

For professional clients only. Not suitable for retail clients.

SCHRODER SPECIALIST PRIVATE EQUITY FUND

Fund Update

November 2021



Schroders
capital

Contents

Strategy Overview	3
Schroder Specialist Private Equity Fund.....	3
Executive Summary	4
Target Market.....	4
Investment Strategy	4
Team structure.....	5
Summary.....	5
Section 1 Schroder Specialist Private Equity Fund	7
1.1 Accelerated portfolio build up through co-investments and secondaries	7
1.2 Investment performance	7
1.3 Liquidity Management	8
Section 2 Competitive advantage	12
2.1 Investment Strategy.....	12
2.2 Strength of relationships with fund managers.....	13
2.3 Track Record	13
2.4 ESG.....	15
2.5 Data Science.....	15
Section 3 Investment philosophy and objective	17
3.1 Our Five Core Principles.....	17
3.2 Investment Strategy.....	17
3.3 The case for small/mid buyouts.....	18
Section 4 Investment process	20
4.1 Portfolio Construction.....	20
4.2 Thorough fund manager assessment.....	20
4.3 Investment decision process with quality control.....	21
4.4 Allocation Policy	21
Section 5 ESG and Company Engagement	23
Section 6 Risk Considerations	26
Section 7 Investment team	27
7.1 Background.....	27
Section 8 Key Fund Terms	33
8.1 Administration details.....	33
8.2 Terms and conditions	33
8.3 Application procedure.....	35
8.4 Valuation standards and methodology	37

Strategy Overview

Schroder Specialist Private Equity Fund

Product Description	<p>Schroder Specialist Private Equity Fund ('the Fund') aims to provide capital growth over the long-term by providing exposure to a diversified range of private equity investments worldwide. The Fund invests substantially all of its assets into the I-AUD class of units in the Schroder GAIA II Specialist Private Equity Fund (to be renamed to Schroder GAIA II Global Private Equity on or around 31 December 2021), an open-ended investment company domiciled in Luxembourg and which qualifies as a SICAV¹ (the 'Underlying Fund').</p> <p>The Underlying Fund accesses investment opportunities through primary and secondary investments in private equity funds and direct investments or co-investments. The Underlying Fund may invest up to 100% of its total net assets in unlisted securities, however, no more than 10% of its total net assets may be invested in any single company (assessed at the time of investment). The Underlying Fund will not invest more than 25% of its total net assets in funds or companies managed by any single investment manager (assessed at the time of investment).</p> <p>The Underlying Fund may, on an exceptional basis, hold up to 100% of its assets in cash.</p>
Investment Objective	<p>To provide capital growth over the long term by providing exposure to a diversified range of private equity investments worldwide.</p>
Key Features and Benefits	
Unique access private equity transactions	<ul style="list-style-type: none"> – The investment strategy of the Underlying Fund is global private equity focusing on specialist segments, including small and medium buyouts, venture and growth – This strategy is core to Schrodgers and, up until recently, has only been available to investors via partnership in closed-end funds
Focus on small/medium buyouts	<ul style="list-style-type: none"> – In our assessment, small and medium buyout investments are more attractive as they require specialised skills to realise full potential – We believe this strategy offers superior return potential compared to large buyouts for the following reasons <ul style="list-style-type: none"> – Specialist managers in the lower middle market are often preferred buyers due to deep expertise and ability to generate value through operational improvements – Small and medium buyout managers source the majority of deals from families and entrepreneurs, which typically show a preference for smooth ownership transition rather than auction processes. This benefits managers in the form of limited competition for deals and favourable entry valuations – EV/EBITDA multiples for small-mid buyouts have historically been lower than large buyouts and thereby offers potential for higher multiples on the exit
Semi-liquid fund structure	<ul style="list-style-type: none"> – The Fund is structured with the opportunity for quarterly withdrawals (subject to restrictions), allowing investors the opportunity to access an illiquidity premium without the long lock-ups associated with other private equity funds
Focus on ESG	<ul style="list-style-type: none"> – Our commitment to environmental, social and governance ('ESG') factors and responsible investment for private equity starts with our mission of 'Making investments that our investors can be proud of' – We have incorporated ESG assessments across the different steps of our investment process using customised tools – All investments are reviewed by a dedicated ESG Committee, comprised of both private equity and sustainability professionals from around Schrodgers Group.

¹A Société d'investissement à Capital Variable, or SICAV fund, is an open-ended collective investment scheme structure common in Europe.

Executive Summary

The Schroder Specialist Private Equity Fund (the 'Fund') is a feeder fund into the I-AUD class of units in the Luxembourg domiciled Schroder GAIA II Specialist Private Equity Fund (the 'Underlying Fund').

The Fund aims to provide capital growth over the medium to long term by providing exposure to a diversified range of private equity investments worldwide by investing in the Underlying Fund. The Fund provides investors with a means of accessing the higher investment returns private equity can provide, with a degree of liquidity to allow for an open-ended fund structure.

The Fund invests substantially all of its assets in the Underlying Fund. The Underlying Fund invests in equity interests of companies that are not listed on stock exchanges (private equity) and that are seeking to actively build, grow or transform. The Underlying Fund's assets will be allocated on an opportunistic basis across private equity strategies, regions, sectors and industries.

The Fund and Underlying Fund will seek to generate investment return through capital appreciation, commensurate with the risk of the target private equity segments and strategies, that over the medium to long term, is expected to exceed the return from public equity markets.

The Underlying Fund aims to be diversified by geography, industry sector and investment vintage. The Underlying Fund invests in portfolio companies through and alongside specialised fund managers that take an active ownership role in these companies. It intends to invest with fund managers that have the financial, strategic and operational capabilities to develop the underlying portfolio companies accordingly.

Potential investors should be aware of, and have both an ability and willingness to tolerate, the risk of potentially significant delays in accessing their capital and the potential for significant losses associated with investing in private equity companies.

Schroder Investment Management Australia Limited is the responsible entity of the Fund. Schroders Capital Management (Switzerland) AG ('Schroders Capital') is the investment manager of the Underlying Fund.

Target Market

In accordance with our obligations under Part 7.8A of the Corporations Act, we have made a target market determination for the Fund which can be accessed at our website www.schroders.com.au. In summary, this Fund is more likely to be appropriate for a consumer seeking capital growth for a small component of their portfolio, with a high or very high risk and return profile. This Fund is unlikely to be suitable for a consumer seeking income, capital preservation or with a short investment timeframe or requiring access to their money in less than a year.

Investment Strategy

The investment strategy of the Underlying Fund is global private equity focusing on specialist segments, including small and medium buyouts, venture and growth. While the Underlying Fund has flexibility in relation to the allocation of capital across strategies, regions and types of investments, Schroders Capital's current expectations on the allocation of the investment portfolio of the Underlying Fund are set out in the table below.

Underlying Fund investment strategy – indicative allocations

Estimated geographic allocation ranges	Europe:	30% to 50%
	USA:	30% to 50%
	Asia/Others:	10% to 30%
Estimated target allocation by strategy	Small/mid buyouts: ¹	60%
	Large buyouts:	10% to 15%
	Venture/growth:	25%
Estimated target asset allocation by private equity segment	Cash:	10% to 20%
	Co-investments and direct deals:	30% to 50%
	Secondaries:	30% to 50%

Primaries:	0% to 20%
Other private equity: ²	0% to 10%

Source: Schroders Capital, for illustrative purposes. The actual portfolio of the Underlying Fund may have different characteristics and allocations compared to what is presented above.

¹This refers to targets with enterprise value of less than €100 million or US\$100 million.

²Other private equity refers to private equity like investments including vehicles managed by firms generally recognised as private equity firms.

The Underlying Fund invests globally with a focus on buyouts in Europe and the United States. The allocation to Asia and other geographies is lower given the greater emphasis on growth and venture capital in these markets.

Team structure

The primary team responsible for the Underlying Fund are given below.



Source: Schroders Capital, September 2021.

¹Lead Portfolio Manager for the Underlying Fund. ²Head of Sustainability Private Equity

Summary

A summary of the key characteristics of the Schroder Specialist Private Equity Fund are as follows:

Fund Name	Schroder Specialist Private Equity Fund
ARSN	131 418 025
APIR	SCH0038AU
Fund Objective	The Fund aims to provide capital growth over the medium to long term by providing exposure to a diversified range of private equity investments worldwide by investing in the Underlying Fund.
Type of investment	The Fund is a feeder fund and will invest substantially all of its assets in the Underlying Fund. The Underlying Fund invests in equity interests of companies that are not listed on stock exchanges (private equity) and that are seeking to actively build, grow or transform. The Underlying Fund's assets will be allocated on an opportunistic basis across private equity strategies, regions, sectors and industries.
Management style	Active private equity investing
Distribution frequency	None. No cash distributions are paid, however taxable income (if any) will be attributed to unitholders each year in accordance with applicable tax laws.

Risks of investing in the Fund	<p>Investment in the Fund should be considered as high risk. The Fund is designed only for informed and sophisticated investors who can bear the economic risks of the loss of their investment in the Fund and who have a limited need for liquidity in their investment. Therefore, the Fund is not suitable for investors who depend on the short-term availability of their funds. There can be no assurance that the Fund will achieve its investment objective or that any investor will get some or all of their money back.</p> <p>There are risks specific to private equity and the withdrawal provisions of the Underlying Fund including the quarterly withdrawal limits and risk of the Special Dealing Procedure which investors should consider (please refer to section 8.3 for more information).</p>
Applications and withdrawals	<p>For applications: monthly, with cut-offs generally at 3pm on the 11th calendar day of each month.</p> <p>For withdrawals: quarterly, with cut-offs generally on the last Business Day in March, June, September and December. Withdrawals received by a cut-off date are generally processed at the end of the next quarter, and settled 23 business days after the end of that quarter. For example, withdrawals received by the last business day in September are generally processed in December, and settled 23 business days after the end of December.</p> <p>Please note net withdrawals in the Underlying Fund are limited to no more than 5% of the Underlying Fund's net asset value (NAV) per calendar quarter (as well as other restrictions) which may mean that any withdrawal request made by the Fund in respect of its interests in the Underlying Fund may not be satisfied in full in any given quarter. This may in turn affect the processing of withdrawal requests by the Fund.</p> <p>Please refer to section 8.3 for further information.</p>
Availability of Net Asset Value	<p>The Fund's NAV will ordinarily be available 21 Business Days after the end of the month.</p>
Management fees and costs	<p>The management costs of the Fund are estimated to be 2.40% p.a. of the net asset value ('NAV') of the Fund which comprises of the following components:</p> <ul style="list-style-type: none"> – Management fee: 1.48% p.a. – Indirect costs: 0.92% p.a. – Expense recoveries: 0% p.a.
Interposed vehicle performance fees	<p>Performance fees are not charged by Schroders to the Fund or the Underlying Fund.</p> <p>The Underlying Fund invests in underlying private equity vehicles (such as other funds managed by third party private equity managers) which may charge performance fees, which will be borne indirectly by the Fund.</p>
Minimum investment amount	<p>\$20,000 which may be waived at Schroders' absolute discretion.</p>

