

Schroder International Selection Fund – Securitised Credit

Résumé

Le Compartiment investit uniquement dans des actifs jugés supérieurs à un seuil minimum basé sur le système de notation du Gestionnaire d'investissement. Les titres sont classés en fonction des facteurs environnementaux, sociaux et de gouvernance à l'aide d'un système de tableau de bord et gagnent des points sur une échelle qui en compte 100 ou qui va jusqu'à 100 %. Ces scores sont ensuite traduits dans un système de notation allant de 1 à 5 étoiles, 5 étant le score le plus élevé. Le Gestionnaire d'investissement veillera à ce qu'au moins 80 % des actifs du Compartiment soient classés dans les 3 premières catégories de durabilité (3, 4 et 5 étoiles) et que 100 % de ses actifs soient investis dans des catégories 2 étoiles ou plus.

Le Compartiment est géré de façon active et investit au moins deux tiers de son actif dans des investissements titrisés à taux fixe et variable, y compris de façon non limitative des titres adossés à des actifs (ABS), des titres adossés à des créances hypothécaires résidentielles (MBS) et des titres adossés à des créances hypothécaires commerciales (CMBS). Le Compartiment peut également investir dans des obligations adossées à des prêts garantis (CLO).

Le Compartiment peut également appliquer certaines exclusions. De plus amples informations sur l'ensemble des exclusions du Compartiment sont disponibles ci-dessous dans la section « Surveillance des caractéristiques environnementales ou sociales ». Les critères d'exclusion de certains secteurs, activités ou groupes d'émetteurs énumérés ci-dessous, ainsi que les limites d'investissement applicables au Compartiment, seront mesurés en fonction du cadre de conformité du portefeuille du Gestionnaire d'investissement.

Compte tenu de la nature des actifs du Compartiment, les principes de bonne gouvernance relatifs A) aux structures de gestion saines, B) aux relations avec le personnel, C) à la rémunération du personnel et D) aux obligations fiscales ne sont pas directement ou totalement applicables.

La proportion minimale des actifs du Compartiment utilisés pour atteindre les caractéristiques environnementales ou sociales est de 80 %. Le Compartiment comprend des investissements qui sont considérés comme neutres du point de vue de la durabilité. Cela inclut également d'autres investissements qui ne sont pas alignés sur les caractéristiques environnementales ou sociales, car ils ne sont pas classés dans les 3 premières catégories de durabilité selon les critères de notation du Gestionnaire d'investissement.

Le processus d'investissement et de sélection des actifs du Compartiment a été examiné et approuvé par le Comité de développement des produits du gestionnaire d'investissement, qui comprend des représentants des fonctions juridique, conformité, produit et investissement durable. La conformité permanente aux caractéristiques de durabilité convenues est surveillée par l'équipe Conformité du Portefeuille. Il n'existe aucun contrôle externe sur cette diligence raisonnable.

Aucun indice de référence n'a été désigné dans le but d'atteindre les caractéristiques environnementales ou sociales promues par le produit financier.

Des recherches de tiers peuvent être utilisées, mais nos analystes internes fournissent une vision exclusive sur chacune des sociétés que nous analysons.

Des limites à la méthodologie et aux données du Gestionnaire d'investissement peuvent découler de la disponibilité des données, et plus particulièrement de l'absence de données publiées par les sociétés.

Le codage et le suivi des restrictions en matière de risque d'investissement relèvent de la responsabilité de l'équipe Conformité du Portefeuille du Gestionnaire d'investissement au sein de la fonction indépendante de Risque d'investissement.

Les données contenues dans le cadre de la conformité du portefeuille constituent la base du suivi des limites et des indicateurs de risque, et nos équipes chargées du risque d'investissement, de la conformité du portefeuille et de l'investissement ont accès aux dernières informations sur la structure du portefeuille (comme l'allocation d'actifs, les positions par secteur et par pays) et aux indicateurs de risque.

Les marchés titrisés et les marchés de financement privé sont moins standardisés en ce qui concerne les indicateurs ESG, car il n'y a pas de notation par des tiers et les sociétés déclarent des informations dans un format non standard. L'engagement est nécessaire pour obtenir des informations, comprendre à quel stade de leur évolution les sous-secteurs et les entreprises se trouvent, collaborer et progresser ensemble grâce à la transparence, évaluer les caractéristiques sociales, environnementales ou d'alignement pour récompenser et mieux encourager la prise de risque pour les externalités, identifier les sociétés les plus susceptibles d'atteindre des niveaux de gouvernance, de politique sociale ou de bénéfice environnemental conformes à nos propres normes, en particulier lorsque le marché n'a pas permis de les différencier correctement.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Fund only invests in assets deemed above a minimum threshold based on the Investment Manager's rating system.

Securities are ranked across Environmental, Social and Governance factors using a scorecard system and are awarded points on a 100-point /100 percent scale. These scores are then translated into a scoring system of 1-star – 5-stars, with a score of 5-stars deemed the highest. The Investment Manager ensures that at least 80% of the assets in the Fund are ranked in the top 3 Sustainability categories (3, 4, 5-stars) and will invest 100% of its assets in those ranked 2-stars or higher.

