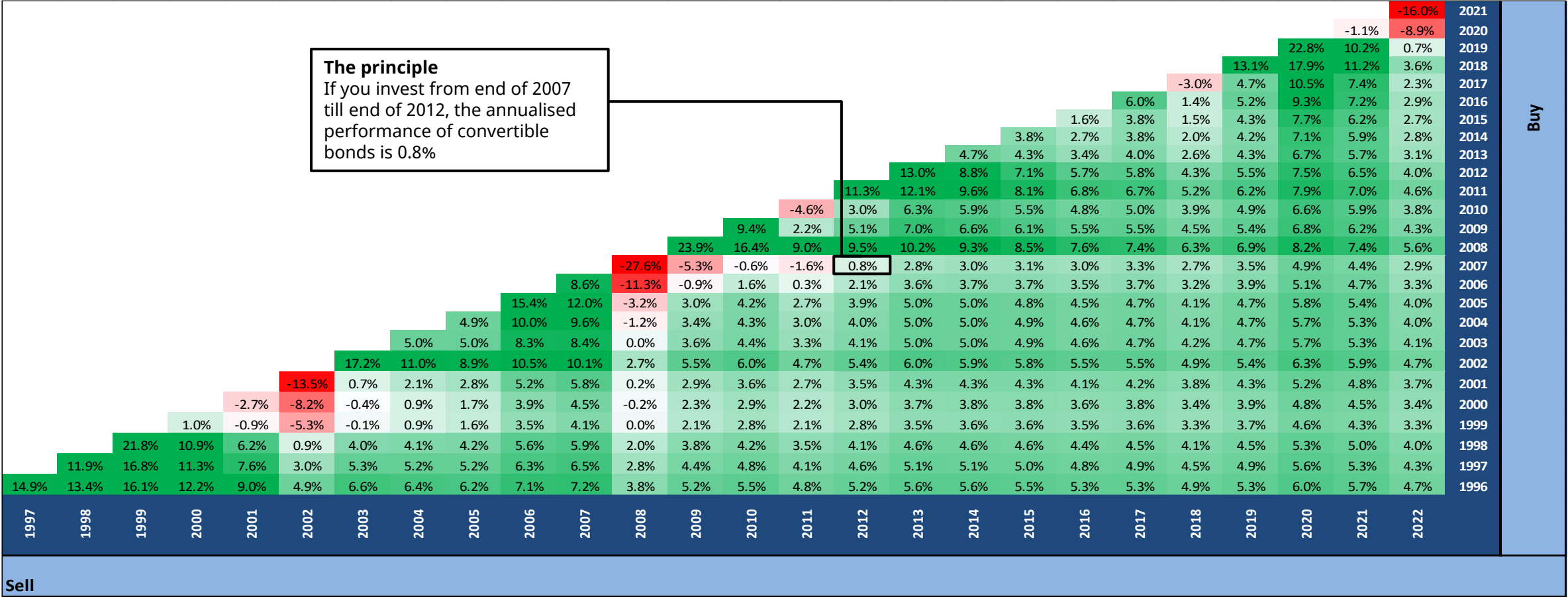
End of hiking cycle	Sep 2000	July 2007	July 2019	Aug 23
Time to recession start	7 months	4 months	6 months	3 months and counting
Convertibles* performance to market bottom	-11%	-28%	-5%	
Equity* performance to market bottom	-31%	-52%	-16%	
% Loss protection	64%	47%	67%	

Source: Schroders, Bloomberg, September 2023. *as measured by the Refinitiv Global Focus (USDh) and the MSCI World TR (USD)

Investment rationale

25 years of convertible performance

Multi-period performance of the Refinitiv Global Focus Convertible Bond Index



Past performance is not a guide to future performance and may not be repeated.
Source: Bloomberg and Schroders, as of 31 December 2022.

Schroders



Schroders investment approach

Schroders Convertible Bond team

Your investment team and centre of competency for convertibles



Dr. Peter Reinmuth
Head of Convertible Bonds

Product / Strategy¹

Dr. Martin Kuehle

Portfolio Management

Chris Richards, CFA
Gian-Reto Bonadurer
Cedric Spiegel
Louis Steinbrunner

Trading¹

Urs Reiter
John F. Goddard



Highly resourced, dedicated convertible team with full **access to Schroders broad equity, credit, and ESG research**



Traditional **high conviction pure play strategy**



Fully invested, fully **currency hedged**



No derivatives and **no synthetics**



Unconstrained style focussed on downside



Strong credit record with **no defaults** since inception



Strong risk-adjusted **track record**

Source: Schroders, as at December 2022, ¹report to other team heads.

Investment process

Clearly defined process resulting in sustainable investment results

Strategy setting

Strategic objectives

- Seeking outperformance against benchmark
- Define target outperformance depending on market profile
- Strategic delta range against market neutral

Definition of opportunity set

- Global
- Traditional convertible bonds

Top-down macro setting

Macro input on key drivers of convertible performance

- Equity exposure
- Credit exposure (Investment Grade and High Yield credit)
- Interest rates

Target portfolio

- Tactical delta positioning
- Regional exposures

Bottom-up convertible selection

Survivability of issuer

- Clear focus on balanced convertibles
- Fundamental credit research

Convexity modelling

- Schroders credit spread for each convertible bond
- Input variables: spread, volatility, stock borrow
- Covenants: dividend protection, take-over ratchets, put and call structures

Equity momentum and value

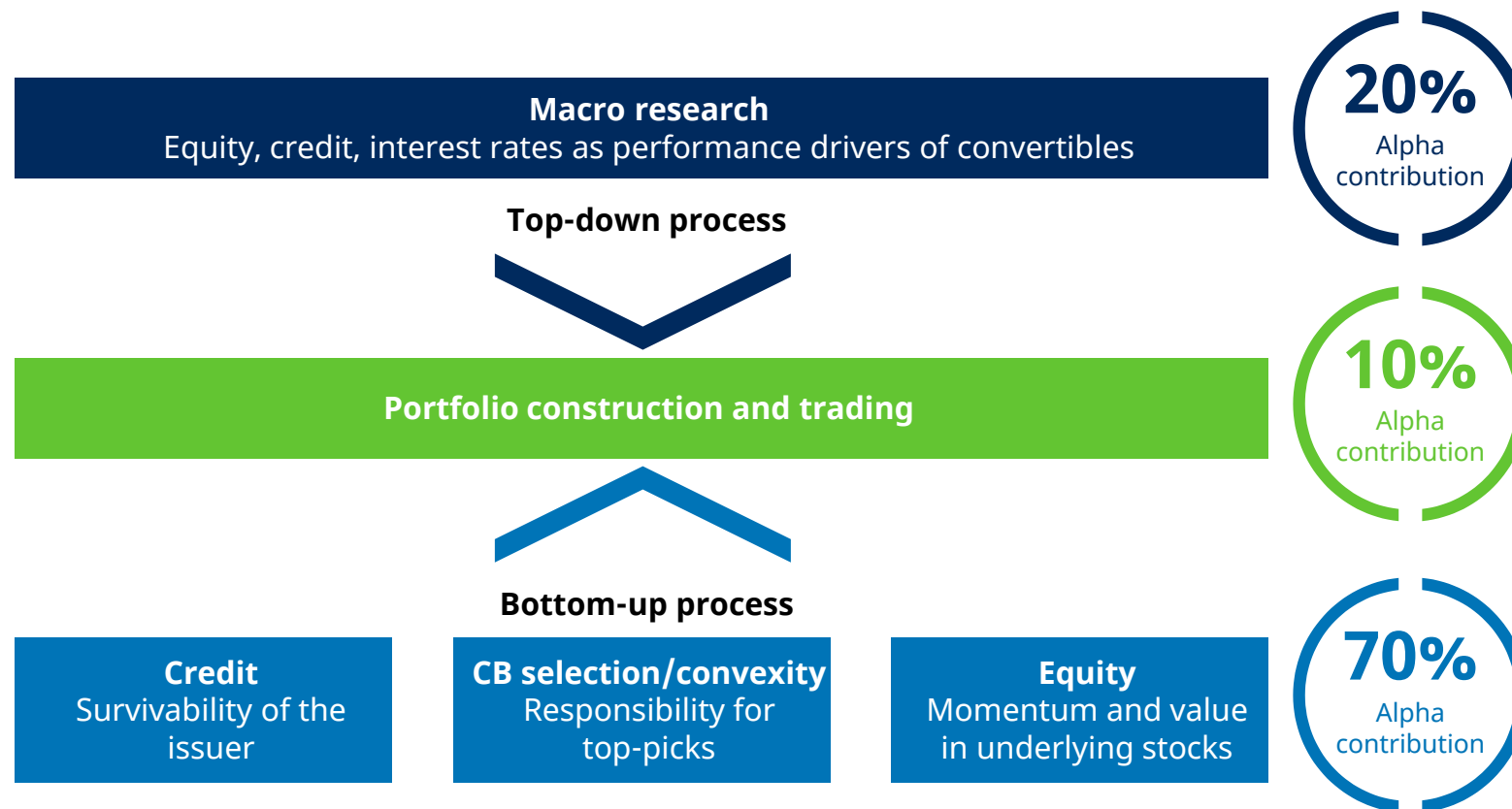
- Momentum analysis of underlying equity
- Strong collaboration with EQ research

Portfolio construction and trading

- The right convertible bond for each strategy
- Liquidity of convertible bond/outstanding volume
- Position sizing
- Dedicated convertible trading team
- Best execution

Investment process: strategy setting

Define objectives and target behaviour of portfolio strategy



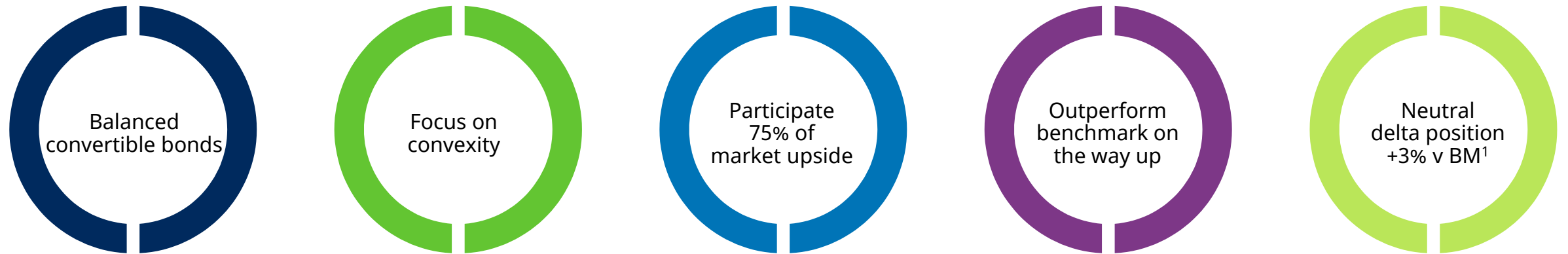
Source: Schroders.

Investment process: strategy setting







Define objectives and target behaviour of portfolio strategy

Schroder ISF¹ Global Convertible Bond: long-term, strategic objectives



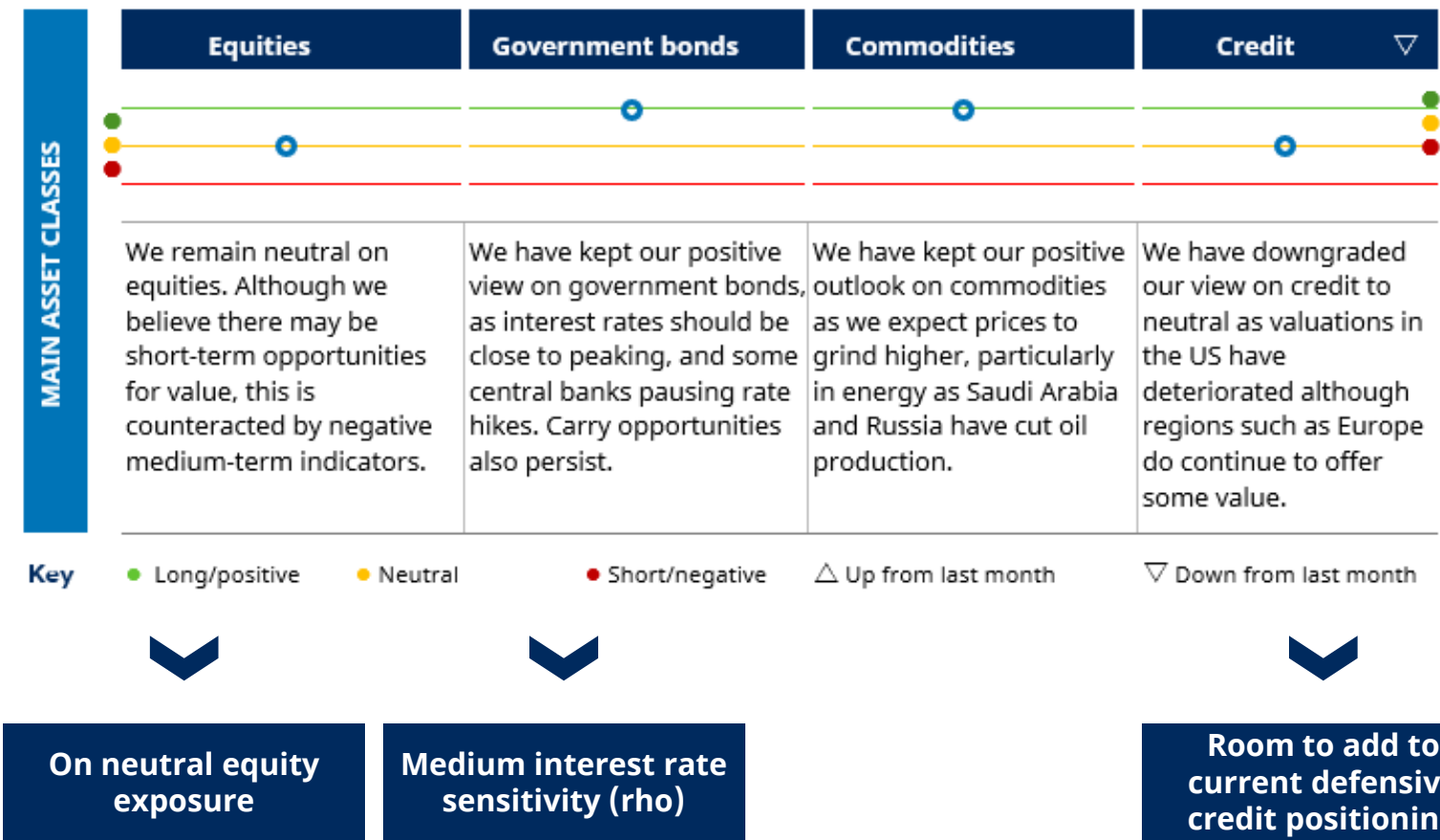
Schroder ISF Global Convertible Bond: opportunity set

-  Most attractive convertible bonds globally
-  Benchmark unconstrained
-  No regional or sector limits
-  Use of smart sub-investment grade credit exposure

Source: Schroders. ¹The benchmark for the strategy is Thomson Reuters Global Focus Convertible Bond.