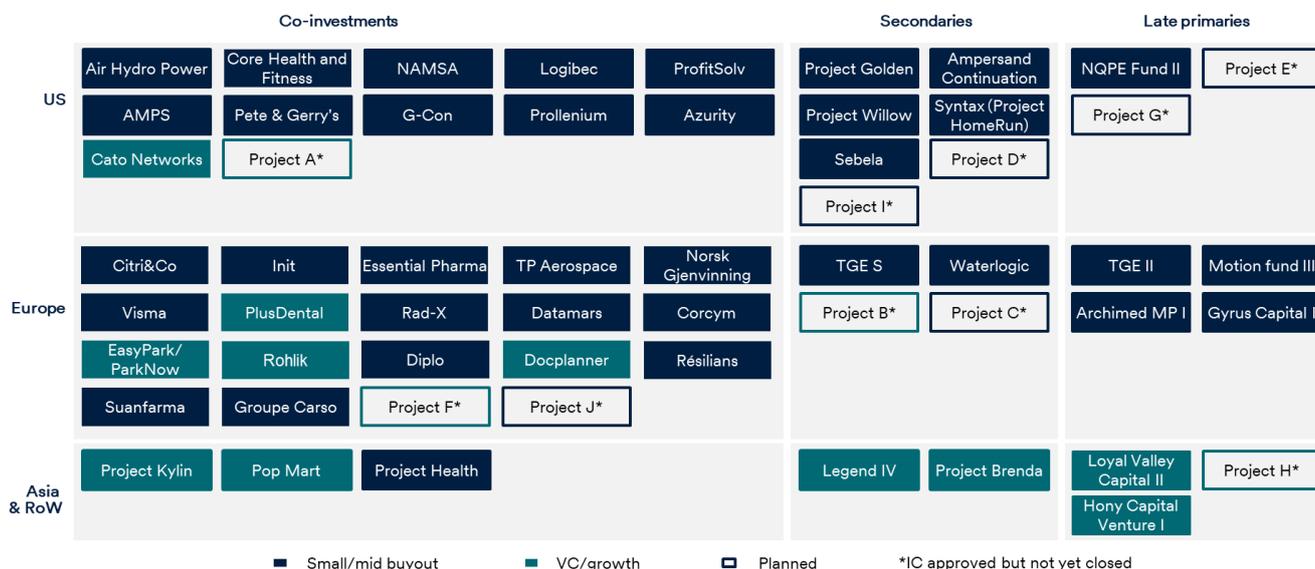
*Investment guidelines are for information purposes only and are subject to change without notice.

Section 1 Schroder Specialist Private Equity Fund

1.1 Accelerated portfolio build up through co-investments and secondaries

The Underlying Fund will aim to achieve its diversification strategy by using primary and secondary investments, and direct/co-investments in specialist market segments.

As at 30 September 2021, the portfolio has been built up as follows:



Source: Schroders Capital, 2021. The investment pipeline is illustrative only and not a recommendation to buy or sell. There can be no assurance that the investments shown take place.

1.2 Investment performance

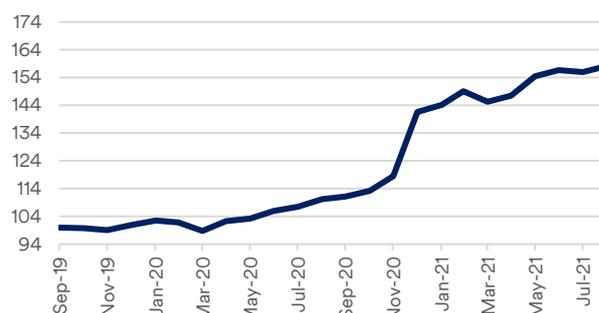
The performance of the Underlying Fund in USD and the Fund in AUD are given below, for the periods since their inception up to 30 September 2021. Please note that there is no FX hedging in any of the vehicles.

Price history since inception

Schroder Specialist Private Equity Fund (AUD)



Schroder GAIA II Specialist Private Equity C Acc (USD)



Cumulative performance	1 month	3 months	6 months	12 months	Since inception (pa)
Schroder Specialist Private Equity Fund (AUD)	3.1%	6.6%	16.1%	42.4%	25.3%
Schroder GAIA II Specialist Private Equity C Acc (USD)	2.0%	2.9%	11.0%	42.5%	27.0%

Past performance is not a reliable indicator of future performance. All performance is shown net of fees.

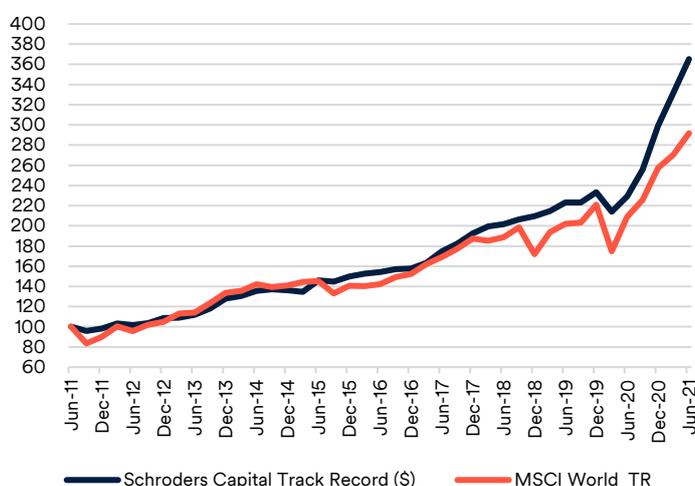
Source: Schroders, 30 September 2021. Both charts showing returns since inception of each fund.

Further illustration as to the aggregated track record of Schroders Capital’s past investments across all programmes for the last ten years is given below (please refer to Section 2 and 7.1 for more information on Schroders Capital).

Please note, past performance is not a reliable indicator of future performance. Please refer to the risk factors provided in the Important Information section of this document. Please note some of these returns are expressed in USD and whilst the Fund will be denominated in AUD, returns will not be hedged. Prospective investors should consider the effect of possible FX movements on their returns prior to making a decision to invest.

The chart below shows the performance per vintage which is recorded as the year that the investment is made. For example, an investment commitment made to a fund or co-investment in 2014 would be represented in the chart below as 2014. A secondary transaction would be recorded as the year in which Schroders Capital invests in the fund (as opposed to the year that the fund made its first investment).

Schroders Capital track record vs. MSCI World TR (in USD)



Strong returns vs. MSCI World ...

	10 year CAGR	5 year CAGR
Schroders Capital	13.8%	18.8%
MSCI World TR	11.3%	15.5%

... lower volatility ...

Volatility (10 years)	Annualized quarterly volatility
Schroders Capital	8.9%
MSCI World TR	15.2%
Russell 2000 Growth TR	22.2%
STOXX Europe Small 200 TR	17.6%
MSCI Asia Pacific TR	15.6%

... and low correlation to Public Markets

Correlations (10 years)	Schroders Capital
MSCI World TR	0.68
Russell 2000 Growth TR	0.61
STOXX Europe Small 200 TR	0.59
MSCI Asia Pacific TR	0.68

Past performance is not a guide to future performance.

Source: MSCI, Schroders Capital, 2021.

Figures shown are as of Q2 2021 and net of underlying fund fees, expenses and performance fees and gross of Schroders Capital’s fund fees, expenses and performance fees, as calculated in USD. Quarterly returns calculated as the total quarterly investment result over the Beginning of Period (BOP) NAV. The total quarterly investment results are calculated as End of Period (EOP) NAV plus distributions in the quarter minus calls in the quarter minus BOP NAV.

1.3 Liquidity Management

Overview

A key consideration in the design of the Underlying Fund is to provide a limited degree of liquidity. This has been incorporated in the design in two ways:

- Portfolio construction
- Liquidity management tools

Both are further elaborated on in the table below.

Liquidity management methods

Portfolio construction

Portfolio cash flows

- The portfolio of the Underlying Fund will be cash generative, with underlying distributions typically exceeding capital calls

Portfolio diversification

- The Underlying Fund has a high mix of secondary private equity funds and buyouts co-investments that have lower follow-on capital calls than primary funds
- The portfolio of the Underlying Fund is diverse by region and sector to avoid concentration risk

Cash balance

- The cash balance of the Underlying Fund will be kept between 10–20% to serve redemptions and capital calls from underlying investments

Source: Schroders Capital, for illustrative purposes.

Liquidity management tools

Withdrawal limit and suspension

- Up to 5% net withdrawals at the Underlying Fund level are permitted per quarter with the means to suspend redemptions up to four quarters

Suspend new applications

- The Underlying Fund can suspend all new investor applications in order to avoid an excessive cash balance

Credit facility

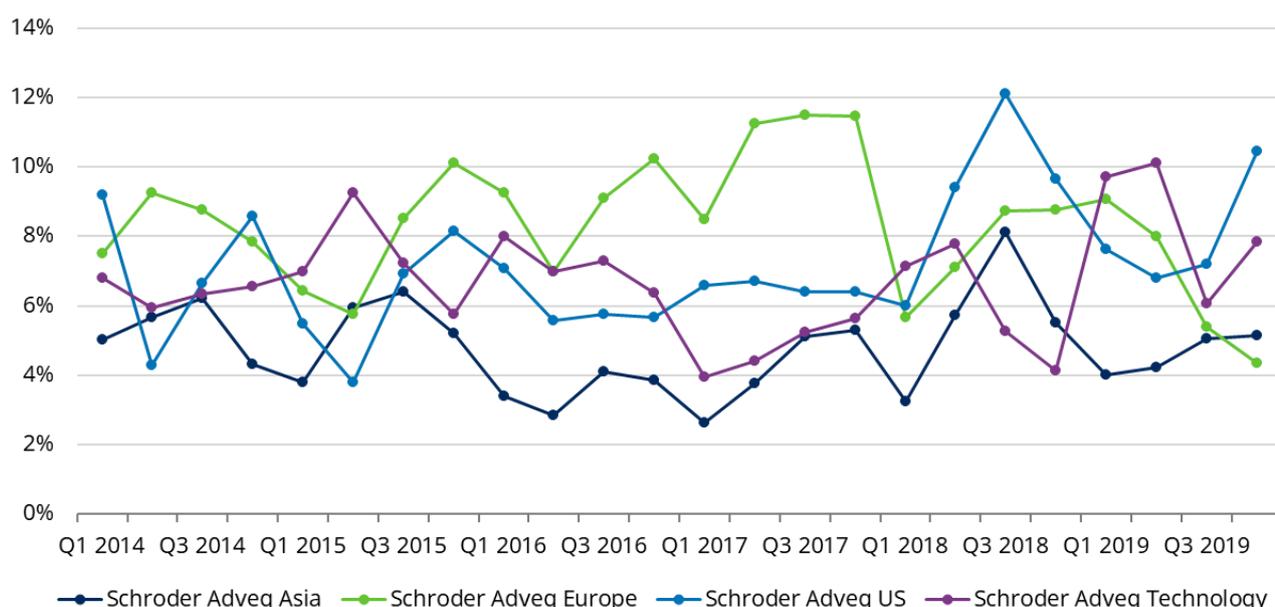
- A credit facility of up to 30% of Net Asset Value is available at the Underlying Fund level to serve capital calls (not withdrawals) if there is insufficient cash in the fund

Portfolio construction

The portfolio seeks to be cash generative through distributions received from the underlying investments. Annual distribution activity across Schroders Capital's investment programme has averaged over 20% of NAV over the 5 year period from 2014 to 2018.