Investment strategy

The sustainable investment strategy used by the Investment Manager is as follows:

The Fund is actively managed and invests at least two-thirds of its assets in fixed and floating rate securitised investments including but not limited to asset-backed securities (ABS), residential mortgage-backed securities (MBS) and commercial mortgage-backed securities (CMBS). The Fund may also invest in collateralised loan obligations (CLOs).

The Fund may invest up to 100% of its assets in ABS, MBS and CMBS issued worldwide with an investment grade and sub-investment grade credit rating (as measured Standard & Poor's or any equivalent grade of other credit rating agencies for rated securities and implied Schroders ratings for non-rated securities). Underlying assets of the asset-backed securities may include credit card receivables, personal loans, auto loans, transportation finance and small business loans.

The Fund may invest up to 30% of its assets in securities with a sub-investment grade credit rating (as measured Standard & Poor's or any equivalent grade of other credit rating agencies for rated securities and implied Schroders ratings for non-rated securities).

The Fund may also invest up to one-third of its assets directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, Investment Funds, warrants and Money Market Investments, and hold cash.

Source: Schroders, as at Nov 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

The Investment Manager assesses the sustainability credentials of potential investments using a proprietary tool. The Fund only invests in assets deemed above a minimum threshold based on the Investment Manager's rating system.

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under the "Monitoring of environmental or social characteristics" section.

The Investment Manager applies governance and sustainability criteria when selecting investments for the Fund. The strategy aims to identify securities offering good sustainability characteristics and credentials.

Due to the nature of the Fund's assets, the good governance principles of A) sound management structures, B) employee relations, C) remuneration of staff and D) tax compliance are not directly or fully applicable.

As part of our good governance framework, the Investment Manager ensures that the special purpose vehicles (SPVs) are set up in jurisdictions which have well-established legal frameworks and sound governance and are supervised by local law, policies and regulations. One of the many characteristics of securitisation is that as a separate SPV, or pool of assets, the securitisation is not generally a managed "going concern" corporation. We assess the fiduciary behaviour of parties to the structure, such as servicers, collateral managers and trustees, and practices that mitigate risk, align interest and avoid conflict.

The Investment Manager seeks to avoid, penalize or exclude collateral, structures or agents that impose a high cost on the environment and society, or those that lack acceptable governance.

This involves:

- The exclusion of sectors, assets or collateral, that the Investment Manager deems impose material uncompensated costs to the environment and those that impose unjustifiable social costs; and
- The inclusion of securities that evidence improvements to existing assets, lending conditions or governance based on the Investment Manager's rating methodology.

Securities are ranked across Environmental, Social and Governance factors using a scorecard system and are awarded points on a 100-point/100 percent scale. These scores are then translated into a scoring system of 1-star – 5-stars, with a score of 5-stars deemed the highest. The Investment Manager ensures that at least 80% of the assets in the Fund are ranked in the top 3 Sustainability categories (3, 4, 5-stars) and will invest 100% of its assets in those ranked 2-stars or higher.

The primary sources of information used to perform the analysis are the Investment Manager's proprietary tools, surveys, ESG questionnaires, public information, securitization filings and third-party research.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Proportion of investments

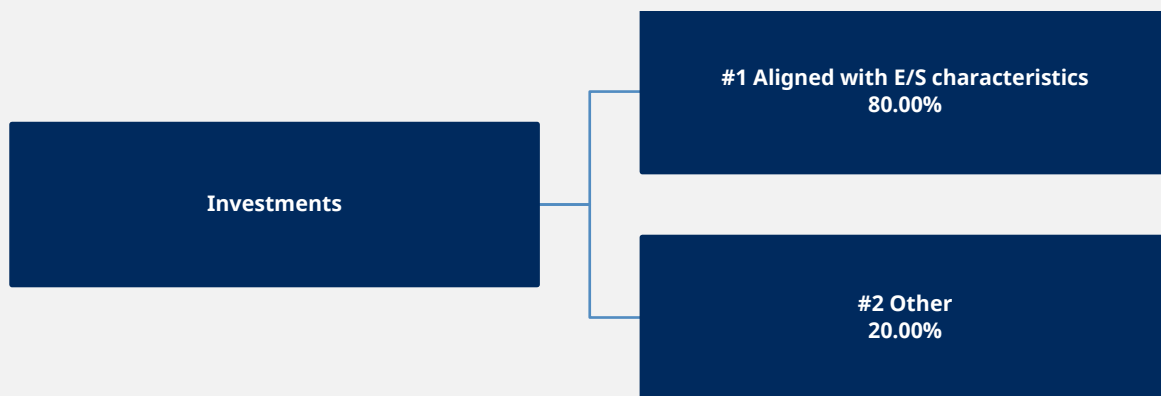
The planned composition of the Fund's investments that are used to meet its environmental or social characteristics are summarised below.

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#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

#1 Aligned with E/S characteristics includes the minimum proportion of the Fund's assets used to attain the environmental or social characteristics. This means investments that are ranked in the top 3 Sustainability categories according to the Investment Manager's rating criteria. The minimum proportion stated in #1 applies in normal market conditions.