Investment process: top-down

Macroeconomic input



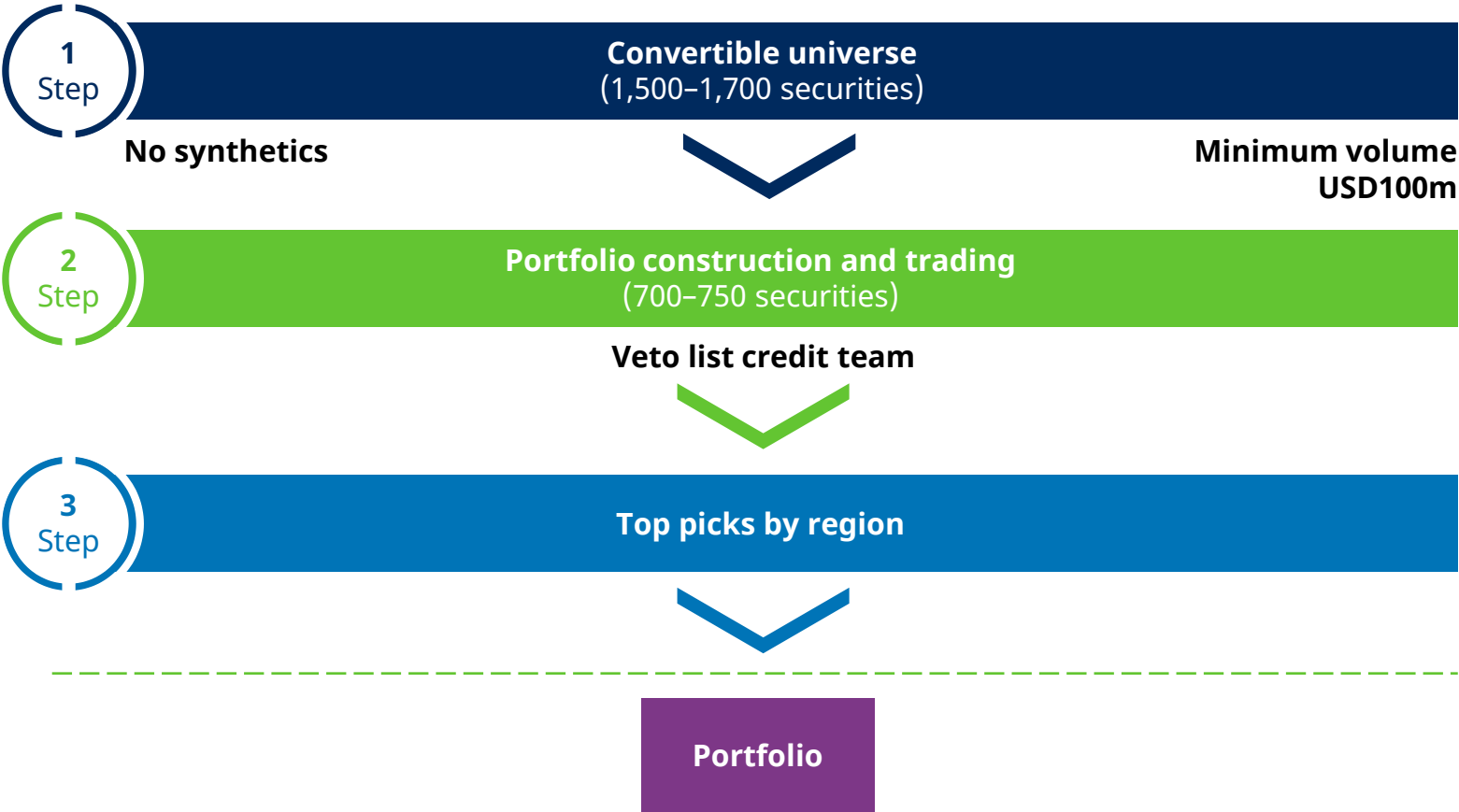
Macro research

Equity, credit, interest rates as performance drivers of convertibles

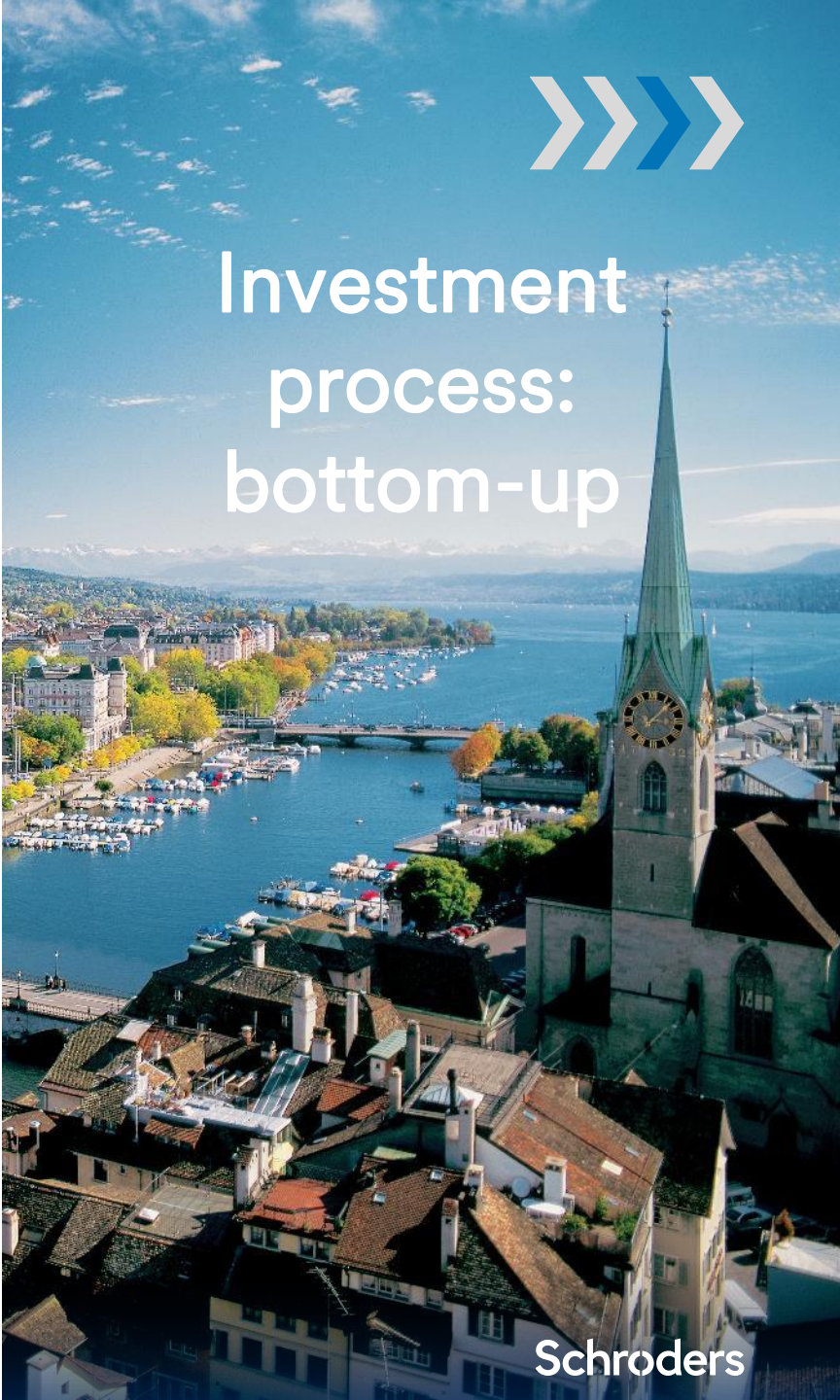
Portfolio construction and trading

Source: Schroders. September 2023.

Making full use of the global universe



Source: Schroders.



Investment
process:
bottom-up

Investment process – credit



Three lines of defence



Focus on
balanced/hybrid
convertible bonds which
present high convexity



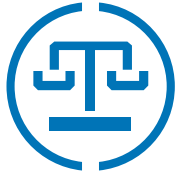
Do not focus on deep
credit, bombed-out
convertibles or
turn-around stories in
our convexity strategies



Fundamental credit
research

Investment process: bottom-up

Responsibilities clearly defined



Credit

Veto right for the credit team

More than 30 credit specialists locally¹

- 7 locations
- Average 12 years experience
- Clear and precise reporting with high informative value



CB selection/convexity

Responsibility for top-picks

Experienced portfolio management and analyst team

- Dr. Peter Reinmuth – Head of Convertible Bonds (focus on Asia)
- Chris Richards – Fund Manager (focus on Japan)
- Gian-Reto Bonadurer – Fund Manager (focus on US)
- Cedric Spiegel – Fund Manager Assistant (focus on ESG ideas)
- Louis Steinbrunner – Fund Manager Assistant (focus on Europe and credit ideas)
- Urs Reiter – Trading (focus on new issues)
- John Goddard – Trading (focus on new issues)



Equity

Momentum and value in underlying stocks

Complete access on Schroders equity research database

- More than 80 specialists globally¹
- Fundamental value-driven equity research

Source: Schroders, ¹as of May 2023.

Investment process: portfolio construction



Finding the right convertibles for each strategy

	Schroder ISF Global Convertible Bond	Schroder ISF Global Sustainable Convertible Bond
Aim	Outperform TR Global Focus	Combine top class ESG approach with balanced convertible bonds
Strategic positioning	Deliver outperformance against BM in rising markets	Deliver return and risk characteristics of balanced convertibles
Investment focus	Convexity sweetspot	Convexity sweetspot of ESG universe
Targeted upside participation	75% of rising equity market performance	66% of rising equity market performance
Targeted downside protection	50% of falling equity market performance	33% of falling equity market performance
Added value for investor	<ul style="list-style-type: none">– Upside potential of equity markets with added protection– Long-term diversification of asset allocation– Attractive risk/return profile	<ul style="list-style-type: none">– Fully integrated ESG investment approach– Long-term diversification of asset allocation– Attractive risk/return profile
Bottom line	Playing on every stage	Sustainability and convexity

Source: Schroders.

Competitive edge



Schroders centre of competency for convertible bonds

- Successful long-term track record managing according to clearly defined strategies
- **Full client transparency**; we manage exactly against client expectations
- **Fundamental convertible selection** is at the heart of our investment process
- Our opportunity set is **truly global** and exploits opportunities in a dynamic and inefficient market
- We focus on convertibles with both **high convexity** and **strong momentum**
- Our **dedicated convertible trading team** is part of our investment desk and ensures liquidity as well as good allocations on the primary market
- We directly invest in corporate Convertible Bonds rather than in synthetics or derivative constructions

Schroders



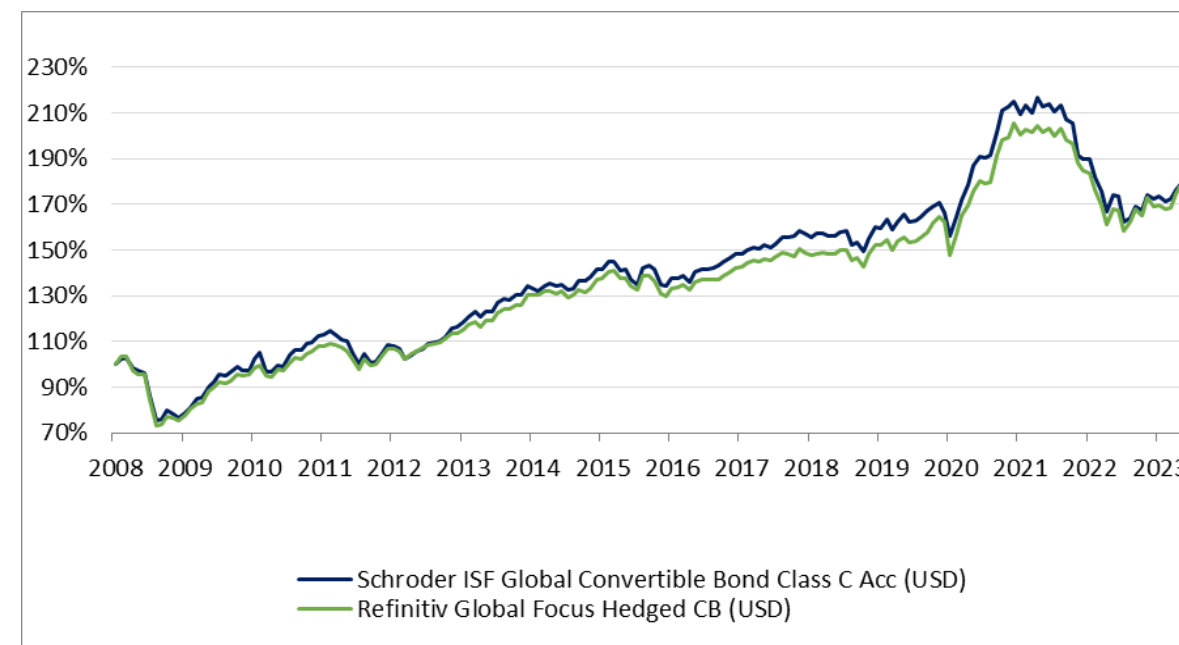
Performance and positioning

Schroder ISF Global Convertible Bond

Performance and key statistics

Portfolio statistics	Fund	BM
Equity sensitivity	38.95%	37.05%
Delta	48.52%	46.18%
Bond floor	80.88	84.88
Average rating	BB+	BB+
Credit spread (bp)	280	317
Yield	0.95%	1.30%
Effective duration (years)	1.57	1.55

30 September 2023	Schroder ISF Global Convertible Bond (C Class, USD)	Refinitiv Global Focus hedged Convertible Bond Index (USD)
1M	-2.2%	-2.0%
6M	-1.4%	0.6%
1Y	5.2%	7.7%
3Y (p.a.)	-3.5%	-1.6%
5Y (p.a.)	1.6%	2.6%
7Y (p.a.)	2.7%	3.2%



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 amount originally invested.

Source: Schroders. Attributes and performance as at 30 September 2023. Performance calculations for C class (net performance) in USD. Supplementary information: please also see full GIPS information in the appendix.