The Underlying Fund targets a portfolio well diversified by region and sector so that the portfolio is less exposed to cycles affecting certain sectors. Analysis of portfolio modelling over the history of Schroders Capital's investment programmes supports this thesis.

Capital distributions per quarter in % of underlying NAV across Schroders Capital Private Equity investment programmes¹ over a 5 year period



¹Illustrative of the Underlying Fund portfolio. Includes all Schroders Capital (previously called Schroder Adveq) private equity investments with distribution levels higher than 10% of the commitment, result smoothed for two moving quarters. The Fund will provide 20% liquidity per annum for redeeming investors (5% per quarter as described in 3.1.19).

Investment Type	Average annual distributions in Schroders Capital's portfolio from 2014 to 2018 (% of beginning NAV)
Direct/Co-investments	15%
Secondary Transactions	26%
Primaries	19%
Underlying Fund (at target allocation)	20%

Cash balance

The Underlying Fund holds a cash balance with a target amount of between 10% to 20% of the Underlying Fund's NAV'. The cash balance will be there to serve withdrawals and support investment activity. The level of the cash balance will vary and at times may be more or less than this target range. Factors that will influence the cash balance include:

- Transaction timing: the cash balance is expected to be higher just after a large distribution from an underlying investment or just prior to an investment by the Underlying Fund
- Application and withdrawal activity: refer to '[Applications procedure](#)' and '[Withdrawal procedure](#)' in section 8.3.
- The level of commitments in the Underlying Fund through share classes (I and IA): Certain share classes allow investors to make a commitment to the Underlying Fund with a subscription only taking place when the Underlying Fund requires additional cash. The commitment an investor makes is contractual and therefore if the Underlying Fund has a high level of commitments it can afford to keep the cash balance low

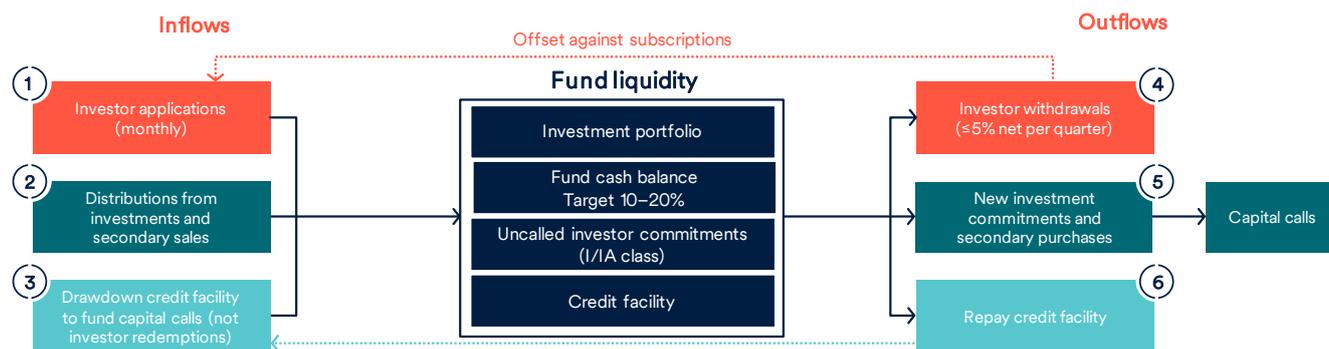
Liquidity management tools

The Underlying Fund has been designed with several tools to assist with liquidity management. The objective of these tools is to help investors in the Underlying Fund preserve value and avoid situations where the Underlying Fund has to sell portfolio holdings in a fire-sale situation, or having an excessive cash balance.

The net redemptions (redemptions received for a given quarter netted off against subscriptions received over that quarter) on any one quarter will be limited to 5% of the Underlying Fund's Net Asset Value as at the end of the preceding quarter.

- $Net\ withdrawals\ for\ Quarter_i = \max(Withdrawals\ for\ Quarter_i - applications\ over\ Quarter_i; 0)$
- $Withdrawal\ limit\ for\ Quarter_i = Fund\ NAV\ as\ of\ Quarter_{i-1} * 5\%$

Liquidity mechanics of the Underlying Fund



Source: Schroders Capital, for illustrative purposes.

Credit facility

The Underlying Fund has access to a credit facility of up to 30% of Net Asset Value to help the Underlying Fund manage through periods of intense market stress where distributions from the underlying companies in the investment portfolio reduce to a level at which the Underlying Fund cannot meet the capital calls on commitments from the underlying portfolio. The credit facility would be used to avoid the Underlying Fund from having to make forced asset sales to meet these capital calls.

The credit facility will incur customary commitment fees and additional charges on any amounts drawn down.

Section 2 Competitive advantage

2.1 Investment Strategy

Schroders Capital has been a global private equity investor since 1997 with a focus on specialist segments.

Schroders Capital has raised and held final close on 31 funds offered through distinct private equity investment programmes. In addition to its funds, Schroders Capital has experienced considerable growth of its mandate investments.

Table 2.1: Schroders Capital's funds having held their final closing to date

Program	Fund	Vintage	Fund size in millions	
Schroders Capital Private Equity Global Innovation Focused on fund managers investing in technology companies (predominantly venture capital) in the US	Fund I	1997	USD	66
	Fund II	1999	USD	231
	Fund III	2001	USD	301
	Fund IV	2004	USD	325
	Fund V	2006	USD	424
	Fund VI	2009	USD	181
	Fund VII	2012	USD	123
	Fund VIII	2015	USD	154
	Fund IX	2018	USD	227
Schroders Capital Private Equity Europe Focused on fund managers investing in Europe across investment stages, with an increasing emphasis on small buyouts	Fund I	1998	EUR	95
	Fund II	2001	EUR	249
	Fund III	2005	EUR	350
	Fund IV A+B	2008	EUR	374
	Fund V	2012	EUR	316
	Fund VI	2015	EUR	462
	Fund VII	2017	EUR	661
Schroders Capital Private Equity US Focused on fund managers investing in small/mid-sized value-oriented buyouts and turnaround opportunities in North America	Fund I	2005	USD	170
	Fund II	2007	USD	458
	Fund III	2012	USD	176
	Fund IV	2015	USD	134
Schroders Capital Private Equity Asia Focused on fund managers focusing on the Asia-Pacific region with a core emphasis on China and India	Fund I	2006	USD	217
	Fund II	2008	USD	181
	Fund III	2013	USD	133
	Fund IV	2016	USD	107
	Fund V	2018	USD	217
Schroders Capital Private Equity Secondaries Focused on investing in private equity funds on a secondary basis	Fund I	2010	USD	80
	Fund II	2013	USD	175
	Fund III	2016	EUR	271
Schroders Capital Private Equity Global Focused on global megatrends accessed through a mix of highly specialized strategies	Fund I	2013	EUR	323
	Fund II	2017	EUR	272
Schroders Capital Private Equity Europe Direct Focused on small buyout direct/ co-investment opportunities in Europe	Fund I	2014	EUR	102
	Fund II	2018	EUR	208

2.2 Strength of relationships with fund managers

Schroders Capital's key strength is the quality of its relationship with fund managers. It is a member of the Advisory Board for over 30% of the fund managers it partners with. Schroders Capital focuses on fund managers that are specialists in their respective markets and aims to secure access to well established as well as most promising emerging managers.

2.3 Track Record

Schroders Capital has demonstrated a consistent and impressive track record over its history, as displayed by the below table.

Table: Overview of performance of Schroders Capital's Private Equity funds since 2006 that have held final closings

Funds	Key data			Q1 2021	
	Vintage year	Currency	Fund size (m)	Net multiple	Net IRR
Schroders Capital Private Equity Asia I C.V.	2006	\$	216.6	1.51x	6.8%
Schroders Capital Private Equity Europe III L.P.	2006	€	350.4	1.15x	2.4%
Schroders Capital Private Equity Global Innovation V C.V.	2006	\$	424.4	2.06x	10.7%
Schroders Capital Private Equity US II C.V.	2007	\$	457.6	1.58x	9.3%
Schroders Capital Private Equity Asia II C.V.	2008	\$	181.3	2.02x	10.4%
Schroders Capital Private Equity Europe IV A C.V.	2008	€	155.6	2.03x	13.3%
Schroders Capital Private Equity Europe IV B C.V.	2008	€	218.2	1.53x	8.6%
Schroders Capital Private Equity Global Innovation VI C.V.	2009	\$	180.9	3.16x	20.2%
Schroders Capital Private Equity Secondaries C.V.	2010	\$	79.8	1.43x	8.7%
Schroders Capital Private Equity Europe V L.P.	2012	€	315.9	1.63x	12.5%
Schroders Capital Private Equity Global Innovation VII L.P.	2012	\$	123.0	3.85x	27.8%
Schroders Capital Private Equity US III L.P.	2012	\$	175.6	1.78x	15.4%
Schroders Capital Private Equity Asia III L.P.	2013	\$	132.7	2.15x	17.9%
Schroders Capital Private Equity Global L.P.	2013	€	322.7	1.86x	18.2%
Schroders Capital Private Equity Secondaries II L.P.	2013	\$	175.1	1.23x	4.8%
Schroders Capital Private Equity Europe Co-Investments L.P.	2014	€	101.7	1.68x	12.8%
Schroders Capital Private Equity Europe VI L.P.	2015	€	462.3	1.56x	16.8%

Schroders Capital Private Equity Global Innovation VIII L.P.	2015	\$	153.9	2.11x	27.4%
Schroders Capital Private Equity US IV L.P.	2015	\$	133.8	1.83x	22.6%
Schroders Capital Private Equity Asia IV L.P.	2016	\$	106.9	1.51x	17.8%
Schroders Capital Private Equity Secondaries III L.P.	2016	€	270.9	1.91x	27.8%
Schroders Capital Private Equity Europe VII S.C.S.	2017	€	661.4	1.54x	30.3%
Schroders Capital Private Equity Global II S.C.S.	2017	€	272.5	1.60x	25.5%
Schroders Capital Private Equity Global Innovation IX S.C.S.	2017	\$	226.8	1.79x	42.5%

Source: Schroders Capital, 2021.

