

Schroders

Schroder ISF* Sustainable Multi-Asset Income

Fund Managers: Remi Olu-Pitan, Dorian Carrell, JingJing Cui, Dominique Braeuninger | Fund update: September 2022

Performance overview

- *"We have to get inflation behind us. I wish there was a painless way to do that. There isn't".* After delivering a further expected 75bp rise in US rates, it was Jerome Powell's comments at the subsequent press conference that chilled markets. The message was very clear; the so-called Federal Reserve pivot is off the table and rate rises will continue until inflation comes down.
- Global equity and bond markets finished the month sharply down with continuing worries over higher interest rates, higher inflation, and concerns that central banks will push the economy into recession if this is what it takes to quell inflation.
- Despite this challenging backdrop, our portfolios were able to cushion against the sharpest falls, benefiting from our diversified and more cautious stance which we have retained through much of 2022.

Drivers of fund performance

- In line with broader markets, the fund was weaker over the month, with equities the largest headwind to returns.
- Credit was also negative over the period, although security selection, particularly in US names, provided a very useful buffer.

Portfolio activity

- In terms of portfolio activity, we continued our move from hybrids into credit as opportunities in more traditional areas of the universe become ever more appealing.
- Meanwhile, we slightly reduced our equity weighting, and shifted some exposure from growth towards a sustainable value-focused strategy.

Outlook/positioning

- It appears abundantly clear that we are entering a global economic slowdown. The global pandemic has certainly left its scars; global supply chains remain disrupted and China continues with its zero-covid strategy. War in Europe has seen elevated energy prices, while global central banks have made inflation their number one concern and will continue hiking rates in response.
- However, this has also created opportunities. As income investors, the credit space looks particularly enticing with yields having reset at levels not seen in over a decade. We have been adding to both investment grade and high yield in the portfolio, where we believe current spreads more than compensate for the potential longer terms risks.
- Meanwhile, we continue to see supply-side issues in energy, which further underpins our confidence in those companies, in particular those helping with the transition to more sustainable sources.
- While equity markets have fallen and there are undoubtedly pockets of value, we believe that company earnings estimates will likely be revised downwards and, until that happens, it is unlikely we have found a bottom. As a result, we maintain a more modest exposure to equities.

Calendar year performance (%)¹

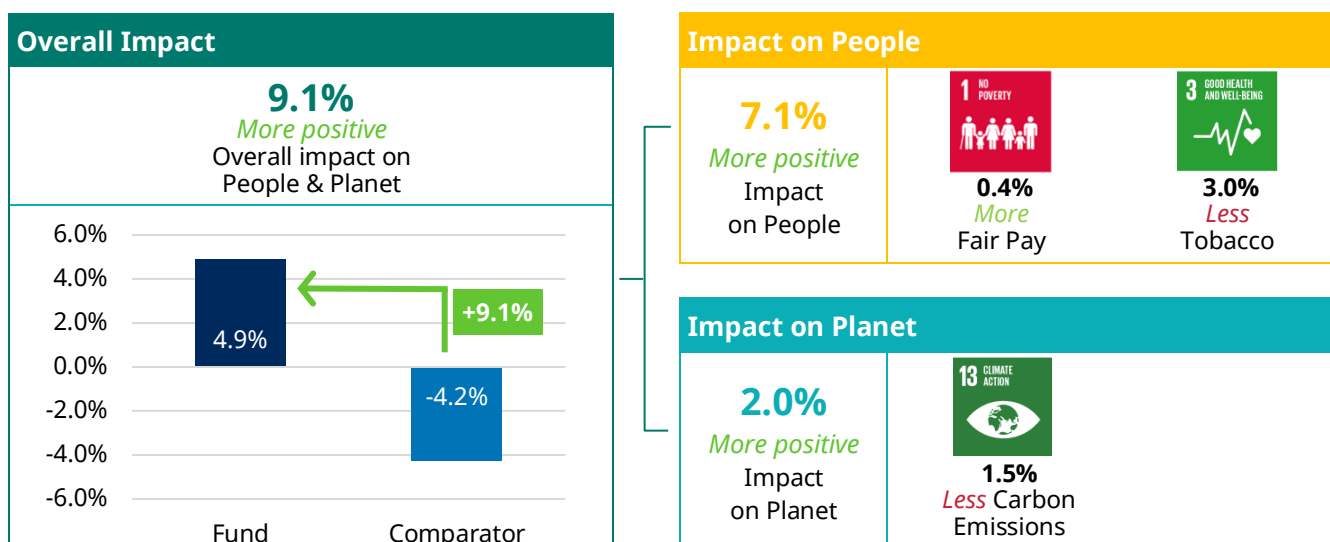
Year	Fund Net A Acc	Fund Net C Acc	Comparator
2021	4.7	5.3	6.2
2020	-	-	-
2019	-	-	-
2018	-	-	-
2017	-	-	-
2016	-	-	-
2015	-	-	-
2014	-	-	-
2013	-	-	-
2012	-	-	-

Source: Schroders, Thomson Reuters, 31 December 2021, A Acc & C Acc share € class, net of fees. ¹The fund launched 21 January 2020.