Schroder ISF Global Convertible Bond

Calendar year performance in percent

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Schroder ISF Global Convertible Bond (C Class, USD)	-18.3	-2.6	24.8	13.1	-4.6	8.0	2.2	3.7	4.6	16.5
Refinitiv Global Focus hedged Convertible Bond Index (USD)	-16.0	-1.1	22.8	13.1	-3.0	6.0	1.6	3.8	4.7	13.0

Schroder ISF Global Convertible Bond – risk factors:

The capital is not guaranteed.

Non-investment grade securities will generally pay higher yields than more highly rated securities but will be subject to greater market, credit and default risk.

A security issuer may not be able to meet its obligations to make timely payments of interest and principal. This will affect the credit rating of those securities.

Investments denominated in a currency other than that of the share-class may not be hedged. The market movements between those currencies will impact the share-class.

Investment in bonds and other debt instruments including related derivatives is subject to interest rate risk. The value of the fund may go down if interest rate rise and vice versa.

It may be difficult to sell quickly positions of one or more companies to meet redemption requests upon demand in extreme market conditions.

Emerging markets will generally be subject to greater political, legal, counterparty and operational risk.

Emerging equity markets may be more volatile than equity markets of well established economies. Investments into foreign currencies entail exchange risks.

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.

Source: Schroders. Performance as at 31 January 2023 Performance calculations for C class (net performance) in USD.

Schroder ISF Global Convertible Bond

Regional positioning

Region	Weight			Exposure		
	Portfolio	Benchmark	Weighting rel. to Benchmark	Portfolio Equity Exposure	Benchmark Equity Exposure	EQ Exposure rel. to Benchmark
Europe	17.05%	20.89%	-3.84%	6.04%	7.06%	-1.02%
Asia	15.78%	13.46%	2.32%	7.46%	5.88%	1.58%
Japan	9.96%	6.95%	3.02%	4.42%	3.49%	0.93%
Americas	54.53%	56.05%	-1.52%	21.04%	20.07%	0.97%
Others	0.00%	2.67%	-2.67%	0.00%	0.55%	-0.55%
Cash	2.68%	-0.01%	2.69%	0.00%	0.00%	0.00%
Total						1.90%

Source: Schroders, as at 30 September 2023. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Schroder ISF Global Convertible Bond

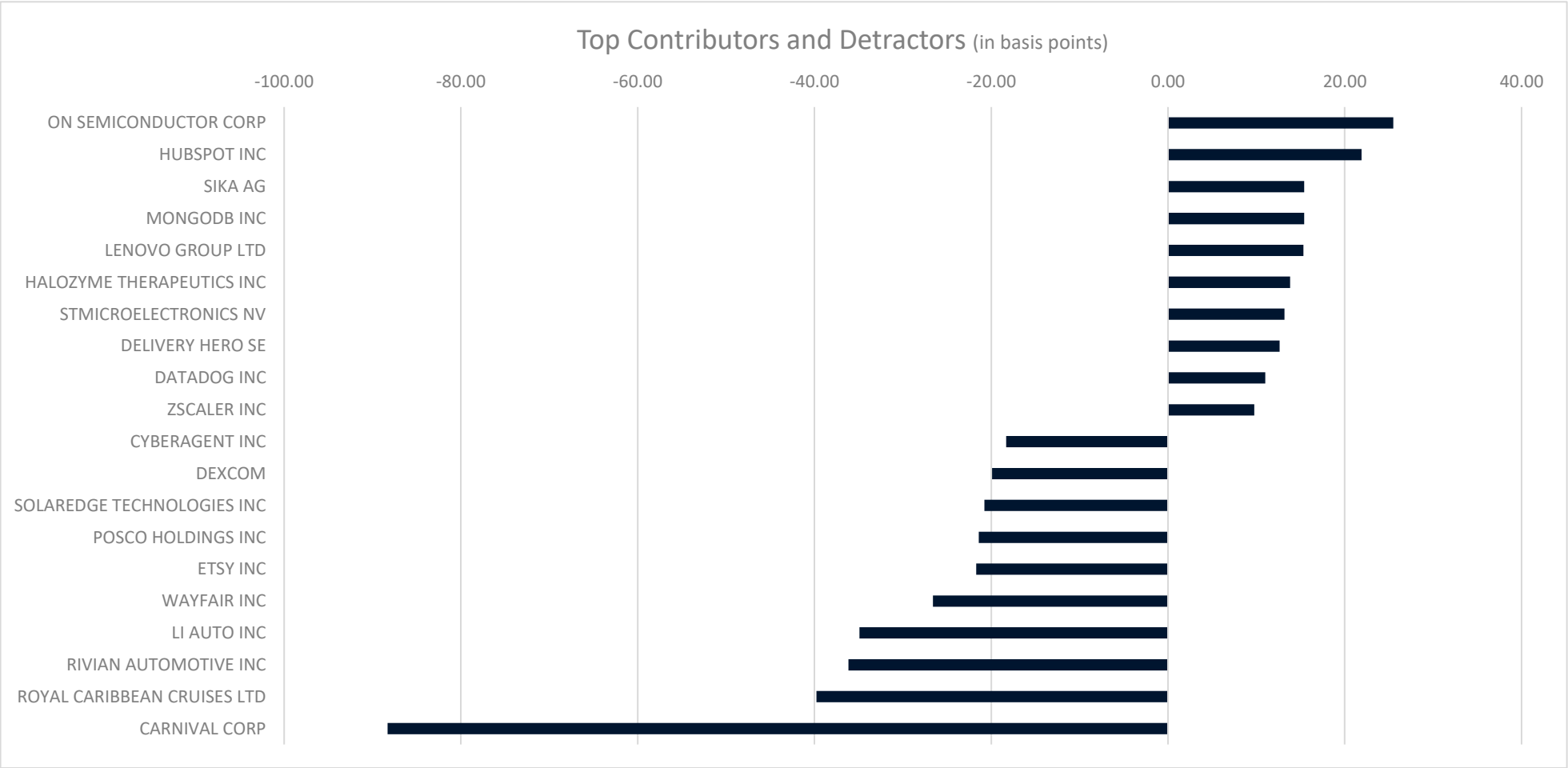
Sectors

Sector	Weight			Exposure		
	Portfolio	Benchmark	Weighting rel. to Benchmark	Portfolio Equity Exposure	Benchmark Equity Exposure	EQ Exposure rel. to Benchmark
Communication Services	7.59%	8.08%	-0.49%	2.82%	3.06%	-0.23%
Consumer Discretionary	12.22%	12.24%	-0.02%	4.26%	4.07%	0.19%
Consumer Staples	1.44%	2.55%	-1.12%	0.18%	0.52%	-0.34%
Energy	2.42%	0.67%	1.75%	1.13%	0.41%	0.72%
Financials	2.35%	5.06%	-2.71%	0.98%	1.52%	-0.54%
Health Care	14.67%	13.39%	1.28%	4.92%	4.62%	0.30%
Industrials	17.45%	17.21%	0.24%	7.27%	6.73%	0.54%
Information Technology	29.43%	20.92%	8.52%	13.36%	9.39%	3.97%
Materials	5.66%	6.75%	-1.09%	2.73%	3.24%	-0.51%
Real Estate	1.03%	4.54%	-3.51%	0.64%	1.61%	-0.98%
Utilities	3.05%	8.59%	-5.54%	0.66%	1.88%	-1.22%
Cash	2.68%	0.00%	2.68%	0.00%	0.00%	0.00%
Total						1.90%

Source: Schroders, 30 September 2023.

Schroder ISF Global Convertible Bond

Attribution YtD



Source: Schroders, 30 September 2023. Fund relative to BM, BM: Refinitiv Global Focus, For illustrative purposes only.

Attribution

Attribution YtD - Sectors

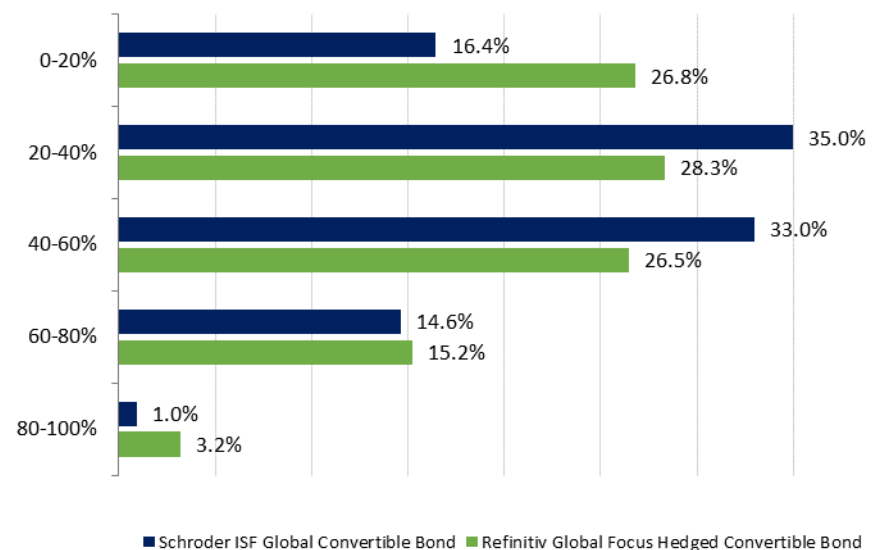
		Market Value Weight		Total Return Contribution			Active	
Description	End Market Value Weight	Benchmark	Active	Portfolio	Benchmark	Active	Sector Allocation	Security Selection
GICS (SDRGICS) - Level 1	100.00%	100.00%	0.00%	5.09%	5.75%	-0.66%	-0.27%	-0.90%
Communication	11.09%	10.78%	1.70%	0.31%	0.41%	-0.11%	-0.04%	-0.21%
Consumer Discretionary	8.02%	13.58%	-5.46%	-0.20%	2.15%	-2.37%	-0.61%	-1.40%
Consumer Staples	0.56%	1.31%	-1.07%	0.00%	0.01%	-0.01%	0.05%	0.00%
Energy	0.17%	0.48%	-0.48%	0.00%	0.11%	-0.11%	-0.08%	0.00%
Financials	8.79%	9.63%	-1.33%	-0.31%	-0.19%	-0.13%	0.11%	-0.18%
Health Care	14.20%	12.44%	-0.20%	-0.83%	-0.59%	-0.24%	-0.02%	-0.27%
Industrials	14.89%	13.88%	0.16%	0.62%	0.49%	0.12%	-0.03%	0.20%
Information Technology	27.12%	21.03%	8.42%	3.25%	1.71%	1.55%	0.23%	0.75%
Materials	7.56%	7.82%	-1.13%	0.79%	0.73%	0.07%	0.02%	0.12%
Real Estate	1.03%	3.47%	-2.44%	0.24%	0.30%	-0.05%	-0.12%	0.15%
Unassigned	0.00%	0.00%	0.00%	0.00%	0.65%	-0.66%	0.00%	0.00%
Utilities	4.09%	5.59%	-1.72%	-0.23%	-0.31%	0.08%	0.22%	-0.07%

Source: Schroders, 31 August 2023. Fund relative to BM, BM: Refinitiv Global Focus. For illustrative purposes only.

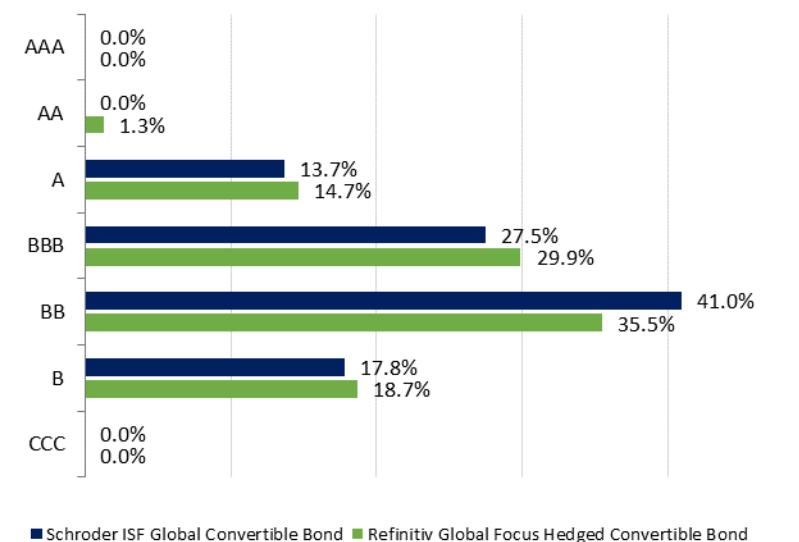
Schroder ISF Global Convertible Bond

Active exposure management

Equity exposure



Credit rating

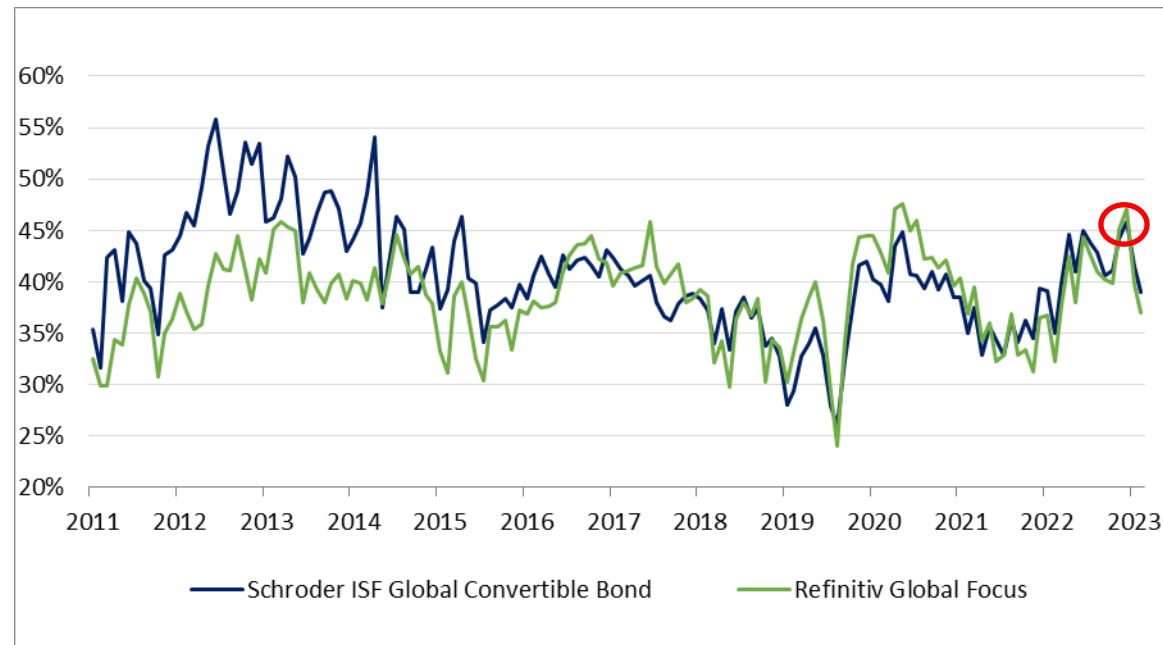


Source: Schroders, as at 30 September 2023.