Performance data since inception of Schroders Capital private equity funds that have held final closings as at Q1 2021. Net figures shown are net of Schroders Capital management fees and expenses and net of underlying fund fees, expenses and carried interest. Past performance of a Schroders Capital investment funds is not indicative of the future performance that can be expected by investors. There can be no assurance that a fund will achieve comparable results or that it will be able to implement its investment strategy or achieve its investment objective.

For illustrative purposes only and is not a guarantee that Schroder Specialist Private Equity Fund will enjoy similar performance.

Schroders Capital Private Equity Asia, an investment programme focusing on opportunities in the Asia-Pacific region with a core emphasis on China and India; Schroders Capital Private Equity Global Innovation, an investment programme focusing on fund managers investing in technology companies (predominantly venture capital) in the US; Schroders Capital Private Equity US, an investment programme focusing on fund managers investing in small/mid-sized value-oriented buyouts and turnaround opportunities in North America; Schroders Capital Private Equity Europe, an investment programme focusing on fund managers investing in Europe across investment stages, with an emphasis on small buyouts; Schroders Capital Private Equity Secondaries, an investment programme dedicated to investing in private equity funds on a secondary basis; Schroders Capital Private Equity Global, a global investment programme focusing on global megatrends accessed through a mix of highly specialised strategies; Schroders Capital Private Equity Europe Direct, an investment programme focusing on small buyout co-investment opportunities in Europe.

Explanatory notes and legal information

1. The above table shows certain performance-related data of Schroders Capital funds for the periods presented. It includes all Schroders Capital private equity funds that have had their final close
2. The above table is for general informational purposes only. **Past performance is not a reliable indicator of future performance. You could lose money on your investment.** The information pays no regard to the specific or future investment objective, financial or tax situation or particular needs of any specific recipient
3. Total value/paid-in (called down) capital from investors (multiple) and Internal Rate of Return (IRR) figures shown are net of Schroders Capital private equity fund of funds fees, expenses and carried interest and net of underlying fund fees, expenses and carried interest. The inclusion of such fees and carried interest would reduce materially the 'net' returns to an investor in a Schroders Capital fund
4. The basis for valuations of underlying investments generally is the valuation provided to Schroders Capital by the underlying fund managers (subject to any write down by Schroders Capital, if appropriate). The value of other assets held by Schroders Capital funds are in accordance with US or Luxembourg generally accepted accounting principles and Schroders Capital's valuation policy for each fund
5. Performance calculations are based on information provided to Schroders Capital by the underlying fund managers. The performance returns presented may contain certain figures estimated by an underlying manager. If those estimated figures are subsequently revised by the underlying manager, or if the assumptions underlying such estimates are not accurate, those changes may materially change the returns of the relevant Schroders Capital funds for the applicable period
6. Schroders Capital also provides GIPS® compliant performance presentations to prospective investors. To receive a complete list and description of Schroders Capital's investments' composites and/or presentation that adheres to the GIPS® standard, contact your Schroders relationship manager

2.4 ESG

Schroders Capital's commitment to ESG and responsible investment starts with its mission of 'Making investments that our investors can be proud of'. This is the guiding principle for all investments made by Schroders Capital. The strong commitment to ESG and responsible investment is also reflected in Schroders Capital's value system which is codified and of which the values linked to 'Responsibility' are an important element.

Schroders Capital has incorporated ESG assessments across the different steps of its investment process. For the ESG assessment and selection of individual investments, Schroders Capital has adopted a customised tool to assist with its decisions. All investment professionals at Schroders Capital are required to complete the 'RI Essentials' course with the PRI Academy. Schroders Capital approach to responsible investment is led and further advanced by the Responsible Investment Committee ('ESG Committee').



Experience

We have been applying ESG factors in investment for more than 20 years



A+

Highest rating under UN Principles for Responsible Investing¹



Integrated

Sustainability is an 'Integrated' building block in the investment process under Schroders' Sustainability Accreditation



Steering

Our ESG Committee comprised 10 people from Schroders and Schroders Capital



Carbon neutral

Schroders committed to running its global operations carbon neutral from January 2020



Reporting

Enhanced ESG reporting and assessment framework with UN Sustainability Development Goals

Source: Schroders Capital, 2021.

Unless otherwise stated, all data sourced from Schroders Capital as at 31 January 2020.

¹PRI, 2020 Assessment Report.

2.5 Data Science

Schroders Capital considers data science to play an ever-important role in improving and transforming private equity investment management. We believe it will lead to further improved investment performance, increased efficiency and better client service. As such, investing in data science capabilities is core to our strategy. Schroder Capital plans to further develop its leading role in the application of data science tools, to the investment process and to further intensify cooperation with Schroders' Data Insights team at Group level for enhanced knowledge sharing.

Schroders Capital is a pioneer in applying data science and machine learning to the Private Equity investment management process. In 2015, Schroders Capital launched its own in-house Data Science team that develops proprietary databases and applications for its investment teams.

One such example is the creation of proprietary databases and a proprietary software tool which, amongst other things, deploys artificial intelligence based methods, to monitor and highlight potentially attractive investment opportunities. Schroders Capital's private equity Intelligent Long/Shortlist App is trained on human assessments made by Schroders Capital's investment teams, and based on Schroders Capital's existing investments as well as external data sources. The app automatically pre-assesses over 7,000 fund managers globally and provides advanced filter options to support day-to-day operations within investment management.

Intelligent Long/Shortlist

Filter 1 Filter 2 Opt Plot Dev

Firms located in ...

Region

Subregion

Country

Metro

City

Any fund within this industry list

Clear filters

Last reported/file date: 2017-09-25

Results Profiles Summary Plot Source About

Show/Hide Columns Show 15 entries Search:

Firm	Inv. Rel.	Human Assessment	Machine Assessment	Overall Pctl	City	Comment	Data completeness
Fund manager 1	none	2	1.39	96th	Charlottesville		83%
Fund manager 2	none	1	1.40	96th	Coral Gables		33%
Fund manager 3	Primary	1	1.40	95th	Miami	Fees, transparency	42%
Fund manager 4	none	2	1.41	95th	Charlotte		50%
Fund manager 5	none	2	1.43	94th	Washington	ESG issues	57%
Fund manager 6	none	2	1.43	94th	Atlanta		53%
Fund manager 7	none	1	1.44	92nd	Washington		72%
Fund manager 8	Primary	2	1.45	92nd	Boca Raton		100%
Fund manager 9	none	2	1.46	90th	Boca Raton		17%
Fund manager 10	none	2	1.51	85th	Charlottesville		67%
Fund manager 11	none	2	1.51	84th	Washington		78%
Fund manager 12	none	2	1.52	82nd	Washington		60%
Fund manager 13	none	2	1.53	81st	Charlotte		75%
Fund manager 14	none	2	1.54	80th	Charlotte		33%
Fund manager 15	none	2	1.54	80th	Baltimore		96%

Showing 1 to 15 of 74 entries Previous 1 2 3 4 5 Next

Source: Schroders Capital, for illustrative purposes only.

Section 3 Investment philosophy and objective

3.1 Our Five Core Principles

Our five core principles to remain at the forefront of private equity investing over the next decade.



Invest outside the main capital flows of private equity



Take a global view – China and India to further grow in importance



Access innovation early-on across industries



Apply **specific industry sector** considerations and knowledge



Focus on investments with a **strong ESG** and sustainability case

Source: Schroders Capital, 2021.

All investments have risk including the loss of principal. Please refer to the Important Information pages at the end of this guide for additional disclosures.

3.2 Investment Strategy

The investment strategy of the Underlying Fund is global private equity focusing on specialist segments, including small and medium buyouts, venture and growth.

This strategy is core to Schroders Capital and until recently, has only been available to investors via partnership in a closed ended fund (please refer to Section 2 for more information on Schroders Capital). This Fund provides investors an alternate form of access to the same investment strategy with greater flexibility; lower minimum subscription amount and managed liquidity process via an open-ended fund.

Schroders Capital's private equity programme has over US\$12.8 billion of private equity assets under management (Source: Schroders Capital, 2021), with investment programmes focused on the US since 1997, Europe since 1998 and Asia since 2006. The Fund builds on Schroders Capital's best ideas from across its strategies, in alignment to key global secular long-term megatrends. The Fund focuses on investment opportunities that exploit inefficiencies at the small and medium end of the market where it can create value through specialist operational knowhow, with low reliance on financial engineering.



of primary fund investment in funds smaller than \$1bn¹



in co-investments and secondaries¹



invested annually across specialist private equity sectors¹

Past performance is not a reliable indicator of future performance and may not be repeated.

Source: Schroders Capital, 2021.

¹Amounts are indicative of current investment volumes.

The Underlying Fund invests globally with a focus on buyouts in Europe and the United States. The allocation to Asia and other geographies is lower given the greater emphasis on growth and venture capital in these markets.

The original target allocation by strategy focuses on small/mid buyout investments with additional allocations to large buyout investments, turnaround, growth capital and venture capital investments.

With regards to sector allocation, the Underlying Fund aims to be broadly diversified and the intention is that the Underlying Fund is invested fairly evenly across the below sectors, although this is subject to fluctuation:

- Healthcare
- Industrials
- Consumer
- Technology
- Business Services

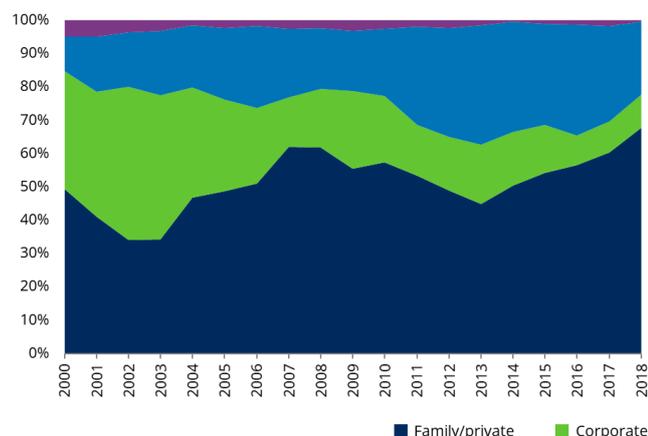
The Underlying Fund invests in primaries, secondaries and co-investments, typically structured as interests in limited partnerships or as direct holdings in unlisted equity.