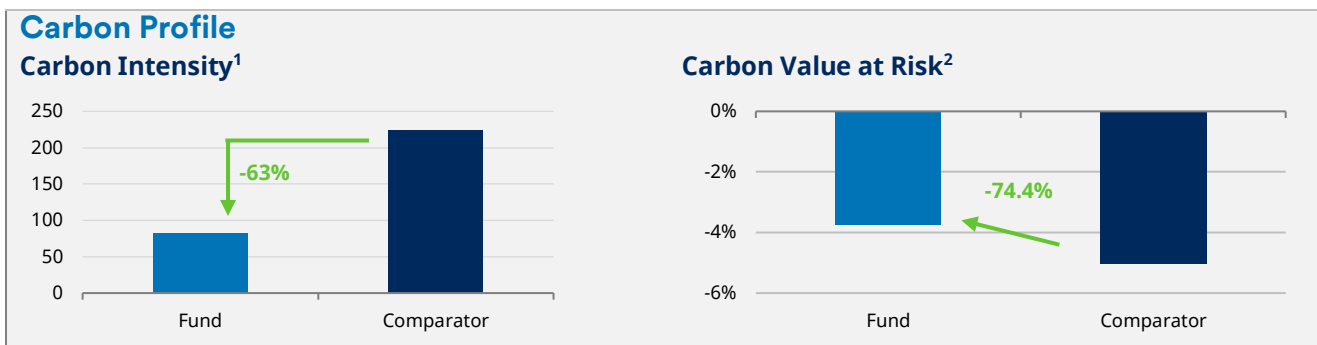
Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Please see the respective fund factsheets for the performance of other share classes.

The Fund's performance should be assessed against the income target of 3-5% per year and the volatility compared against 30% MSCI AC World index (hedged to EUR), 40% Barclays Global Aggregate Corporate Bond index (hedged to EUR) and 30% Barclays Global High Yield excl CMBS & EMG 2% index (hedged to EUR). The comparator benchmark is only included for performance comparison purposes and does not have any bearing on how the Investment Manager invests the Fund's assets.

Positive impact sustainability profile: Our active approach to sustainability results in the fund having a positive impact on both people and planet. This impact data measures the net benefit or harm to society per \$100 of revenue (+2% means the company adds \$2 of benefits to society per \$100 of sales).



Source: Schroders, as at 30 September 2022. The overall impact score, impact on People and impact on Planet is calculated using our proprietary tool SustainEx. SustainEx measures the net benefits or harm to society that companies create per \$100 of revenue they produce, expressed as a percentage. Please note this SustainEx data covers 98% of the portfolio. Comparator represented by 30% MSCI AC World Index/ 40% Barclays Global Aggregate Corporate Bond Index/ 30% Barclays Global High Yield excl CMBS & EMG 2%. For illustrative purposes only and not to be viewed as a recommendation to buy/sell securities.



Source: Schroders, as at 30 September 2022. Comparator represents by 30% MSCI AC World Index/ 40% Barclays Global Aggregate Corporate Bond Index/ 30% Barclays Global High Yield excl CMBS & EMG 2%. ¹Carbon intensity represents Scope 1&2 emissions relative to each \$1mn of sales. Please note the Carbon intensity data covers 94% of the portfolio. ²Carbon Value at Risk (VaR) quantifies the impact on a company's cost base of direct and indirect carbon emissions and represents the weighted average percentage of company earnings at risk if carbon prices rise to \$100/ton. Please note the Carbon VaR data covers 89% of the portfolio.

Investment Objective

The Fund aims to provide an income of 3-5% per year by investing in a diversified range of assets and markets worldwide which meet the Investment Manager's sustainability criteria. This is not guaranteed and could change depending on market conditions.

Risk considerations

Counterparty Risk: The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole.

Capital Risk/Distribution Policy: As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.

Sustainability Risk: The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forgo certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and value of any particular investor.

Emerging Markets and Frontier Risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.

Derivatives Risk – Efficient Portfolio Risk: Derivatives may be used to manage the portfolio efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund.

Currency Risk: The fund may lose value as a result of movements in foreign exchange rates.

Operational Risk: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.

Performance Risk: Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.

IBOR Risk: The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.

Market Risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

Liquidity Risk: In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares.

Capital Risk/Distribution Policy: As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.

Currency Risk/Hedged Share Class: The hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.

Important information

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

Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

The views and opinions contained herein are those of the individuals to whom they are attributed and may not necessarily represent views expressed or reflected in other Schroders communications, strategies or funds.

Information herein is believed to be reliable, but Schroders does not warrant its completeness or accuracy.

This advertisement has not been reviewed by the Monetary Authority of Singapore.

This is prepared by Schroders for information and general circulation only and the opinions expressed are subject to change without notice. It does not constitute an offer or solicitation to deal in units of any Schroders fund (the "Fund") and does not have regard to the specific investment objectives, financial situation or the particular needs of any specific person who may receive this. Investors may wish to seek advice from a financial adviser before purchasing units of any Fund. In the event that the investor chooses not to seek advice from a financial adviser, he should consider whether the Fund in question is suitable for him. Past performance of the Fund or the manager, and any economic and market trends or forecast, are not necessarily indicative of the future or likely performance of the Fund or the manager. The value of units in the Fund, and the income accruing to the units, if any, from the Fund, may fall as well as rise. Investors should read the prospectus, available from Schroder Investment Management (Singapore) Ltd or its distributors, before deciding to subscribe for or purchase units in any Fund. Funds may carry a sales charge of up to 5%.

Schroder Investment Management (Singapore) Ltd

138 Market Street #23-01 CapitaGreen Singapore 048946

Telephone: 1800 534 4288 Fax: +65