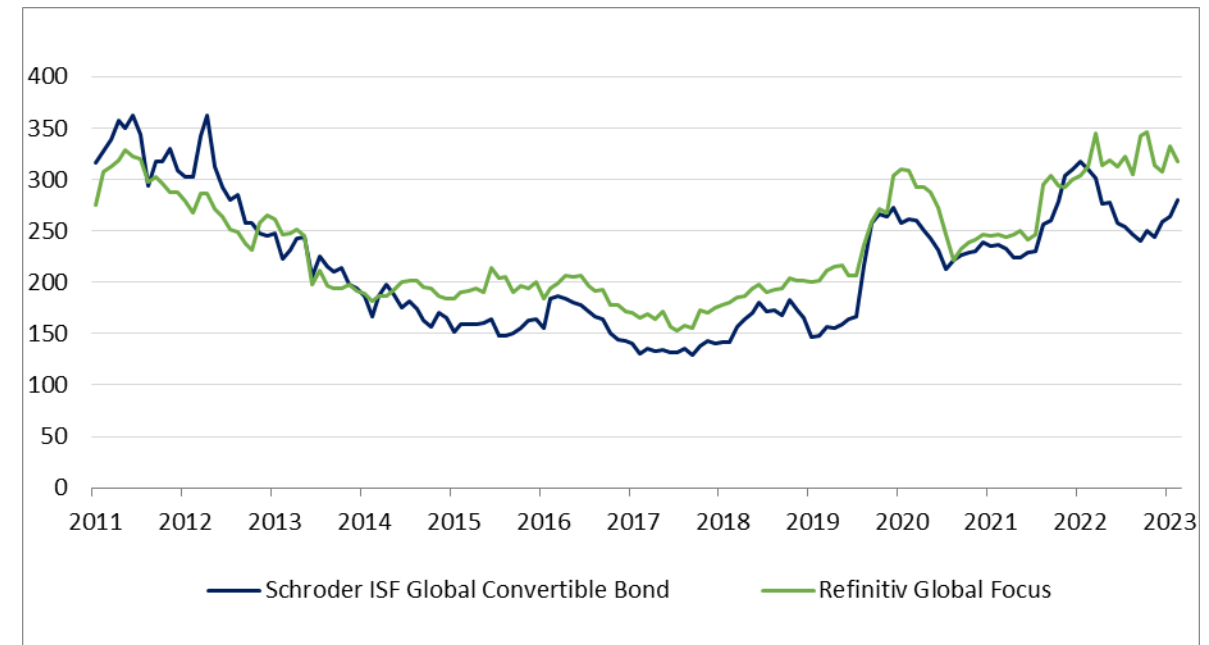
Schroder ISF Global Convertible Bond

Active exposure management

Equity exposure



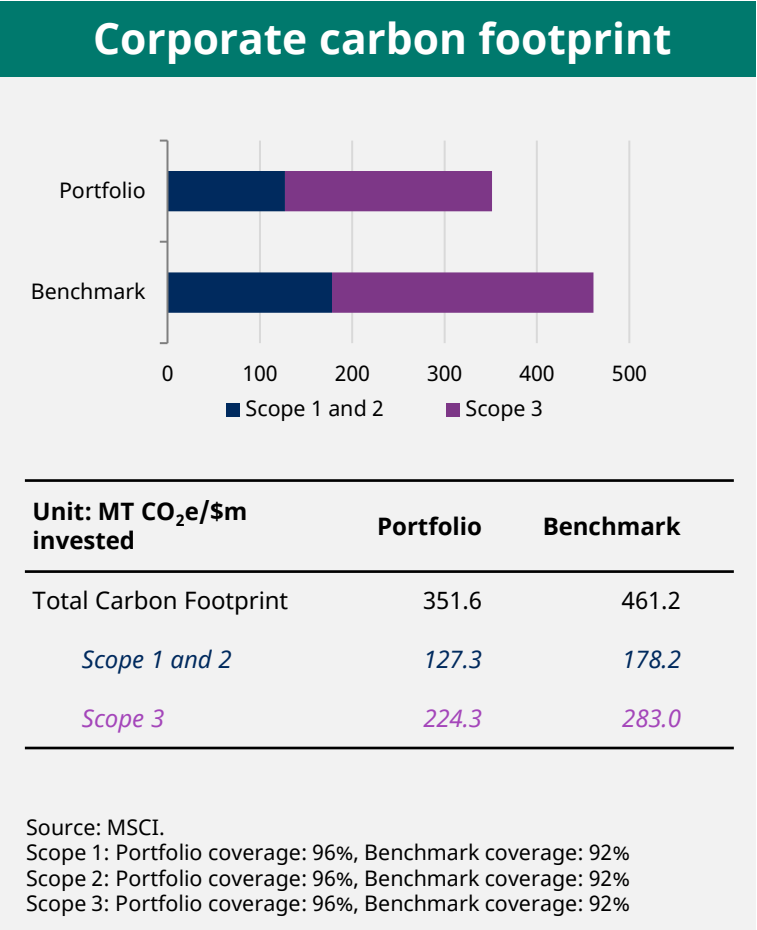
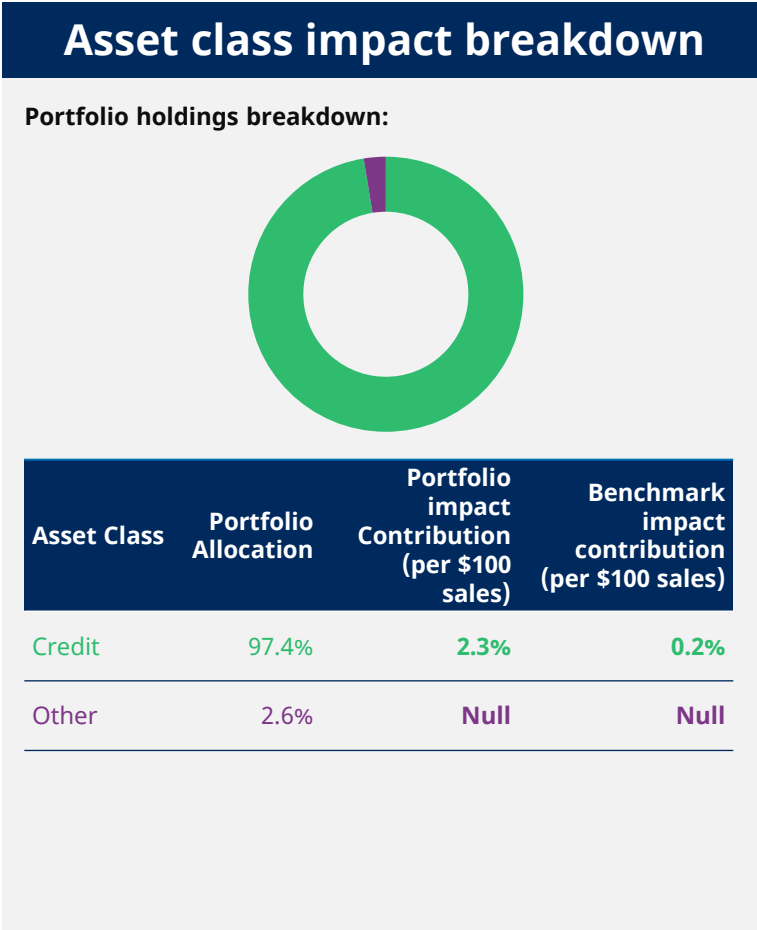
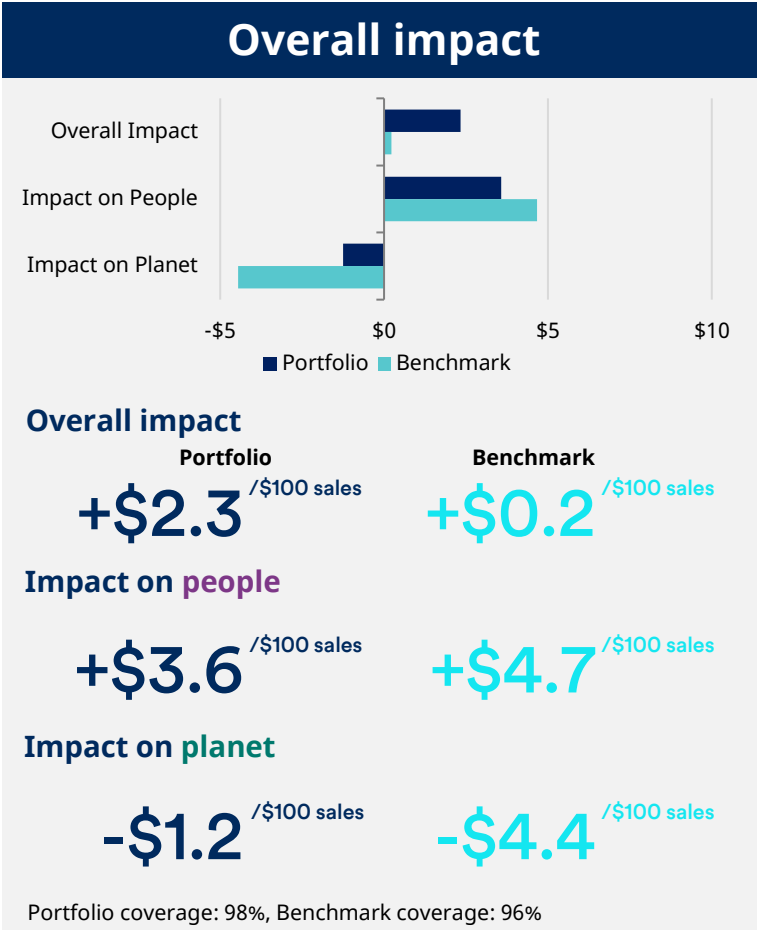
Credit spreads in basis point



Source: Schroders, as at 30 September 2023.

Sustainability metrics overview

Schroder ISF Global Convertible Bond as at 31 August 2023



Source: Schroders as at 31 August 2023. The 'Overall impact' score is based on Schroders' proprietary tool, SustainEx™. Overall impact is an indication of the impact of the Portfolio and benchmark. All holdings exclude cash and currency holdings. 'Impact on People' and 'Impact on Planet' indicate the Portfolio's underlying benefits and harms compared to its benchmark across the aggregated people and planet metrics, respectively. See definitions slide for more details.

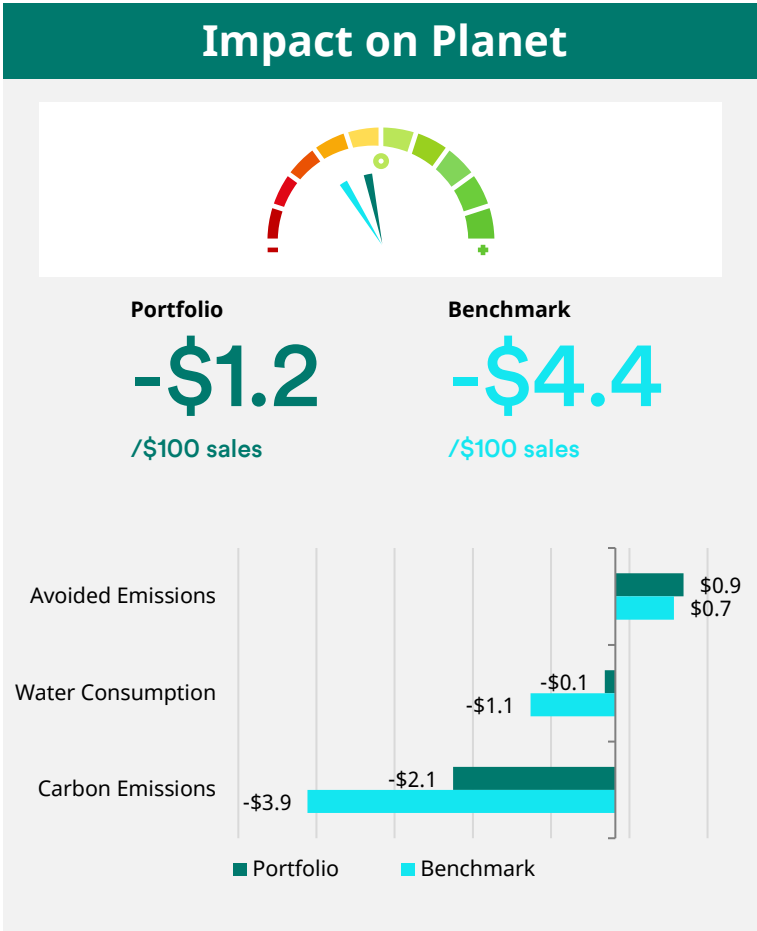
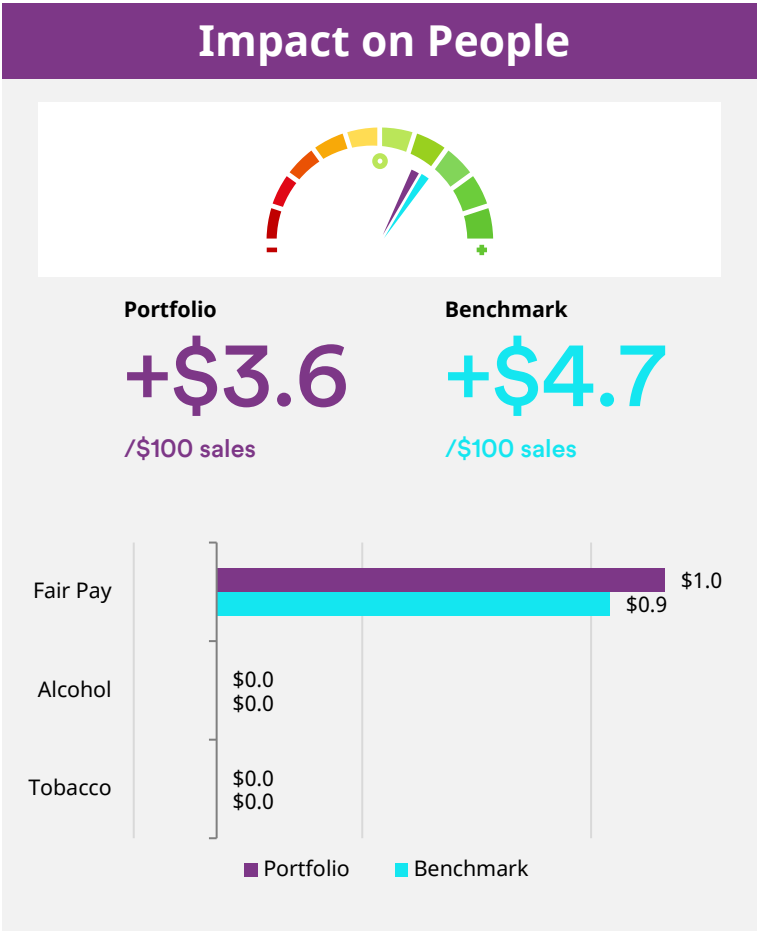
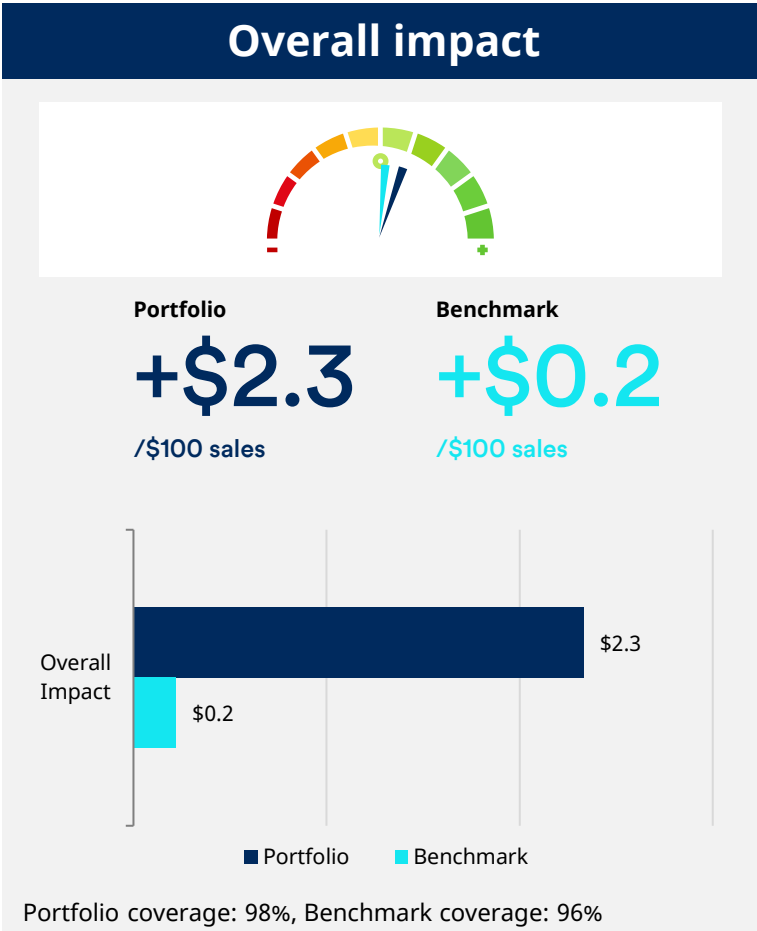
The 'Asset class contribution' provides a view of the fund's asset class allocation and how each of these contributes to the 'Overall impact' score compared to its benchmark.