3.3 The case for small/mid buyouts

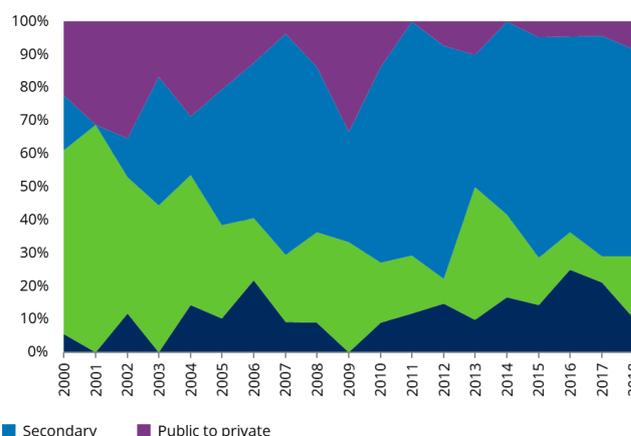
The focus on small and medium buyouts gives this strategy a distinction to other semi-liquid private equity funds that tend to have a bias toward large buyouts and pre-IPO venture capital, where correlation to the public markets is highest. In the assessment of Schroders Capital, small and medium buyout investments are more attractive as they require specialised skills to realise full potential. Schroders Capital believes its strategy offers superior return potential compared to large buyouts for the following reasons:

- Specialist managers in the lower middle market are often preferred buyers due to deep expertise and ability to generate value through operational improvements
- Small and medium buyout managers source the majority of deals from families and entrepreneurs, which typically show a preference for smooth ownership transition rather than auction processes. This benefits managers in the form of limited competition for deals and favourable entry valuations. The below chart provides evidence for the European buyout market

Small European buyout deals by deal source



Large European buyout deals by deal source



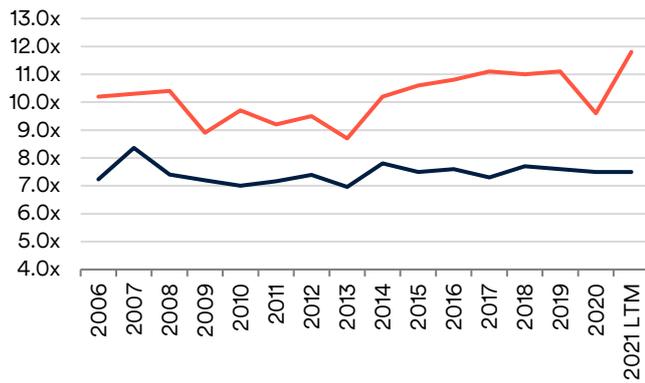
Source: Unquote data, Schroders Capital, 2019.

Small buyouts <EUR 100 million enterprise value; large buyouts: deals >EUR 500 million enterprise value.

- EV/EBITDA multiples for small-mid buyouts are typically lower than large buyouts and this offers potential for higher multiples on the exit as displayed in the below charts

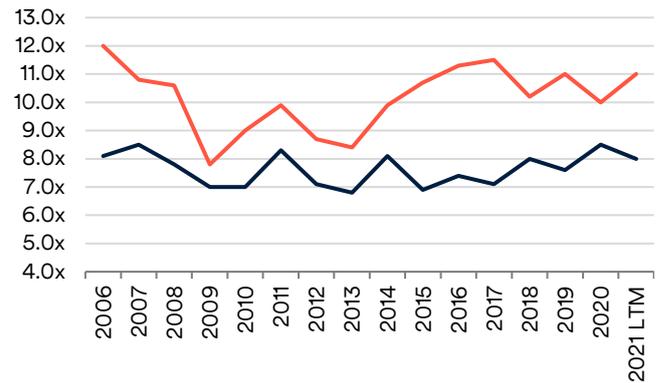
EV/EBITDA purchase multiples small and large buyouts (Europe)

Pro forma trailing EBITDA multiples



EV/EBITDA purchase multiples small and large buyouts (US)

Pro forma trailing EBITDA multiples

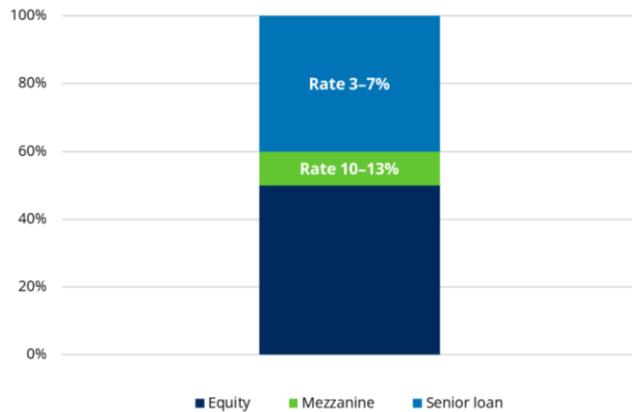


— Small buyouts: <€/\$100 million EV — Large buyouts: >€/\$500 million EV

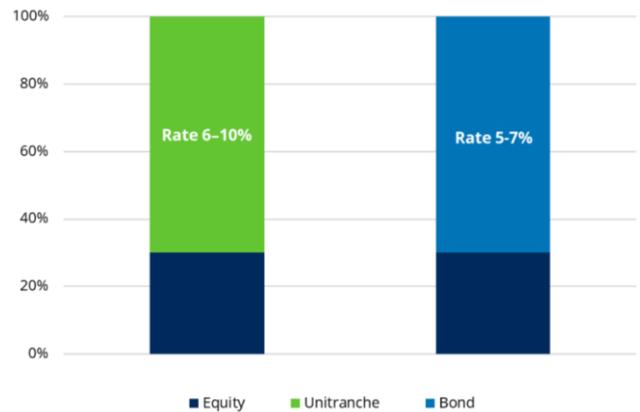
Source: Baird 2020, S&P 2020, Schroders Capital, 2021.

- Small buyout fund managers, particularly transformational groups, are less reliant on the availability of large debt packages and financial engineering to support investment returns. This helps reduce dependence on the global capital markets, in turn reducing correlation with market returns

Typical financing structure for European companies with EBITDA <15m, EV/EBITDA ~7x



Typical financing structure for European companies with EBITDA <15m, EV/EBITDA ~10x



Source: Schroders Capital, 2019.

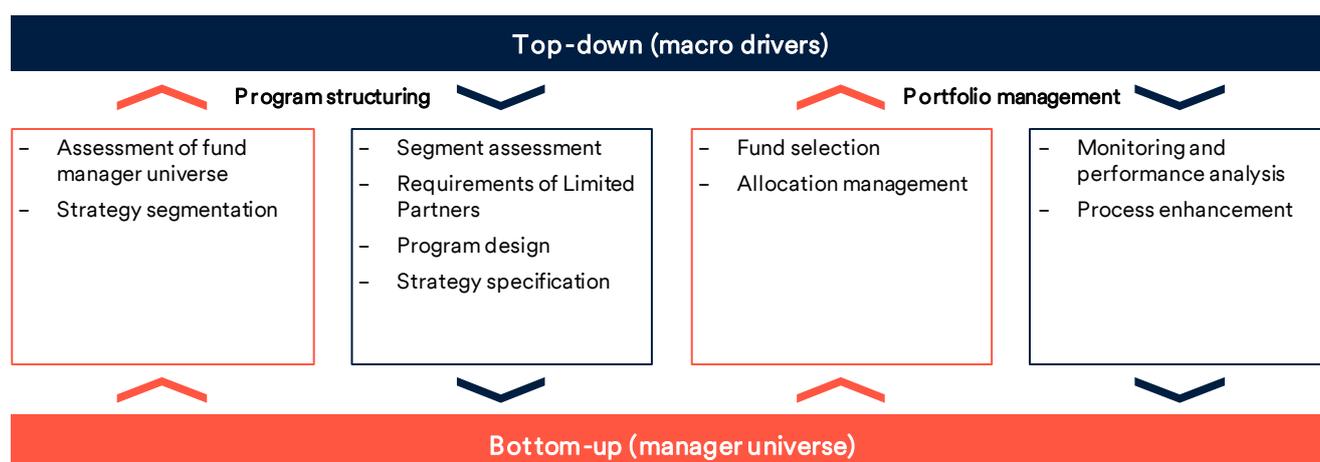
- Fund managers are better positioned to exert influence and changes on small companies relative to larger companies; in many cases, this is a result of the small buyout fund manager’s position as the first institutional investor in the portfolio company.

Section 4 Investment process

4.1 Portfolio Construction

Schroders Capital's private equity portfolios are built with its bottom-up oriented approach complemented by top-down risk control elements. The strategy of each new product is based on an overall assessment of the relevant underlying fund managers and the different investment strategies these managers employ. The investment strategy for the product takes into account Schroders Capital's mid/long term segment assessment, its placement capacity with select fund managers, and risk diversification within the defined strategy. Schroders Capital seeks to establish the size of its products to amounts that are consistent with the respective investment strategies and the expectations of available investment opportunities. The emphasis on prudent diversification within each product is core to Schroders Capital's philosophy of generating stable returns throughout cycles.

Figure 2.2: Schroders Capital's portfolio construction concept



The build-up and overall management of the portfolios follow a rigorous, ISAE 3402 certified process. Schroders Capital's commitment plan is established at the inception of each fund, based on expected fundraising activities of select fund managers and their risk/return profiles determined through Schroders Capital's proprietary fund manager assessment during due diligence or regular fund manager reviews. This results in a plan portfolio illustrating the anticipated final make-up of the portfolio. The commitment plan and the resulting portfolio are updated and optimised over the period in which the fund invests. Schroders Capital's global, bottom-up driven benchmarking approach is key to its investment selection.