#2 Other includes investments that are treated as neutral for sustainability purposes, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently. #2 also includes any investments that are not aligned with the environmental or social characteristics as they are not ranked in the top 3 Sustainability categories according to the Investment Manager's rating criteria.

Minimum safeguards are applied where relevant to Money Market Investments and derivatives used with the aim of reducing risk (hedging) or other investments by restricting (as appropriate) investments in counterparties where there are ownership links or exposure to higher risk countries (for the purpose of money laundering, terrorist financing, bribery, corruption, tax evasion and sanctions risks). A firm-wide risk assessment considers the risk rating of each jurisdiction; which includes reference to a number of public statements, indices and world governance indicators issued by the UN, the European Union, the UK Government, the Financial Action Task Force and several Non-Government Organisations (NGOs), such as Transparency International and the Basel Committee.

In addition, new counterparties are reviewed by Schroders' credit risk team and approval of a new counterparty is based on a holistic review of the various sources of information available, including, but not limited to, quality of management, ownership structure, location, regulatory and social environment to which each counterparty is subject, and the degree of development of the local banking system and its regulatory framework. Ongoing monitoring is performed through a Schroders' proprietary tool, which supports the analysis of a counterparty's management of environmental, social and governance trends and challenges. Any significant deterioration in the profile of the counterparty in Schroders' proprietary tool would lead to further analysis and potential exclusion by Schroders' credit risk team.

Monitoring of environmental or social characteristics

The exclusion of certain activities, industries or groups of issuers listed below, as well as the investment limits applicable to the Fund, are measured within the Investment Manager's portfolio compliance framework. Exclusions and limits are coded into this framework to seek to ensure that pre-trade compliance correctly flags the securities that should not enter the portfolio. Securities excluded based on revenue thresholds are evaluated quarterly by the Sustainable Investment team using MSCI's revenue data.

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The coding and monitoring of investment risk restrictions is the responsibility of the Investment Manager's Portfolio Compliance team within the independent Investment Risk function.

The data in the portfolio compliance framework forms the basis for monitoring of risk limits and indicators, and the latest information on portfolio structure (such as asset allocation, sector and country positions) and risk metrics is available to our investment risk, portfolio compliance and investment teams.

Exclusion Criteria

Environmental exclusions

Excluded Activity	Criteria
Thermal Coal Mining Maximum Percentage of Revenue	10%
Thermal Coal Power Generation Maximum Percentage of Revenue	30%

Social exclusions

Excluded Activity	Criteria
Tobacco Production Maximum Percentage of Revenue	5%
Tobacco Value Chain Maximum Percentage of Revenue	25%

Bespoke Schroders exclusions

Excluded Activity	Criteria
Schroders Controversial Weapons Curated List ¹	All
Schroders' 'Global Norms' Breach List	All

Methodologies for environmental or social characteristics

The Fund only invests in assets deemed above a minimum threshold based on the Investment Manager's rating system.

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Data sources and processing

In order to assess and understand the potential impact of sustainability risks and opportunities, Schroders has developed a range of proprietary tools. These tools rely on data that is available at the level of the underlying investment holdings.

The Investment Manager draws information on investee companies from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organisations and academics.

¹Schroders controversial weapons screening covers cluster munitions, anti-personnel mines, and chemical and biological weapons. Full details of the criteria and company names are available via the following link: <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>

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Third party research may be used, however our internal analysts form a proprietary view on each of the securities we analyse. Third-party research may also be used to support their assessment of ESG issues when analysing transactions, in addition to consulting with our in-house ESG specialists.

Whilst there may be some data estimation, it tends to be a marginal amount at the portfolio level with regard to our assessment of the sustainability characteristics of each company. The proportion of estimated data may vary over time.

Limitations to methodologies and data

Limitations to the Investment Manager's methodology and data mainly arise from data errors, data availability, specifically the lack of company reported data in some cases and data estimation as detailed in the section titled "Data sources and processing". Due to the range of data sources and due to combining both qualitative and quantitative elements involving a degree of subjectivity and judgement from the investment manager, we believe that these data limitations do not in aggregate materially impact our attainment of the environmental or social characteristics of the Fund.

Due diligence

The Fund's investment and asset selection process has been reviewed and approved by the Investment Manager's Product Development Committee that includes representatives from the Legal, Compliance, Product and Sustainable Investment functions. Ongoing compliance with the agreed sustainability characteristics is monitored by the Portfolio Compliance Team. There are no external controls on that due diligence.

Engagement policies

Securitized markets and the markets for private financing are less standardized with respect to ESG metrics as there is no third-party scoring and reporting is in a non-standard format. This requires engagement to derive information, to understand where sub-sectors and companies are in their evolution, to partner and make progress together through transparency, to assess social, environmental or alignment characteristics to reward and incentivize / more correctly risk price for externalities, to identify those more likely to achieve levels of governance, social policy or environmental advantage that are aligned with our own standards, particularly where the market has not correctly differentiated.

Designated reference benchmark

No reference benchmark has been designated for the purpose of meeting the environmental or social characteristics promoted by the financial product.

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