MSCI as at 31 August 2023. The 'Carbon footprint' metric provides a view of the portfolio's carbon footprint, as well as a Scope 1 + 2 and 3 breakdown compared with the benchmark. The calculation methodology is in-line with TCFD recommendations and principal adverse indicators under SFDR. Certain information © MSCI ESG Research LLC. Reproduced by permission. Please refer to the Sustainability definitions slide for more information.

Benchmark data Global Focus Hedged (USD) Next Day.

SustainEx score summary

Schroder ISF Global Convertible Bond as at 31 August 2023

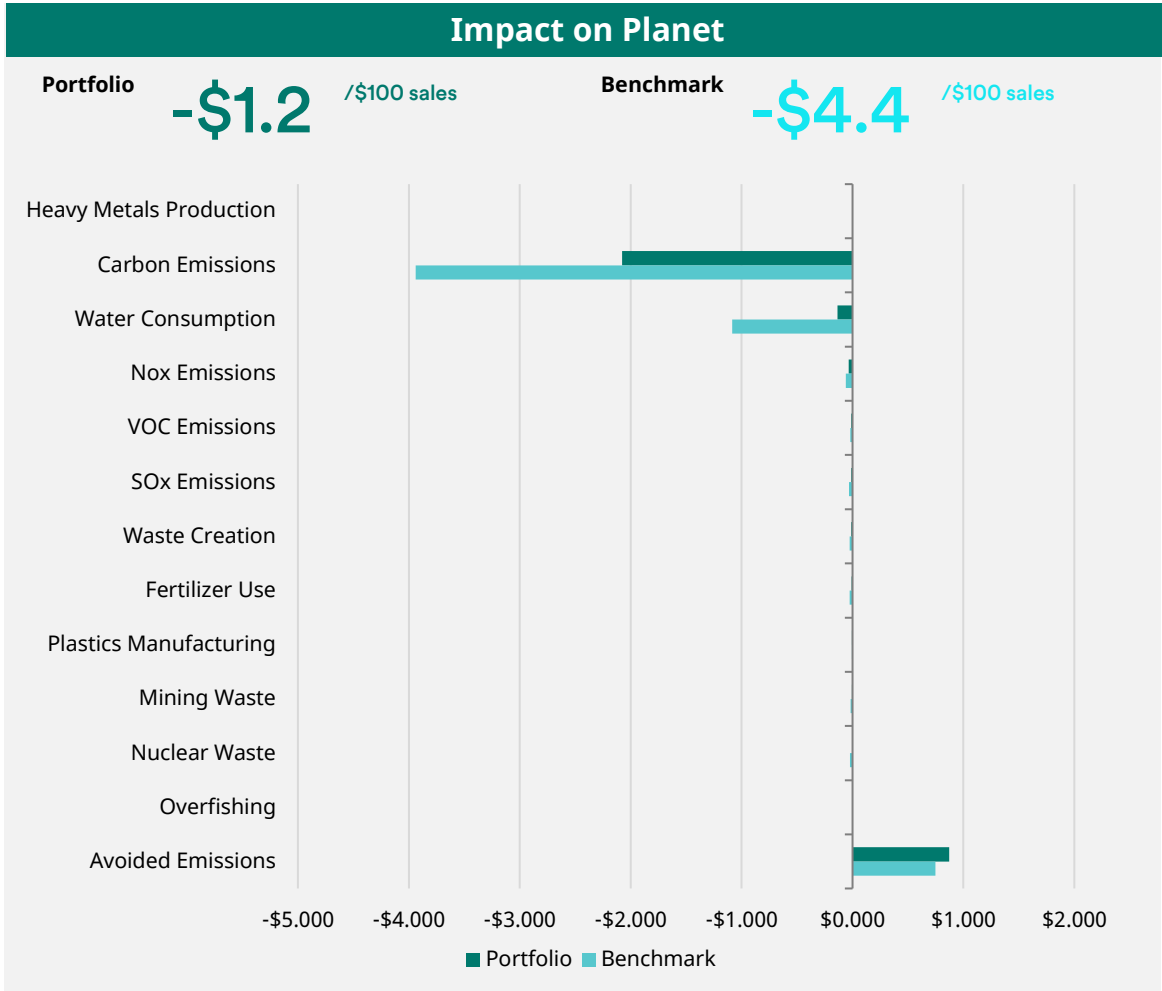
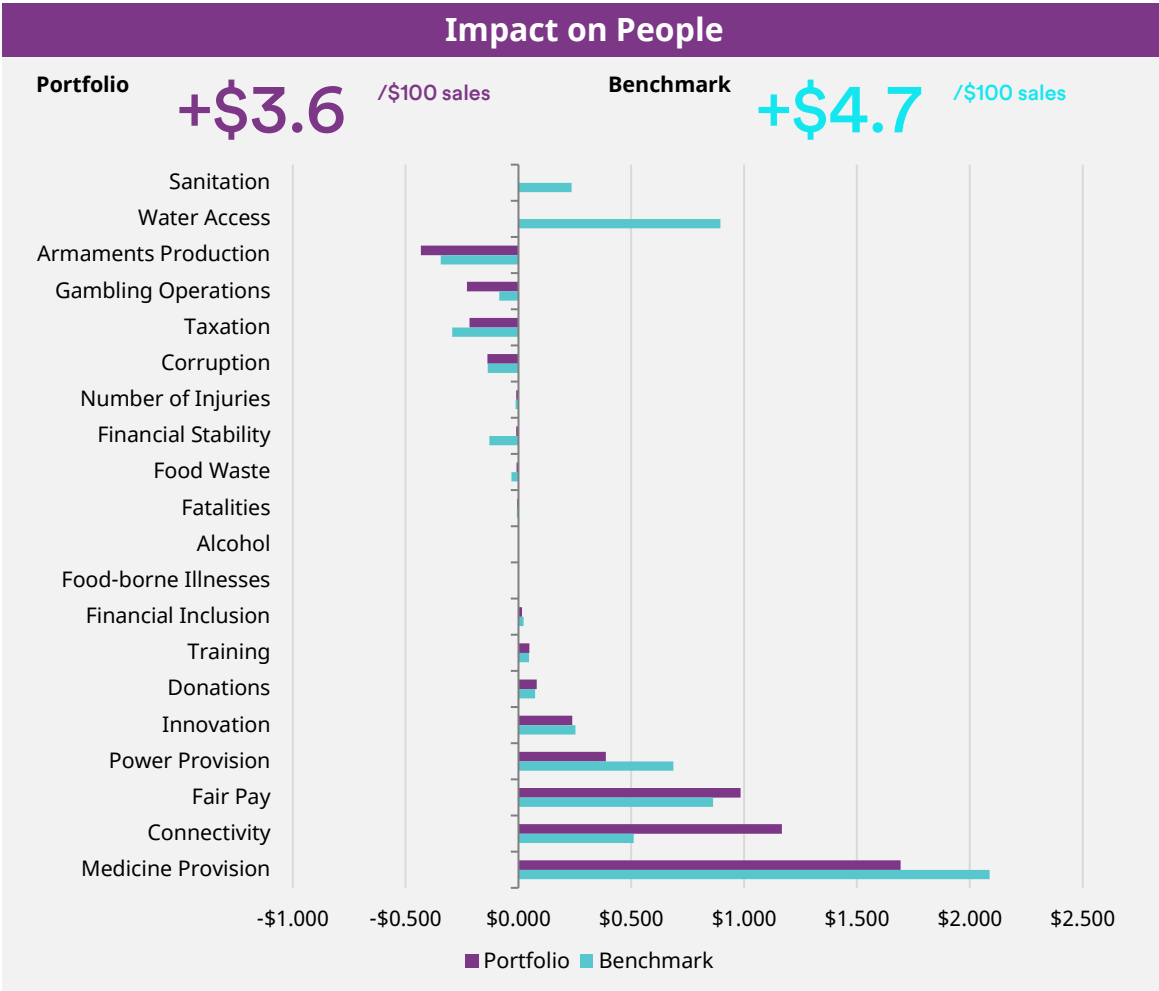


Source: Schroders as at 31 August 2023. The 'Overall impact' score is based on Schroders' proprietary tool, SustainEx™. Overall impact is an indication of the portfolio's impact compared to its benchmark. All holdings exclude cash and currency holdings. 'Impact on People' and 'Impact on Planet' indicate the portfolio's underlying benefits and harms compared to its benchmark across the aggregated people and planet metrics, respectively. See definitions slide for more details. Benchmark data Global Focus Hedged (USD) Next Day. The three People and Planet metrics shown have been selected based on their significance to the overall score. They are not necessarily the main contributors to the portfolio score, nor should they sum to the 'Impact on People' or 'Impact on Planet' scores shown. Schroders uses SustainEx™ to estimate the potential "impact" that an issuer may create in terms of net social and environmental "costs" or "benefits" of that issuer. It does this by using certain indicators with respect to that issuer, and quantifying them positively and negatively to produce an aggregate notional measure of the effect that the relevant underlying issuer may have on society and the environment. It does this using third party data as well as Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures. See the important information slides for additional disclosures.

Corporate SustainEx: people and planet scores

Schroder ISF Global Convertible Bond as at 31 August 2023

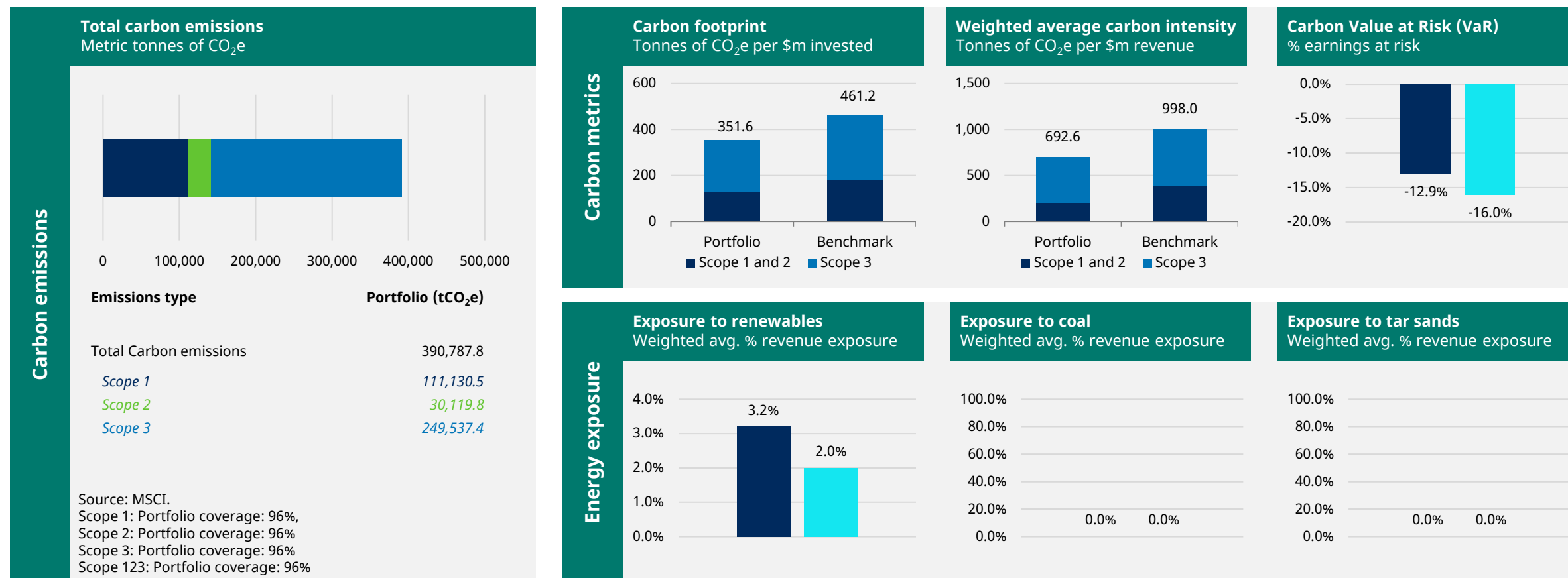
Overall corporate impact:
Portfolio **+\$2.3** /\$100 sales
Benchmark **+\$0.2** /\$100 sales



Source: Schroders as at 31 August 2023. Breakdown of corporate metrics contributing to both the portfolio and benchmarks 'Impact on People' and 'Impact on Planet' scores using Schroders' proprietary impact tool, SustainEx™. Benchmark data Global Focus Hedged (USD) Next Day. Schroders uses SustainEx™ to estimate the potential "impact" that an issuer may create in terms of net social and environmental "costs" or "benefits" of that issuer. It does this by using certain indicators with respect to that issuer, and quantifying them positively and negatively to produce an aggregate notional measure of the effect that the relevant underlying issuer may have on society and the environment. It does this using third party data as well as Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures. Please see the Important Information slides for additional disclosures on our ESG tools.