4.2 Thorough fund manager assessment

Schroders Capital applies a thorough and disciplined bottom-up process for fund manager identification, selection and monitoring. This process is based on Schroders Capital's proprietary risk/return assessment which assigns performance expectations to the return and risk characteristics of potential fund managers:

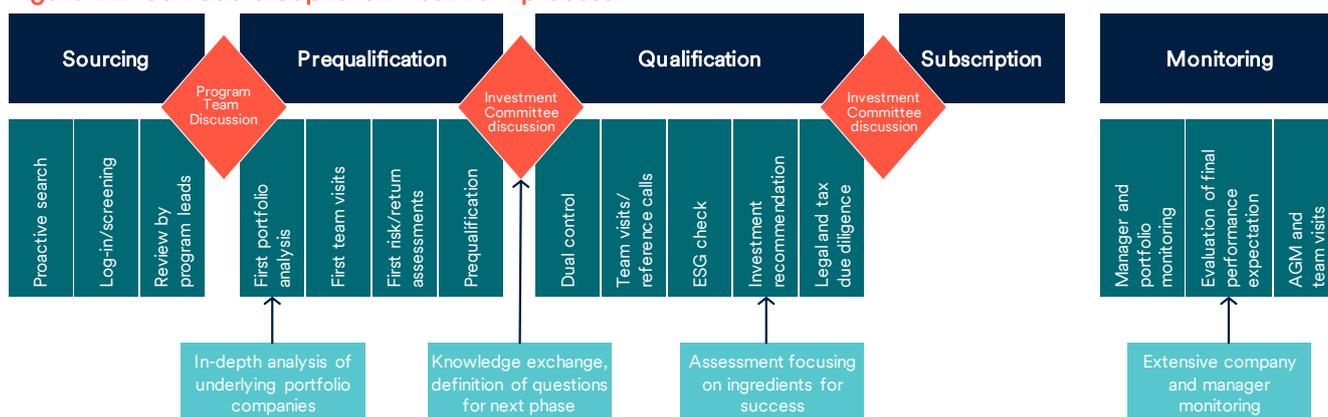
- Return expectations are based on fund managers' potential to achieve returns in the top quartile compared to their peers. Assessment criteria include, among others: historical performance, deal sourcing and selection capabilities, value add to companies, exit potential and capabilities, individual return characteristics of portfolio companies, and the private equity fund's terms and conditions
- Risk expectations are based on the assessment of the probability of fund managers to deliver below median returns compared to their peers. Assessment criteria include, among others: track record volatility, operational risks, management team risks, investment strategy risks, risks of portfolio company financing models, and specific risks associated with portfolio companies.

4.3 Investment decision process with quality control

Schroders Capital actively monitors the universe of investable funds across regions to identify and pro-actively approach fund managers for the sourcing of attractive primary, secondaries and direct/co-investment opportunities. For this purpose, through its Schroders Capital Labs initiative, Schroders Capital has created a proprietary database and a proprietary software tool which, amongst others, deploys artificial intelligence based methods, to monitor and highlight potentially attractive investment opportunities. Schroders Capital also uses other pro-active approaches to source potentially attractive investment opportunities. Additionally, Schroders Capital receives significant unsolicited deal flow based on its market position, brand awareness and reputation in the industry.

Schroders Capital’s investment selection process consists of four stages (‘Sourcing’, ‘Prequalification’, ‘Qualification’, and ‘Subscription’). The transfer from one stage to the next requires a formal decision (first stage decision by the programme team and subsequent stage decisions by the investment committee). Schroders Capital places significant emphasis on in-depth analysis of investments previously made by a fund manager, references for verification of Schroders Capital’s fund manager assessment, and global benchmarking based on broad knowledge exchange within Schroders Capital. As a result, Schroders Capital’s investment recommendation focuses strongly on the identification of the fund manager’s ‘ingredients for success’. Post-investment, Schroders Capital actively monitors developments at each fund manager and its underlying portfolio companies. Portfolio company progress is continuously monitored and discussed in detail with the fund manager in regular one-to-one meetings. A combination of the insights gained from the fund manager due diligence, portfolio assessment, global benchmarking, and continuous monitoring also provides a platform that can be leveraged to help evaluate secondary-related investment opportunities.

Figure 2.2: Schroders Capital’s investment process



Source: Schroders Capital, 2021.

4.4 Allocation Policy

The Schroders Capital Investment Allocation Policy addresses how capital is to be allocated when allocating investment opportunities across more than one portfolio and there is greater investment demand than capacity allocated by the fund manager. The following is a summary of the policy.

Primary Fund Commitments

- **First:** clients with a pre-existing relationship with the fund will receive a preferred allocation equal to the absolute commitment amount of their pre-existing investment, prior to an interested client without a pre-existing relationship
- **Second:** allocation is determined by a client’s pro-rata amount of their desired investment allocation amount relative to the total desired investment amount from all clients seeking to commit to the fund

Secondaries, Stapled Investments, Co-investments

- Allocation is determined by a client’s pro-rata amount of their desired investment allocation amount relative to the total desired investment amount from all clients seeking to commit to the investment

Exceptions

- Investment Committee determines an adjustment is needed to meet a client’s portfolio construction requirements and limitation (such as minimum investment amount or maximum exposure constraints)
- The investment’s external sponsor, such as the GP, dictates allocation among Schroders Capital’s clients
- If the amount of capital to be allocated to a client is below the client’s minimum commitment amount as stated by the client
- Material factors arise that, as determined by the Investment Committee, need to be taken into account when setting the investment allocation

Section 5 ESG and Company Engagement

Integration of ESG assessments into the investment process

Schroders Capital’s commitment to ESG and responsible investment starts with its mission of ‘Making investments that our investors can be proud’ of. This is the guiding principle for all investments made by Schroders Capital. The strong commitment to ESG and responsible investment is also reflected in Schroders Capital’s value system which is codified and of which the values linked to ‘Responsibility’ are an important element.

Schroders Capital has incorporated ESG assessments across the different steps of its investment process. For the ESG assessment and selection of individual investments, Schroders Capital has adopted a customised version of the Environmental Defence Fund’s ESG Management Toolkit.

All investment professionals at Schroders Capital are required to complete the ‘RI Essentials’ course with the PRI Academy.

Schroders Capital’s approach to responsible investment is led and further advanced by the ESG Committee (**‘ESG Committee’**).

Schroders Capital publishes an annual ESG report as part of Schroders’ overall annual sustainability report.

Schroders Capital integrates Responsible Investing principles into its investment management approach, as well as into the products and services it offers to clients. Environmental, Social and Governance (**‘ESG’**) issues are considered when evaluating and monitoring target fund managers (**‘GPs’**), the funds they manage, and the portfolio companies in which they invest.

In adopting a Responsible Investing philosophy, Schroders Capital leverages the United Nations Principles for Responsible Investment (**‘UNPRI’** or **‘PRI’**) as a guiding framework. Schroders Capital’s private equity division became a signatory to the PRI in September 2010.

Schroders Capital was an early adopter of ESG principles in its investment practice and strives to stay at the forefront of responsible investing within the institutional private equity industry. Each investment Schroders Capital undertakes across venture capital, growth, buyout or turnaround strategies is assessed for its ESG risks and opportunities. Each private equity firm, in which it makes a commitment, is examined for its adoption of responsible investing practices and ESG principles within the firm’s overall operations and its investment process. Additionally, Schroders Capital carries out ongoing ESG monitoring throughout the life of an investment.

Schroders Capital’s approach to responsible investing and sustainability combines engagement, positive selection, and exclusion:

Positive selection	Exclusion	Engagement
<ul style="list-style-type: none"> – Emphasis on fund managers and portfolio companies with positive ESG elements 	<ul style="list-style-type: none"> – Exclude investment in certain industries (e.g. weapons, tobacco) – Exclude funds and companies with significant ESG issues or insufficient commitment to ESG 	<ul style="list-style-type: none"> – Interact with funds and companies to encourage and enforce positive ESG changes

Source: Schroders Capital.

Positive selection

Positive selection is applied by emphasising exposure to private equity fund managers and portfolio companies with positive ESG elements. Schroders Capital aims to be an active investor in new, disruptive companies that bring positive change.

Case Study: One emerging manager, Summa Equity, was the focus of a primary fund commitment in 2018. Summa Equity is a young private equity firm based in Stockholm Sweden. It is led by a team of experienced and successful private equity professionals and is differentiated by its strong commitment to the adoption and implementation of ESG principles as a core component of its investment strategy and value creation.

Schroders Capital committed to Summa's first fund in 2016, thus the due diligence focus was to confirm Summa's ability to create value with its portfolio companies and advance the adoption of ESG principles to improve portfolio company risk management.

The conclusion of our due diligence for Summa Equity II was that the firm has rapidly established itself in the Nordic region as a leading private equity investor and has effectively implemented ESG principles into the firm's operations and value creation efforts for its portfolio companies. Its commitment to ESG has clearly created incremental portfolio value.

Exclusion

Exclusion arises from Schroders Capital's efforts to avoid exposure to certain industries (e.g. tobacco, gambling and weapons) and to private equity managers and companies that pose meaningful ESG risk or an insufficient commitment to ESG principles. In the vast majority of cases, given its historical application of ESG principles to its investment process, investment exclusion due to ESG risk tends to be triggered early on in the assessment of an investment project.

Schroders Capital ESG exclusion examples:

- **Secondary portfolio with exposure to a US gun manufacturer:** Concerns about weekly gun violence in US schools and other places (after first screening of underlying portfolio)
- **US producer of fracking sand:** Concerns about negative environmental effects of fracking
- **Chinese fund managers with fishing exposure:** Concerns about protected species and lack of transparency on what is happening on the ships (after completion of due diligence)
- **European producer of bottle tops for high percentage alcohol:** Concerns about health effects of alcohol and alcohol addiction (after completion of due diligence)
- **Asia egg producer:** Concerns about protection of animal rights (after completion of due diligence)

Engagement

Through Schroders Capital's due diligence and post investment monitoring, the firm actively encourages its private equity managers and portfolio companies to pursue positive ESG practices. These practices can take many forms, from a private equity manager increasing its adoption of responsible investing principles to being a catalyst for positive change within its portfolio companies.

Case Study: In 2018, Schroders Capital was offered the opportunity to co-invest alongside a private equity firm in a fast growing cosmetics company. A key differentiating factor and growth driver for the target company is the company's effective use of social media and influencer marketing to grow the brand identity and attract customers.

Our due diligence included an extensive review of influencer marketing which led it to raise concerns on some aspects of how the target company approached marketing its products via social media. It subsequently engaged with the company to address those issues, leading to marketing messages being updated on materials and on its products.