Corporate Climate metrics

Schroder ISF Global Convertible Bond as at 31 August 2023

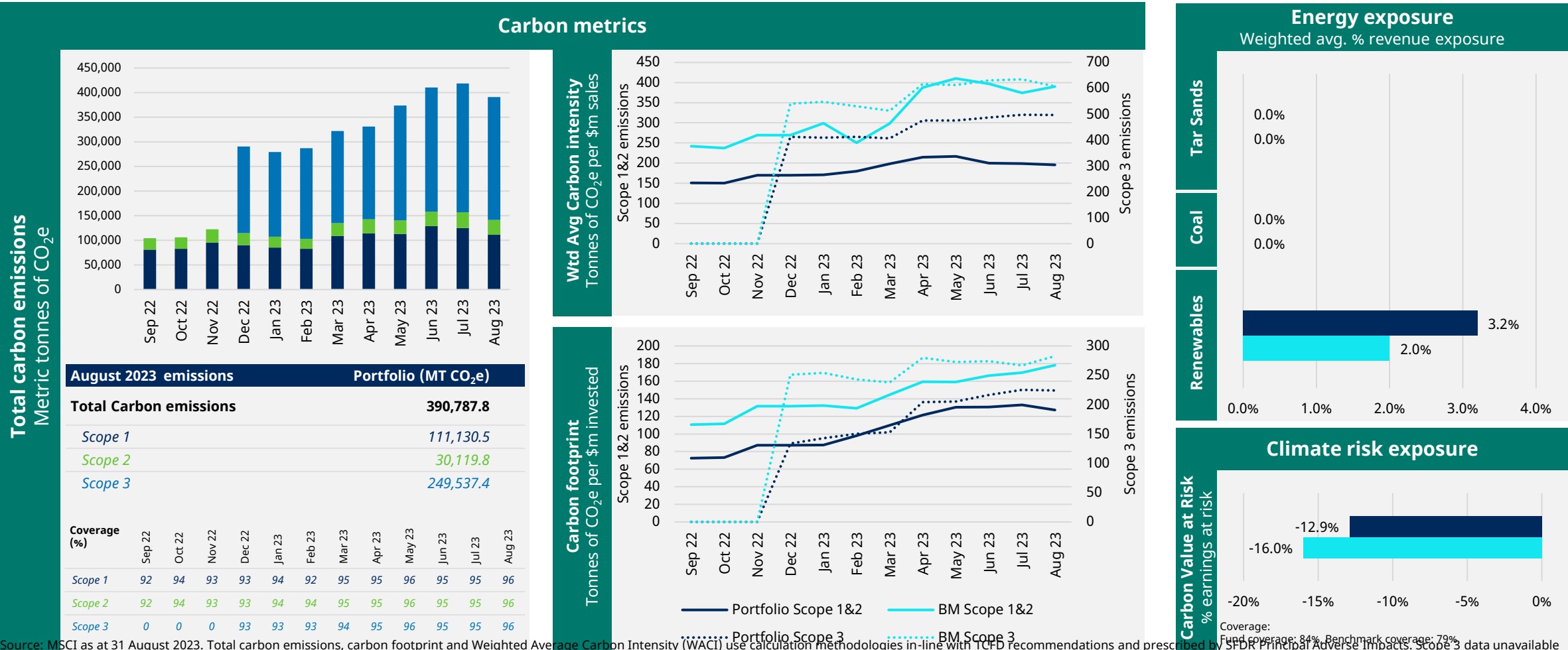


Source: MSCI as at 31 August 2023. Total carbon emissions, carbon footprint and Weighted Average Carbon Intensity (WACI) use calculation methodologies in-line with TCFD recommendations and prescribed by SFDR Principal Adverse Impacts. Schroders as at 31 August 2023. Carbon VaR is a proprietary methodology that measures the impact of a carbon price of \$100/tonne on companies' earnings, modelling the impacts of higher supply chain and operating costs, assuming higher prices and consequently lower demand in each sector. Fossil fuel exposures calculated based on company revenue derived from coal extraction, tar sands (oil extraction), and/or renewables activities. This methodology will differ from Factsheets until the same revenue weighted methodology is included. Benchmark data Global Focus Hedged (USD) Next Day. Our proprietary ESG tools are designed to enhance the research and evaluation process but do not guarantee favourable investment results. Please see the Important Information slides for additional disclosures on our ESG tools.

Corporate climate metrics: time series

Schroder ISF Global Convertible Bond as at 31 August 2023

Portfolio corporate allocation* **97.4%**



Corporate sustainability performance measures

Schroder ISF Global Convertible Bond as at 31 August 2023

Portfolio corporate allocation* **97.4%**

	Metric	Principal Adverse Impact	Unit	Portfolio	Coverage	Benchmark	Coverage
People	UNGC and OECD principal violators	Share of investments in companies that have been involved in violations of UNGC and OECD principal	%	0.0	95%	0.4	94%
	UNGC and OECD principal policies	Share of investment in companies without policies to monitor compliance with UNGC and OECD principal	%	60.9	95%	62.6	94%
	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	%	13.2	6%	13.4	10%
	Board gender diversity	Average ratio of female to male board members in investee companies	%	45.1	94%	49.3	93%
	Exposure to controversial weapons	Share of investments in companies involved in the manufacture or selling of controversial weapons	%	0.0	100%	Null	Null
	Supplier code of conduct availability	Share of investments in companies without any supplier code of conduct (e.g. child and forced labour)	%	Null	Null	Null	Null
Planet	Total GHG emissions	Scope 1 and 2 greenhouse gas emissions	Metric Tonnes	141,250.3	96%	Null	Null
		Scope 3 greenhouse gas emissions		249,537.4		Null	Null
	Carbon footprint	Carbon footprint	Tonnes of Co2 per €m invested	387.6	95%	525.8	94%
	Weighted Average Carbon Intensity	GHG intensity of investee companies	Tonnes of Co2 per €m sales	712.9	95%	1,025.1	94%
	Fossil fuel sector exposure	Share of investment in companies active in the fossil fuel sector	%	7.5	95%	11.0	94%
	Non-renewable energy exposure	Share of non-renewable energy consumption and production	%	64.2	53%	74.3	54%
	Exposure to activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with operations in or near biodiversity sensitive areas	%	0.0	95%	0.0	94%
	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested	Tonnes of emissions to water per €m invested	Null	Null	0.0	0%
	Hazardous waste ratio	Hazardous waste by investee companies per million EUR invested	Tonnes of hazardous waste per €m invested	1.2	30%	8.4	25%
The table above shows some of the indicators related to Principal Adverse Impacts (PAIs) of this portfolio and its benchmark, where applicable. The PAIs aim to show the potential for significant negative effects that investment decisions made in respect of the portfolio's investments in companies without carbon emission reduction initiatives aligned with the Paris Agreement.				31.9	95%	33.1	94%

Source: MSCI as at the 31 August 2023.

The table above shows some of the indicators related to Principal Adverse Impacts (PAIs) of this portfolio and its benchmark, where applicable. The PAIs aim to show the potential for significant negative effects that investment decisions made in respect of the portfolio's investments in companies without carbon emission reduction initiatives aligned with the Paris Agreement. The aggregation of index level metrics has been calculated by Schroders and not MSCI.

*'Portfolio corporate allocation' refers to the proportion of the portfolio invested in listed equity and corporate bonds, which is utilised in the calculation of the 'PAIs'.

Benchmark Data: Global Focus Hedged (USD) Next Day.

Third party portfolio metrics

Schroder ISF Global Convertible Bond as at 31 August 2023

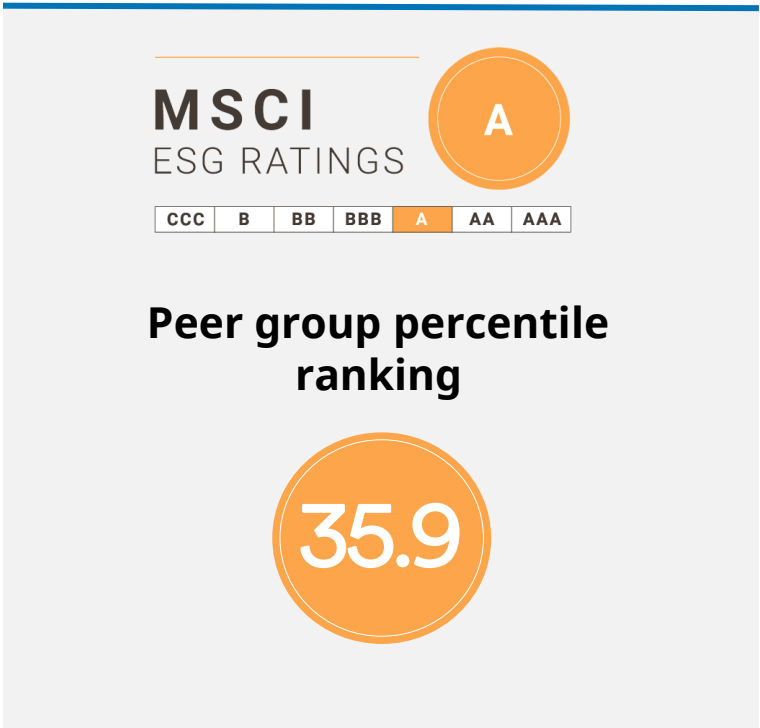
Controversy metrics

Title	Portfolio	Benchmark
Sustainalytics % of AUM with High or Severe ESG risk	13.4%	15.8%
MSCI measure of UN Global Compact violators	0%	0.4%

Morningstar ESG rating



MSCI ESG Rating



Morningstar ESG rating (Sustainalytics), MSCI ESG rating and UNGC violators as at 31 August 2023. All holdings exclude cash and currency holdings. Sustainalytics data is sourced at the previous month end to the month shown. Sustainalytics' rating evaluates how exposed a company is to unmanaged ESG risk. It is measured through a combination of corporate governance, material ESG issues and idiosyncratic issues (black swans). A weighted average is then used to calculate the portfolios exposure. The exposure to UN Global Compact (GC) violators metric is provided by MSCI and calculated based on the number of companies that have 'failed' MSCI's UNGC test. The possible outcomes are 'Pass,' 'Watch List' or 'Fail.' MSCI's portfolio ESG rating is based on the weighted average of the underlying holdings, coupled with a momentum score to assess the portfolio's track record, and an assessment of tail risk (holdings deemed to be 'laggards'). The 'Peer group percentile ranking' refers to MSCI's ranking of the portfolio vs peers, with 100% being the highest and 1% the lowest. Certain information © MSCI ESG Research LLC. Reproduced by permission. Benchmark data Global Focus Hedged (USD) Next Day.

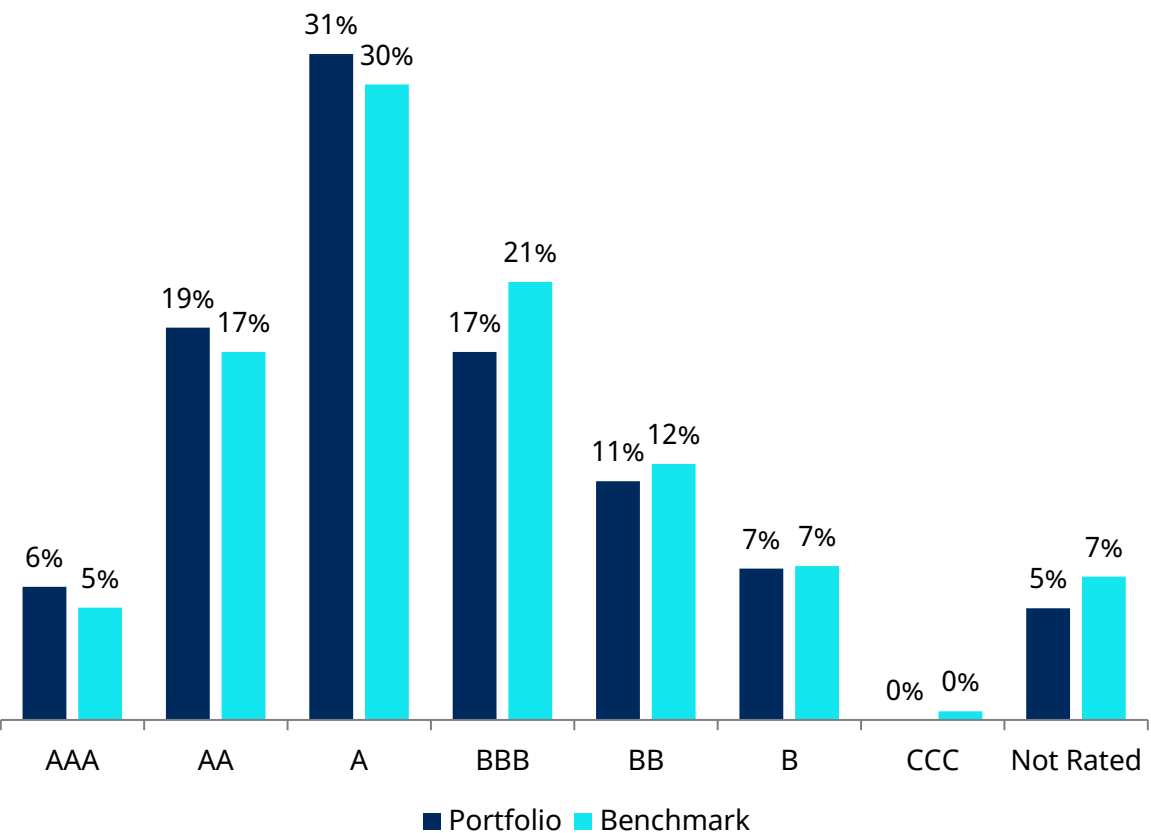
Portfolio holdings third party metrics

Schroder ISF Global Convertible Bond as at 31 August 2023

ESG scores for top 10 holdings

Holding Name	Portfolio Weight %	MSCI	Sustainalytics
Dexcom Inc	2.8	A	Medium
America Movil BV	2.5	BBB	Medium
Ford Motor Co	2.4	BB	Medium
Cellnex Telecom SA	2.4	A	Low
ANLLIAN Capital Ltd	2	B	Low
Nippon Steel Corp	1.9	A	High
Akamai Technologies Inc	1.9	A	Low
LG Chem Ltd	1.8	BB	Medium
Dropbox Inc	1.8	A	Low
Bill.com Holdings Inc	1.7	BBB	Medium

MSCI ESG ratings of portfolio vs. benchmark



Source: Sustainalytics ESG rating (Morningstar) and MSCI ESG rating as at 31 August 2023. All holdings exclude cash and currency holdings. Sustainalytics data is sourced at the previous month end to the month shown. Sustainalytics' rating evaluates how exposed a company is to unmanaged ESG risk. It is measured through a combination of corporate governance, material ESG issues and idiosyncratic issues (black swans). A weighted average is then used to calculate the portfolios exposure. MSCI's portfolio ESG quality score is based on the weighted average of the underlying holdings, coupled with a momentum score to assess the portfolio's track record, and an assessment of tail risk (holdings deemed to be 'laggards'). Certain information © MSCI ESG Research LLC. Reproduced by permission. Benchmark data Global Focus Hedged (USD) Next Day.