Governance

The Schroders Private Equity Responsible Investment Committee ('ESG Committee') oversees sustainable investing policy and practices. The ESG Committee is comprised of representatives of Schroders Capital and Schroders Sustainability. The current members include:



Maria Prieto
Chairwoman of the ESG Committee, Head of Sustainability for Private Equity, Co-head European Private Equity Investments



Maria Teresa Zapia
Head of Sustainability and Impact, Schroders Capital



Andrew Howard
Global Head of Sustainable Investment, Schroders Group



Lee Gardella
Head of Private Equity North America, Member of the Investment Committee



Nils Rode
Chief Investment Officer, Member of Investment Committee



Stephanie Aldag
General Counsel



Tanja Lukas
Senior Investment Director



Natalie Wong
Investment Director



Chelsea Popkin
Investment Manager



Serena Bergamini
Investment Associate



Jovana Alt
Secretary of ESG Committee, Product



Klay Heston
Investment Manager



Stephanie Chang
Head of Integration, Schroders Group



Pascal Untersander
Head of Risk Management

The ESG Committee is responsible for developing and implementing a firm-wide approach to responsible investing that is actively embraced across all functional roles, with emphasis on investment roles. The ESG Committee's specific focus areas include:

- Staying informed on the developments for responsible investing, ESG, sustainability and impact investing within the private equity industry and Schroders,
- Ensuring Schroders Capital is up-to-date on corporate and private equity industry developments with regards to diversity and inclusion and environmental impact,
- Recommending improvements to the Schroders Capital investment practice, process, tools, frameworks and databases,
- Ensuring private equity investment professionals are properly trained on responsible investing industry practices and the firm's processes,
- Providing opinions on investment decisions with meaningful or challenging ESG considerations, including application of exclusion criteria,
- Overseeing ESG reporting to clients as well as internal and external stakeholders,
- Ensuring Schroders Capital is properly represented at key ESG industry events,
- Coordinating ESG practices between Schroders Capital and Schroders,
- Driving the development of ESG content to be used in marketing, client service and reporting, and
- Developing thought leadership publications

The Private Equity ESG Committee meets at least quarterly, reports to Schroders Capital's Executive Management, and maintains close coordination with the Schroders Sustainability Team.

Section 6 Risk Considerations

While private equity investments offer potentially significant capital returns, funds and companies may face business and financial uncertainties. There can be no assurance that their use of the financing will be profitable to them or to the Fund or Underlying Fund. Investing in private equity and venture capital funds and unlisted companies entails a higher risk than investing in companies listed on a recognised stock exchange or on other regulated markets. Certain key risks of investing in the Fund are set out below. Please refer to the product disclosure statement of the Fund for further information about key risks.

Investment risk	Private equity investments typically display uncertainties which do not exist to the same extent in other investments (e.g. listed securities). Private equity investments may be in entities which have only existed for a short time, which have little business experience, whose products do not have an established market, or which are faced with restructuring etc. Any forecast of future growth in value may therefore often be encumbered with greater uncertainties than is the case with many other investments. The Underlying Fund is also permitted to invest in other private equity funds established in jurisdictions with no or little regulatory supervision, which may result in higher risk, and there are also costs associated with such investments that would be borne by investors in the Underlying Fund, including the Fund.
Underlying Fund structure	The directors of the Underlying Fund have broad discretion to cease the withdrawal of shares in the Underlying Fund. Any restriction will directly limit the ability of the Fund to redeem the interests it holds in the Underlying Fund. In addition, net withdrawals out of the Underlying Fund are generally limited at 5% of NAV per calendar quarter. This may limit the ability of investors to withdraw from the Fund. In addition, as the Fund invests substantially all of its assets in the Underlying Fund, it is exposed to the risk that the investment manager of the Underlying Fund may make poor investment decisions or that the investment strategy of the Underlying Fund is not successful.
Capital loss risk	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.
Market risk	Market risk is the risk of investment losses due to negative effects of the capital markets on the overall performance of the Fund.
Credit risk	The Underlying Fund and the funds in which it invests will have an investor commitment/draw-down funding model which exposes the investment vehicle to the credit risk of its investors. If an investor fails to comply with a drawdown notice, the investment vehicle may be unable to pay its obligations when due.
Liquidity risk	Given the illiquid nature of private equity investments, investing in private equity are subject to asset liquidity risk. This liquidity risk is a result of the likelihood that a loss from current net asset value would be realised if an asset in the Underlying Fund or the funds in which it invests needed to be sold quickly in the secondary market to meet the obligations of the fund.
Currency risk	Investments in companies or instruments which are denominated in currencies other than the fund's respective currency expose the fund to the risk of losses in case foreign currencies depreciate.
Operational risk	Operational risks are risks of loss resulting from inadequate or failed internal processes, people and systems, or from external events conducted by Schroders Capital and the managers the Underlying Fund will invest alongside.
Valuation risk	It may be difficult to find appropriate pricing references in respect of unlisted investments. This difficulty may have an impact on the valuation of the portfolio of investments of a fund in which the Underlying Fund invests. Certain investments are valued on the basis of estimated prices and therefore subject to potentially greater pricing uncertainties than listed securities.
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.
Emerging Markets and Frontier risk	Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk.

Section 7 Investment team

7.1 Background

Schroders Capital Management (Switzerland) AG is a private Swiss share corporation and is ultimately 100% owned by Schroders plc and the investment manager of the Group's private equity funds and mandates. It is a key part of Schroders Capital's business that also includes real estate, infrastructure financing and private debt.

Schroders Capital offers specialised investment solutions both regionally and across market segments, using primary, secondary and co-investments. Its client base comprises institutional investors such as pension funds, insurance companies, endowments, family offices and other financial institutions worldwide. Many of Schroders Capital's clients are repeat, long-term investors with whom Schroders Capital has developed a role as a trusted partner for private market investing. Schroders Capital has private equity professionals based in offices in Zurich, Frankfurt, London, Jersey, New York, Beijing and Hong Kong.

Schroders Capital is authorised as an asset manager of collective investment schemes and distributor of Schroders Capital funds by the Swiss Financial Market Supervisory Authority ('FINMA') and is registered with the US Securities and Exchange Commission ('SEC') as an Investment Adviser under the Investment Advisers Act. Schroders Capital is also a member of the Swiss Private Equity & Corporate Finance Association ('SECA') and the German Bundesverband Alternative Investments ('BAI').

Schroders Capital's private equity division

Founded in 1997, Schroders Capital is a leading asset manager investing in private equity globally. It offers specialised investment solutions, which allow Schroders Capital's clients to access private equity investments globally through primary, secondary and co-investments. Schroders Capital has investment programmes focused on the US since 1997, Europe since 1998 and Asia since 2006.

Investment Team

The below individuals are involved with Schroder Specialist Private Equity Fund, either by providing investment advice and monitoring or by being responsible for operational aspects.



Tim Creed

Head of Private Equity Investments

Tim Creed is the Head of Private Equity Investments. Tim is a member of Schroders Capital's private equity Management Committee and a member of the private equity Investment Committee. He is also on the advisory board of several leading European buyout and turnaround fund managers.

Prior to joining Schroders Capital in 2004, Tim worked as a Project Manager at Aon in London, UK, having previously spent five years at Accenture in Strategy Consulting and Operations Consulting, where he worked mostly with financial services companies across Europe. Tim started his career as a Research Chemist at Astra Zeneca, also in the UK. From 2002 to 2007, Tim held a part time position as an Executive Public member of Network Rail in the UK.

Tim holds a Bachelor's degree in Chemistry from the University of Edinburgh, where he graduated with first class honours and an MBA from Oxford University, UK, where he was the Clifford H. Barclay Scholar.



Rainer Ender

Global Head of Private Equity

Rainer Ender is the Head of Private Equity at Schroders (and Schroders' dedicated private assets business, Schroders Capital), and a member of the private equity Investment Committee. He is also active on the advisory boards of several fund managers.

Rainer joined Schroders Capital in 2001, prior to which he was an underwriter for alternative risk transfer at Zurich Reinsurance Company. From 1997 to 2000 he was a manager in the Financial Risk Management Practice at Arthur Andersen. In addition, Rainer served for several years on the Board of DTS, a regulated derivatives trader in Switzerland.

Rainer holds a Master's degree in Physics and a PhD in Natural Sciences from the Swiss Federal Institute of Technology (ETH) Zurich, Switzerland. He is also a CFA® charterholder.



Lee Gardella

Head of Investment Risk & Monitoring

Lee Gardella is the Head of Investment Risk and Monitoring. He is a member of the Investment Committee.

Before joining Schrodgers Capital in 2007, Lee was a Managing Director leading the Private Markets Group for CTC Consulting, the family office investment advisory subsidiary of US Trust Company in Stamford, Connecticut. From 1997 to 2005, he worked for the US Trust Company in the private equity and Alternative Investment Divisions, making private equity direct and fund investments and leading the development of private equity, real estate, and hedge fund investment products. Prior to that, Lee was an Associate at the Edison Venture Fund and Wilshire Associates and a Treasury Analyst at National Steel Corporation.

Lee holds a Bachelor's degree in Finance from Shippensburg University, Pennsylvania and an MBA from the University of Notre Dame, US. He is also a CFA charter holder.



Nils Rode

Chief Investment Officer

Nils Rode is the Chief Investment Officer of Schrodgers Capital and its private equity division. Nils also leads the Schrodgers Capital Data Insights activity. Nils is a member of Schrodgers Capital's private equity Management Committee and a member of the private equity Investment Committee.

Before joining Schrodgers Capital in 2005, Nils was a Vice President with private equity backed SkyOnline, a US-based IT and telecommunications company, where he worked in the areas of finance and strategy from 2003 to 2005. From 1995 to 2002, Nils was a management consultant with McKinsey & Company in Germany, where he was the lead manager for several strategic, organizational and operational improvement programs for private and publicly listed companies in the technology and financial services sector. Nils is also the author of a book on strategic management of knowledge based businesses.

Nils holds a Master's degree from ESCP Europe in Paris, Oxford and Berlin, where he was a Siemens Scholar. He also holds a PhD in Economics from the Leuphana University of Lueneburg, Germany and a Specialization Certificate in Data Science from Johns Hopkins University and Coursera.



Benjamin Alt

Head of Global Private Equity Portfolios

Benjamin Alt manages Schrodgers Capital Global Private Equity Portfolios. He has also been the lead portfolio manager of Schroder GAIA II Specialist Private Equity since its launch in September 2019.

Prior to taking on his current role, Benjamin covered Schrodgers Capital private equity investment activity in Europe, as well as in the US while in secondment in New York. Before joining Schrodgers Capital in 2008, Benjamin worked in the Investment Banking division of Sal. Oppenheim in Frankfurt and Cologne, Germany.

Benjamin holds a Master's degree in Economics and Business Administration from the Private University of Witten/Herdecke, Germany.



Richard Damming

Co-Head of Private Equity Investments Europe

Richard Damming covers Schrodgers Capital's investment activity for the European private equity investment program.