Sustainability disclaimers

Schroder ISF Global Convertible Bond

Overall Impact

The Schroders Impact Score is based on Schroders' proprietary tool, SustainEx™. SustainEx™ provides an estimate of the potential societal or environmental impact that may be created by the companies and other issuers in which the portfolio is invested. The result is expressed as a notional percentage (positive or negative) of sales of the relevant underlying companies and other issuers. For example, a SustainEx™ score of +2% would mean a company contributes \$2 of relative notional positive impact (i.e. benefits to society) per \$100 of sales.

We calculate SustainEx™ scores for companies and other issuers in the portfolio to arrive at the total portfolio score.

The "Overall Impact" shown is a measure of the portfolio's estimated impact compared to that of its benchmark, in each case calculated as a relative notional percentage as described above.

The "Impact on People" and "Impact on Planet" measure the portfolio's estimated underlying benefits and harms, as compared to its benchmark, in each case calculated as a relative notional percentage as described above.

Impact scores: These are generated using Schroders' proprietary tool, SustainEx™, which provides an estimate of the potential social or environmental impact that a company or other issuer may create. It does this by using certain metrics with respect to that issuer and quantifying the positive and negative impacts of each of those metrics in economic terms to produce an aggregate measure. Not all of those metrics are represented in the impact scores on 'People' and 'Planet' and how those scores are generated may change over time. It utilises and is reliant on third party data (including third party estimates) as well as Schroders' own modelling assumptions, and the outcome differs from other sustainability tools and measures. Where SustainEx™ relies on data and estimates produced by third parties, Schroders seeks to ensure that such data and estimate are accurate, but Schroders cannot and does not warrant the accuracy, completeness and adequacy of such third party data and estimates. Like any model, SustainEx™ will evolve and develop over time as Schroders continues to assess, refine and add to the metrics and their relative contributions. Generating SustainEx™ scores involves an element of judgment and subjectivity across the different metrics chosen by Schroders, and accordingly Schroders does not accept any liability arising from any inaccuracy or omission in, or the use of or reliance on, SustainEx™ scores. As the model evolves, changes made to how metrics are applied may result in changes to the SustainEx™ score of any issuer and ultimately the overall portfolio/portfolio score. At the same time, of course, the issuer's SustainEx performance might improve or deteriorate. Schroders' proprietary tools, including SustainEx, may not cover all of the portfolio's holdings from time to time, in which case Schroders may use a range of alternative methods to assess the relevant holding. In addition, certain types of assets (such as cash and certain equivalent securities) are treated as neutral and are therefore not considered by our proprietary tools. Other types of assets such as equity indices and index derivatives may not be considered by our proprietary tools and if so would be excluded from a portfolio's sustainability score. The SustainEx scores show month-end data. Where a portfolio maintains a higher overall sustainability score than its sustainability benchmark based on the investment manager's rating system, this means that the portfolio's weighted average score in SustainEx over the previous six month period will be higher than the benchmark's score in SustainEx over the same period, based on month-end data. Where a portfolio has different sustainability criteria, the portfolio's weighted average score in SustainEx is shown here for information and illustrative purposes only.

MSCI ESG Research rating: Produced by MSCI ESG Research as of the "reporting date". MSCI ESG Research LLC's ("MSCI ESG") portfolio Metrics and Ratings (the "Information") provide environmental, social and governance data with respect to underlying securities within more than 31,000 multi-asset class mutual portfolios and ETFs globally. MSCI ESG is a registered investment adviser under the U.S. Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the U.S. Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. The Information should not be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

Sustainalytics: Sustainalytics provides company-level analysis used in the calculation of Morningstar's Sustainability Rating [Historical Sustainability Score]. © 2020 Morningstar. All rights reserved. The rating of the portfolio: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of the rating. Past performance is no guarantee of future results.

Data Reset: The data for this report was changed on the 21st April 2023 and, as a consequence, some numbers may vary to those shown on Fund related Factsheets for 31st March 2023.

Sustainability definitions

Schroder ISF Global Convertible Bond

Corporate SustainEx™ Impact metrics:

Alcohol: Societal cost of alcohol consumption (assigned to alcohol producers).

Armaments production: Societal costs from both international organised conflict and intra-state conflict (such as gang violence). Assigned in proportion to company market share of weapons sales.

Avoided carbon emissions: Environmental and societal benefits of activities and technologies that enable system-wide reductions in carbon emissions, including companies' products and services and country investments in clean energy. Assigned in proportion to the social benefit from avoided emissions which is attributed per unit of the product or service that delivers the emission savings.

Carbon emissions: Environmental and societal cost of carbon emissions (Scopes 1,2 and 3). Assigned in proportion to country GHG emissions data.

Connectivity: Societal benefits from companies' that enable and/or support the connection of communities through telecommunication services. Assigned in proportion to the global benefit of access to global communication technologies and attributing that benefit to individual companies based on their share of global revenues from telecommunication and internet connectivity markets, including social media companies.

Contraception: Societal benefits attained from the production and supply of contraceptives. Assigned in proportion to company market share of global revenue.

Corruption: Societal costs, to both developed and developing economies, associated with a nations estimated level of corruption. Company exposure is calculated based on regional exposure.

Community donations: Societal benefits from a companies philanthropic donations. Measured based on the monetary value of the sum donated.

Fair pay: Societal benefits or costs of companies over- or under-paying staff relative to local living wages (for regions in which they operate). Assigned in proportion to the surplus or deficit company's' are paying employees compared to the average living wage.

Fatalities: Societal costs associated with on-the-job fatalities. Measured based on the number of fatalities reported by a company.

Fertilizer: Societal costs of the over-application of nitrogen, phosphorous and other nutrients for the purposes of agricultural production to land and water-based ecosystems. Assigned in proportion to company market share of sales.

Financial inclusion: Societal benefits from the provision of financial services on local populations. Assigned in proportion to company market share of global revenue.

Financial stability: Societal costs associated with the top 40 global systemically important banks to financial instability. Assigned in proportion to company market share of listed entities.

Food-borne illness: Societal costs associated with the outbreak of food-borne illness to economic productivity. Assigned in proportion to company market share of global revenue.

Food waste: Societal costs from food waste arising through methane production from anaerobic digestion and wasted water consumption. Cost is allocated based on both the phase of the waste value chain and the company's revenue in proportion to market share.

Gambling: Societal costs arising from policing, crime and lower productivity as a result of excessive gambling. Assigned in proportion to company market share of global revenue.

Heavy metals production: Societal costs arising from the production of heavy metals. Assigned in proportion to company market share of global revenue.

Injuries: Societal costs arising from lower productivity, lower quality of life and medical expenses. injuries at the place of work. Assigned based on the estimated number of injuries experienced by a company.

47 Source: Schroders.

Corporate SustainEx™ Impact metrics (continued):

Innovation: Societal benefits arising from the investment in R&D. Assigned based on the unitary benefit of R&D spend, or estimated based on company patent applications.

Medicine: Societal benefits arising from the additional social value the sale of such products and services exhibits of the wider economy. Benefit calculated is dependent on the company's involvement in the healthcare value chain and proportion of company market share to global sub-sector revenue.

Mining waste creation: Societal cost associated with the production of methane by the mining industry. Assigned in proportion to company reported waste creation.

Nitrogen Oxides (NOx): Societal costs associated with the impact on human health from the combustion of fuels in air to create NOx. Assigned based on reported NOx emissions.

Nuclear waste: Societal costs associated with the storage and perceived risks associated with accidents. Assigned in proportion to company market share of global revenue.

Over-fishing: Societal costs associated with the unsustainable removal of a species of fish quicker than it can replenish. Assigned in proportion to company market share of global revenue.

Pesticides: Societal costs associated with the spill over effects on biodiversity and human health. Assigned in proportion to company market share of global revenue.

Plastics manufacturing: Societal costs associated with plastics. Assigned in proportion to a company's share of plastic production revenues.

Power Provision: Societal benefits of access to power and electricity. Assigned in proportion on a company's share of power provision revenues.

Predatory lending: Societal costs associated with unfair loans to customers (such as payday lending). Assigned in proportion to company market share of global revenue.

Sewerage and sanitation: Societal benefits associated with the provisions of products and services that tackle poor sanitation, lack of safe water and hygiene. Assigned in proportion to company market share of global revenue.

Sulphur Oxides (SOx): Societal costs associated with the impact of sulphur dioxides on human health. Assigned based on reported SOx emissions.

Taxation: Societal costs associated with tax revenue lost through tax avoidance/evasion due to company tax practices. Calculated based on the difference of the statutory and effective tax rate in the jurisdictions of operations, as well as some additional tax flags (multipliers) such as tax controversies.

Tobacco: Societal cost of smoking (assigned to tobacco producers). Assigned in proportion to company market share of global revenue.

Training: Societal benefit associated with a more highly skilled workforce, both to the company and society. Assigned based on company spending on employee training.

Volatile Organic Compounds (VOCs): Societal costs associated with the health impacts from volatile compounds. Assigned based on reported waste creation.

Waste creation: Societal costs from the disposal of waste and the pollution from incineration. Assigned based on reported waste creation.

Water access: Societal benefits associated with the benefits to human health from the provision of clean drinking water. Assigned in proportion to company market share of global revenue.

Water consumption: Environmental and societal cost of companies' and countries' freshwater withdrawal. Assigned based on reported water usage.

Sustainability definitions and disclaimers

Schroder ISF Global Convertible Bond

Corporate carbon metrics

Total carbon emissions: The absolute greenhouse gas emissions associated with a portfolio, expressed in tonsCO₂e. Methodology is aligned to “total carbon emissions” as defined by TCFD and The EU’s Sustainable Finance Disclosures Regulation

Carbon footprint: A weighted-average measure of company greenhouse gas emissions per \$ million of enterprise value. Methodology is aligned to “carbon footprint” as defined by TCFD and The EU’s Sustainable Finance Disclosures Regulation

Weighted Average Carbon Intensity (WACI): A weighted-average of company emissions per \$million of sales. Methodology is aligned to “weighted average carbon intensity” as defined by TCFD and “GHG intensity” under the EU’s Sustainable Finance Disclosures Regulation

Carbon Value-at-Risk (VaR): A model developed by Schroders to measure the potential impact on companies’ earnings of raising carbon prices to \$100 per tonne.

Coal* exposure: Measures the weight of the portfolio exposed to companies deriving revenue from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading.

Sub-portfolios that are categorised as Article 8 or Article 9 under SFDR apply a revenue-based exclusion on companies operating in the coal sector. Companies generating more than 10% of their revenue from thermal coal extraction and/or 30% of their revenue from coal-fired power are systematically excluded. Some sub-portfolios apply a more stringent exclusion criterion. Please refer to the portfolio sustainability disclosures for more details. Any portfolio exposure to coal reflects investments in companies whose coal-related revenues are below the accepted threshold.

Tar sands* exposure: Measures the weight of the portfolio exposed to companies deriving revenue from oil sands extraction for a set of companies that own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. This factor does not include revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of oil sands reserves with no associated extraction revenues; revenue from intra-company sales.

Renewable energy: Measures the weight of the portfolio exposed to companies deriving revenue from biomass, geothermal, solar, wave or wind power.

Source: Schroders. *Gases burned from fossil fuels like coal tar sands are widely believed to be a leading cause of climate change.

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Outlook

An aerial photograph of a European city, likely Zurich, showing a river (the Limmat) flowing through the center. A large, historic church with two prominent towers stands on the left bank. The city is built on a hillside, with numerous residential and commercial buildings. The sky is blue with some light clouds.

Q3 2023 Outlook

In August last year, we predicted that even a hawkish Federal Reserve (Fed) caught wrong-footed in its objective of price stability and struggling to get back ahead of the curve would eventually have to pause: “To put it bluntly, there is no chance to bring down inflation from 10% to 2% in a straight line without a pause in rate hikes.”

In the meantime, we have seen one of the fastest interest rate hiking cycles in history – and surprising to many analysts, the economy stayed strong, the labour market stayed resilient, and the US consumer kept spending.

We have underestimated the spending power of the US consumer. Now, it seems that the last money of the COVID-19 cheques has finally been spent and credit card limits have been reached.

Delinquency rates at US credit and store card providers are up and consumers have even dipped into their pension savings as the 401k hardship loan spike shows. The latest JOLTS job opening report stated lower open positions. The ADP research saw fewer than 180,000 new jobs being created in August, staying below expectations. As Fed Chair Jerome Powell stated in last year’s Jackson Hole speech: fighting inflation “will bring some pain to households and businesses.”

With the pain finally starting to be felt in the economy – though not yet on global stock markets – we think that the Fed may have reached the end of its rate cycle for the time being. At the same time, the balance sheet continues to be trimmed by USD 95 billion every single month. Liquidity continues to drain from the market. Still, without a serious deterioration in economic growth we cannot see lower rates on the short-term horizon.

Central banks were too late to tighten excess liquidity. There is a clear and present danger that they will be too late lifting the foot off the break again.

The risk that some households, some companies and definitely some leveraged corporate real estate companies have miscalculated the higher interest costs are obvious. Someone will get caught out swimming naked when the tide goes out.

Fast forward to a more long-term view for our favourite asset class: we will see high demand for refinancing from companies who will not be able to attract liquidity on traditional corporate markets – and they will offer cheap equity on top of high coupons by issuing convertibles. Converts have always been the market that stayed open in days of illiquidity.

The global high yield bond market has increased by a factor of five since the Great Financial Crisis while the converts market remained almost on the same capitalisation. There is a lot of refinancing coming up – and it is coming up at significantly higher interest rate levels and with much tighter credit conditions.

The most dangerous day for any fixed income investment is the day of maturity. Does the company have the liquidity or the refinancing to repay the debt? The risk of default jumps significantly when refinancing conditions are tight, when interest rate costs are considerably higher than before, when bank lending standards are tighter, when default rates are on the rise, and when less liquidity is around. And yes, that situation is now – or at least in the very foreseeable future.

We were there in 2009 when optionality was a free lunch, and we think we may see such attractive pricing levels in the future.

Before the golden times though, convertibles have to deliver on protection against stock market losses. We remain more defensive and more negative for the longer-term market picture and see more volatility on the horizon.

How will convertible bonds fare in such a scenario? Given that a significant part of our convertible universe remains balanced to slightly defensive, we remain constructive on our asset class and believe that a good degree of protection against equity market losses is inbuilt into the asset class.

Finally, convertibles remain cheap and are trading around 1% under their fair value. Given the performance in global equity markets since October last year, this looks like a historic anomaly. The asset class is oversold.

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Appendix

Investment team

a stable and
experienced team



Dr. Peter Reinmuth **Head of Convertible Bonds**

Peter Reinmuth graduated from the University of Zurich with a degree in management and was later awarded a doctorate with a thesis on Barrier Options. In 1999 he joined Julius Bär Asset Management AG and took over the responsibility for their warrant fund. In April 2002, he was made manager of the Julius Bär convertible bond business. He moved to Swisscanto Asset Management in 2005 where he was responsible for several global bond as well as convertible bond portfolios. In 2008 Peter joined Fisch Asset Management where besides running several funds and segregated accounts, he was lead portfolio manager for two Schroders convertible funds. Peter moved to Schroders in November 2013 to head the Schroders convertible team.



Chris Richards, CFA **Fund Manager**

Chris Richards joined Schroders as a graduate trainee in 2008, based within the Global Fixed Income team. He graduated from the University of Nottingham with an LLB in Law, focused on Corporate Insolvency and Company Law. In 2011, he was seconded to report to the Executive Vice Chairman of Schroders (and Global Head of Distribution) as a strategy analyst. In November 2013, Chris joined the Convertibles team first as an analyst and subsequently started managing convertible bonds as a fund manager in 2015. Chris is a CFA Charterholder.

Investment team

a stable and
experienced team

Source: Schroders.



Cédric Spiegel **Fund Manager Assistant**

Cédric Spiegel graduated from the University of St. Gallen with a master's degree in General Business Management and joined Schroders as an equity graduate trainee in 2020. After his trainee year at Schroders, Cédric joined the convertible bond team as a Fund Manager Assistant in 2021. Before Schroders Cédric has also gathered a wide range of practical finance related experience through internships at Veraison Capital AG as an Equity Analyst or as a Working Student in the Representative and Paying Agent Business from State Street. Cédric also holds a bachelor degree in Business Administration from the University of St. Gallen and spent half a year of his studies in Bangkok, Asia where his main focus was on finance related subjects.



Dr. Martin Kühle **Product Manager**

Dr. Martin Kühle started his career as a trainee with Westdeutsche Landesbank in Germany in 1990 and went on to study economics and management at the Universities of Münster in Germany and St. Andrews in Scotland. He graduated from St. Andrews with a Master Degree in Economics (MLitt) and a PhD in Management and Economics. In 2000, he joined Credit Suisse Asset Management in London as a Risk Manager. He went on to head the priority client team of Deutsche Bank's German and Austrian institutional brokerage clients from 2003 to 2006. From 2007 to 2013, he was a Senior Partner at Fisch Asset Management where he looked after institutional clients in Germany and Austria and acted as a global product manager for the two convertible funds Fisch managed for Schroder Investment Management Limited. In November 2013, Martin joined Schroders as an Investment Director for convertible bonds.

Martin is a Member of the Chartered Institute for Securities and Investments in London and served on CISI's national Advisory Committee in Switzerland in the past.

Investment team

a stable and
experienced team



Gian-Reto Bonadurer **Junior Fund Manager**

Gian-Reto Bonadurer joined Schroders as a Fund Manager Assistant for the Convertible Bonds desk in 2020 after receiving his master's degree in Accounting and Finance from the University of St. Gallen. He completed his bachelor studies at Babson College in the United States with a major in Finance. Gian-Reto has also gathered a wide range of practical finance related experience through internships at Swiss Re's Asset Management Desk as well as at UBS M&A Advisory. At the Schroder CB desk, Gian-Reto is the point person for ESG related matters.



Louis Steinbrunner **Fund Manager Assistant**

Louis joined Schroders as a Fund Manager Assistant for Convertible Bonds in 2021 after serving two years at PWC where he worked in Advisory. He holds a Bachelor's degree in International Business from the HFU Business School in Germany and a Master's degree in Finance from Edinburgh University in Scotland. Moreover, Louis spent a year of his studies in Paris and London, respectively, where the main focus was on finance related subjects and also gained practical experience during an internship in the Wealth Management department at Deutsche Bank in Luxemburg.

Investment team

a stable and
experienced team



Urs Reiter
Head of Trading

Urs Reiter joined the Credit Suisse financial program in 1984 and specialised in securities trading with Bank Leu and Industrie und Handelsbank. In 2001, he joined Maerki Baumann & Co as Head of Execution. In 2007, he moved to Fisch Asset Management where Urs headed the trading desk for convertibles and other fixed income securities. Urs started with the Zurich-based convertible bond team at Schroders in November 2013



John Goddard
Trader

John Goddard started his professional career at Schroders in 2014 after graduating from Kingston University, London with a bachelor's degree in Applied Economics and Geography. During his time with Schroders John has worked in four offices around the globe, including London, New York and Luxembourg. Over the last four years, he has focused on Fixed-Income, Equity, FX and derivative products within the middle-office teams in New York and London and the Fund valuation department in Luxembourg. He joined the Zurich-based convertible bond team at Schroders in November 2018 as a junior trader.

Risk considerations

Global investment performance standards

Composite: Schroder Convertible Bonds Global Opportunistic USD Hedged
Composite ID: INT-C000956
Inception Date: 31.03.2008
Base Currency: USD
Currency: USD
Benchmark: Thomson Reuters Global Focus USD Hedged Convertible Bond Index (UCBIFX02)
Gross/Net: Gross Performance
Report Start Date: 30.09.2021
Report End Date: 31.12.2021

Period	Annualised Composite Return	Annualised Benchmark Return	Excess Return (Ann. if > 1 Year), Benchmark 1	Cumulative Composite Return	Cumulative Benchmark Return	Excess Return, Benchmark 1	No. of Portfolios (Throughout Period)	Asset Weighted Dispersion	Equal Weighted Dispersion	Lowest Annualised Return	Median Annualised Return	Highest Annualised Return	Market Value at Start
1 Month	-1.20	-0.85	-0.35	-1.20	-0.85	-0.35	1 (1)	N/A	N/A	-1.20	-1.20	-1.20	2'646'281'500
QTD	-2.41	-1.92	-0.49	-2.41	-1.92	-0.49	1 (1)	N/A	N/A	-2.41	-2.41	-2.41	2'896'554'293
3 Months	-2.41	-1.92	-0.49	-2.41	-1.92	-0.49	1 (1)	N/A	N/A	-2.41	-2.41	-2.41	2'896'554'293
6 Months	-4.38	-3.98	-0.40	-4.38	-3.98	-0.40	1 (1)	N/A	N/A	-4.38	-4.38	-4.38	2'994'031'862
YTD	-1.82	-1.11	-0.71	-1.82	-1.11	-0.71	1 (1)	N/A	N/A	-1.82	-1.82	-1.82	2'589'905'181
1 Year	-1.82	-1.11	-0.71	-1.82	-1.11	-0.71	1 (1)	N/A	N/A	-1.82	-1.82	-1.82	2'589'905'181
2 Years	10.78	10.22	0.56	22.72	21.48	1.24	1 (1)	N/A	N/A	10.78	10.78	10.78	1'955'028'847
3 Years	11.84	11.17	0.67	39.90	37.39	2.51	1 (1)	N/A	N/A	11.84	11.84	11.84	1'661'765'713
4 Years	7.83	7.44	0.38	35.17	33.26	1.91	1 (1)	N/A	N/A	7.83	7.83	7.83	1'583'022'720
5 Years	8.07	7.15	0.92	47.43	41.25	6.17	1 (1)	N/A	N/A	8.07	8.07	8.07	1'466'228'579
6 Years	7.28	6.20	1.08	52.48	43.50	8.98	1 (1)	N/A	N/A	7.28	7.28	7.28	1'853'971'566
7 Years	6.92	5.86	1.05	59.69	48.99	10.70	1 (1)	N/A	N/A	6.92	6.92	6.92	1'771'404'463
8 Years	6.75	5.72	1.03	68.66	56.04	12.62	1 (1)	N/A	N/A	6.75	6.75	6.75	2'060'067'533
9 Years	7.91	6.51	1.41	98.49	76.38	22.10	1 (1)	N/A	N/A	7.91	7.91	7.91	847'059'639
10 Years	8.33	6.97	1.35	122.54	96.25	26.29	1 (1)	N/A	N/A	8.33	8.33	8.33	477'463'516
Since Inception	6.42	5.03	1.39	135.18	96.26	38.92	1 (1)	N/A	N/A	6.42	6.42	6.42	10'086'436
2021	-1.82	-1.11	-0.71	-1.82	-1.11	-0.71	1 (1)	N/A	N/A	-1.82	-1.82	-1.82	2'589'905'181
2020	24.99	22.84	2.15	24.99	22.84	2.15	1 (1)	N/A	N/A	24.99	24.99	24.99	1'955'028'847
2019	14.00	13.10	0.90	14.00	13.10	0.90	1 (1)	N/A	N/A	14.00	14.00	14.00	1'661'765'713
2018	-3.38	-3.01	-0.37	-3.38	-3.01	-0.37	1 (1)	N/A	N/A	-3.38	-3.38	-3.38	1'583'022'720
2017	9.07	6.00	3.07	9.07	6.00	3.07	1 (1)	N/A	N/A	9.07	9.07	9.07	1'466'228'579

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

Source: Schroders.

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GIPS performance

Part 2: disclosures

Composite Disclosures
Composite: Schroder Convertible Bonds Global Opportunistic USD Hedged
31.0122018
Definition of Firm The Firm is defined as all accounts managed by Schroder Investment Management in the US, UK, Switzerland, Singapore, Hong Kong, Japan and Australia by wholly owned subsidiaries of Schroders PLC. Accounts managed by Schroders Adveq are excluded, Schroders Adveq claims compliance separately. Assets managed against a liability driven mandate or invested in direct property are excluded from the GIPS Firm. Advisory portfolios signed to Schroders Investment Management Hong Kong (SIMHK) are also excluded from the GIPS Firm.
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Composite Description The Schroder Convertible Bonds Global Opportunistic USD Hedged Composite (the Composite) is comprised of all fully discretionary accounts that meet the Firm definition which seek to achieve returns above the Thomson Reuters Global Focus USD Hedged Convertible Bond Index (UCBIFX02) through investment primarily in convertible securities and other similar convertible securities. Accounts in the composite will be managed in an unconstrained style and on average will have a bias towards investing into convex or balanced convertible bonds. Accounts will be hedged back to USD. Derivatives may be used to achieve the investment objective and to reduce risk or manage the fund more efficiently. The use of Leverage is not permitted.
Composite Construction New accounts are included from the beginning of the first full month of management on a discretionary basis. Terminated accounts are excluded from the end of the last full month of discretionary management. This Composite has no minimum asset level for inclusion. The composite currency is US Dollar Composite Inception Date: 31 Mar 08 Composite Creation Date: 2 Dec 15
Calculation Methodology The portfolio returns are time-weighted rates of return that are adjusted for cash flows. Portfolio returns are combined using beginning of period asset weights to produce the composite return. Periodic returns are geometrically linked to produce annual returns. Dividends on equities are recognised net of irrecoverable withholding tax. Since January 1999 dividends have been recognised as of the ex-dividend date having previously been recognised on a cash basis. Performance results are presented before the deduction of management fees and custodian fees but after trading expenses. Dispersion The dispersion of annual returns is measured by the asset weighted standard deviation of portfolio returns represented within the composite for the full year provided a minimum of 5 portfolios are available.
Additional information The exchange rates used are provided by WM. Each currency is valued at 4 pm on the last business day of the month. Additional information regarding policies for valuing portfolios, calculating and reporting returns and a description of all composites are available on request.
Fee Schedule The fee scale applied to the composite is 1.25% p.a.
Linked History Performance shown prior to 30 November 2013 represents results achieved by the convertible bond team while it was a part of Fisch Asset Management AG
Risk Statistics Unavailability Standard Deviations for composite and its benchmark that have not been active or in existence for 3 years or more are not provided in the presentation.

Source Schroders

Convertibles explained

Simple glossary

- Delta is a measure of equity sensitivity reflecting the influence the stock market on the parity of the convertible bond. We like to look at equity exposure, which mathematically equals $\text{Delta}/(1+\text{premium})$. This gives you exactly the risk behaviour of a balanced fund consisting of equity and bonds. An equity exposure of 45% hence resembles a balanced portfolio of 45% stocks and 55% bonds
- Rho/duration indicates how much a convertible price changes, if the risk-free interest rate changes by one percentage point. Convertibles have a naturally low exposure to higher interest rates
- Current yield is the coupon income divided by the current price. This income shows what a convertible bond could earn in a sideways market. Please note that we invest in convertibles with an average price well above par. The (mathematically correct) yield to maturity or yield to worst is negative. For convertible investors this yield does not fully apply as our investment rationale is not to move downwards with the pull to par, but upwards with the equity markets
- The Vega of an option indicates how strongly the convertible value changes if the volatility of the underlying asset changes by 1 percentage point. For holders of convertibles an increase in volatility is positive for the valuation of the conversion right

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