Before joining Schrodgers Capital in 2011, Richard worked at Capvent AG, a Zurich based private equity fund of funds firm. From 2006 to 2009, Richard was an Associate in the Corporate Finance team of PricewaterhouseCoopers in Zurich. Richard was also a controller and corporate M&A Analyst for ABB Ltd. from 2004 to 2005.

Richard holds a Master's degree in Business Administration with a specialization in Corporate Finance from Bocconi University Milan, Italy.



Maria Claudia Prieto

Co-Head of Private Equity Investments Europe and Chairperson of the Sustainability Committee

Maria Claudia Prieto covers Schroders Capital's investment activities in Europe focusing on co-investments, emerging managers, club funds and turnaround investments. Maria is also the Chairperson of Schroders Capital Sustainability Committee.

Prior to joining Schroders Capital in 2013, Maria Claudia worked for Capital Dynamics where she focused on co-investments and structured finance. She started her career in the Investment Banking division of Credit Suisse.

Maria Claudia holds a Bachelor of Arts in History and a Master's of Science in Statistics from Yale University, New Haven, US.



Ethan Vogelhut

Head of Private Equity Buyout Investments Americas

Ethan is the Head of the Schroders Capital US program and leads Schroders Capital's US buyout & turnaround investment activities across primary funds, secondaries, and co-investments.

Before joining Schroders Capital in 2010, Ethan worked on the restructuring of Vertis Communications, a private equity portfolio company of Avenue Capital. From 2008 to 2009, Ethan was an associate at Linley Capital, a New York-based private equity firm focused on middle market buyouts. Ethan was also a manager of finance at Viacom, Inc. from 2004 to 2006. He completed the investment banking analyst program at Bank of America Securities in New York from 2001 to 2003 where he provided financial and advisory services to companies and financial sponsors in the retail and consumer industries.

Ethan holds an MBA from Wharton School at The University of Pennsylvania and a Bachelor's degree in Economics from the Emory University, US.



Jeremy Knox

Head of Private Equity Healthcare Investments

Jeremy Knox covers Schroders Capital Private Equity US investment activities and heads the Private Equity Healthcare Investments team.

Prior to joining Schroders in 2016, Jeremy was a Director in the investment arm of PartnerRe Ltd., where he was responsible for private equity investments. Prior to that, Jeremy worked in the Investment Banking group of Fox-Pitt Kelton where he focused on transactions within the financial services industry.

Jeremy holds a Bachelor's degree in Business Administration from Franklin & Marshall College, US.



Steven Yang

Head of Private Equity Global Innovation Investments

Steven Yang is the Head of the Schroders Capital Technology program and leads Schroders Capital's venture investment activities globally including technology and healthcare investments.

Before joining Schroders Capital in 2007, Steven was as a portfolio manager at Beagle Limited, a New York based ultra-high net worth family office, where he managed a diversified portfolio of private equity partnerships, hedge funds and direct investments in early stage technology companies. From 1997 to 2000 Steven worked for Welch Capital Partners as an analyst focusing on investments in enterprise hardware/software and telecom equipment/services.

Steven holds a Bachelor's degree in Finance and International Business from New York University, US.



Erwin Boos

Senior Investment Director

Erwin Boos covers Schroders Capital's investment activity in the life science sector and the renewable energy area.

Prior to joining Schroders Capital in 2006, Erwin worked as a Consultant for Accenture in the firm's life science strategy practice. He also spent five years doing research in the field of gene therapy working for start-ups and public organizations in France and in the UK.

Erwin holds a PharmD from Louis Pasteur University in Strasbourg, France, an MBA from ESSEC Business School and a Diplom-Kaufmann degree from Mannheim University, Germany.



Michael McLean

Senior Investment Director

Michael McLean covers Adveq's US technology investment activities across primary funds, secondaries, and co-investments.

Before joining Schroders Capital in 2017, Michael worked over three years as a Senior Associate at Millennium Technology Value Partners, a late-stage venture capital firm, where he was responsible for sourcing and evaluating late-stage technology investment opportunities. Prior to that, Michael worked as a Product Manager at Zynga, an online social gaming company in San Francisco. Michael began his career in venture capital at Institutional Venture Partners (IVP), where he specialised in late-stage venture and growth equity transactions. Michael also previously worked in the technology investment banking group at JPMorgan.

Michael holds a Bachelor's degree in Economics from Stanford University in Palo Alto (CA), US and an MBA from the Kellogg School of Management at Northwestern University in Evanston (IL), US.



Jun Qian

Head of Private Equity Investments China

Jun is Schroders Capital's Head of Private Equity Investments China and General Manager of Schroders Capital Investment Management (Beijing) Co., Ltd. He and his team are responsible for all private equity investments in the region.

Before joining Schroders Capital Adveq in 2015, Jun was a Director at Capital Dynamics China in Shanghai, China. From 2010 to 2013 he was a Partner at Diligence Capital, a private equity fund of fund in Beijing, China. Prior to that, he worked as Project Manager in the Competence Centre Investor Support at Roland Berger Strategy Consultants in Shanghai from 2007 to 2008. Before that, he worked in different positions for KPMG in Beijing and in Berlin/Frankfurt. Jun started his career as China Division Assistant Manager and Nylon Division Manager at UBE Industries, Shanghai.

Jun holds a Master of Economics & Management Science from the Humboldt-University in Berlin, Germany and a double Bachelor of Science & Technology Foreign Affairs and Environmental Engineering from the Shanghai University, China.



Viswanathan Parameswar

Head of Investments Asia

Viswanathan Parameswar (Param) heads Schroders Capital's Asian private equity investment program, responsible for all investment activities in the region including primary fund investments, secondaries and direct co-investments.

Prior to joining Schroders Capital in 2009, Param was part of the Financial Advisory Group at Deloitte where he focused on M&A and corporate finance. Param started his private equity career at Societe Generale Private equity and then at Rothschild in France. Earlier on, he also worked with companies in the financial services and telecom sectors as a consultant for Wipro Technologies in US, UK and India.

Param holds an MBA from the HEC School of Management, Paris, France and has completed the Advanced Management and Leadership Program (AML) at Oxford University, UK. He is also a member of the Institute of Directors, UK.



Christiaan van der Kam

Head of Secondary Investments

Christiaan van der Kam is the head of Schroders Capital’s secondary investment program, responsible for all secondary investment activities globally. Prior to joining Schroders Capital in 2020, Christiaan spent more than 12 years at Unigestion, where he co-lead the global secondary investment program and was responsible for all secondary investments in North America and Asia. Prior to that, he worked at New Amsterdam Capital, a hedge fund based in London, where he provided financial and advisory services to companies. Christiaan started his private equity career at ATP Private Equity from 2001–2006. ATP is the largest pension fund in Denmark and one of the largest private equity investors globally. Christiaan holds a Bachelor of Science in International Business and a Master degree in Applied Economics and Finance from Copenhagen Business School, Denmark.



David Guryn

Senior Investment Director

David Guryn covers Schroders Capital’s secondary investment activities globally. Before joining Schroders Capital in 2020, David worked for more than 13 years in secondary private equity, most recently at Evercore in Private Capital Advisory, where he advised general partners and limited partners on customised liquidity solutions for their private equity portfolios. Prior to Evercore, David worked at Committed Advisors, a global secondary private equity platform, where he played an integral role launching the firm’s investing efforts in North America. David has also worked at Pantheon and Willowridge Partners as an investor, and at UBS in the Private Funds Group as a secondary advisor. David holds a Bachelor of Science degree in Business Administration with a concentration in Finance from Boston University. He has also completed Levels 1 and 2 of the CFA® examinations.

Source: Schroders Capital, 2021.

Table 2.1: Schroders Capital’s private equity division history and key milestones

Year	Milestones
1997	Schroders Capital’s private equity division founded in Switzerland Launch of the Schroders Capital Private Equity Technology program First investors mainly Swiss institutions
1998	Launch of the Schroders Capital Private Equity Europe program
2001	Expansion of the investor base to rest of Europe
2002	Opening of the Frankfurt office
2005	Launch of the Schroders Capital Private Equity US program
2006	Launch of the Schroders Capital Private Equity Asia program Expansion of the investor base to US and Japanese institutional investors
2007	Opening of the New York office Launch of Schroders Capital Private Equity Mandate Solutions
2008	Opening of the Beijing office Schroders Capital Management Switzerland AG registered with the US Securities and Exchange Commission (SEC) as Investment Advisor
2009	Launch of the Schroders Capital Private Equity Secondaries program Implementation of the Global Investment Performance Standards (GIPS®)
2010	SAS 70 type II certification Signing of the United Nations Principles for Responsible Investing (UNPRI)
2011	Endorsement of the principles of the Institutional Limited Partners Association (ILPA)
2012	ISAE 3402 Type 2 certification

	Schroders Capital Management US, Inc. and Schroders Capital Investment Management (Beijing) Co., Ltd. registered with the US Securities and Exchange Commission (SEC) as Relying Advisors
2013	Opening of the London office Launch of Schroders Capital Private Equity Global program
2014	Opening of the Jersey office Launch of Schroders Capital Private Equity Europe-Co-Investments program Schroders Capital Management Switzerland AG becomes an asset manager of collective investment schemes authorized by the Swiss Financial Market Supervisory Authority (FINMA) Schroders Capital Investment Management (Beijing) Co., Ltd. and Schroders Capital (Shanghai) Equity Investment Management co., Ltd. are registered as private fund manager with the Asset Management Association of China (AMAC)
2015	Launch of Schroders Capital Data Insights for the development of proprietary data science and artificial intelligence based tools
2016	Launch of Schroders Capital Private Equity Mature Secondaries program
2017	Adveq Holding AG becomes a fully-owned subsidiary of Schroders, operating under the brand name Schroder Adveq
2018	Successful integration of Schroder Adveq into the Schroders Group Certain Schroders Capital private equity funds that are open for fundraising were migrated on to Schroders' European AIFM platform
2019	Schroders Capital launched Schroders Capital GAIA II – Specialist Private Equity designed to give clients access to private equity within a semi-liquid evergreen structure
2020	Asset Management Licence in China –Start RMB investment activity (Sequoia China as first investment)
2021	Schroder Adveq with other Schroders' private assets companies (with the exception of Blue Orchard) were combined under the brand Schroders Capital

Section 8 Key Fund Terms

8.1 Administration details

The Responsible Entity of the Fund

Schroder Investment Management Australia Limited (**'Schroders'**) is the responsible entity for the Fund. As responsible entity, Schroders is responsible for selecting and managing the assets and overseeing the operations of the Fund. This responsibility includes establishing, implementing and monitoring the Fund's investment objective.

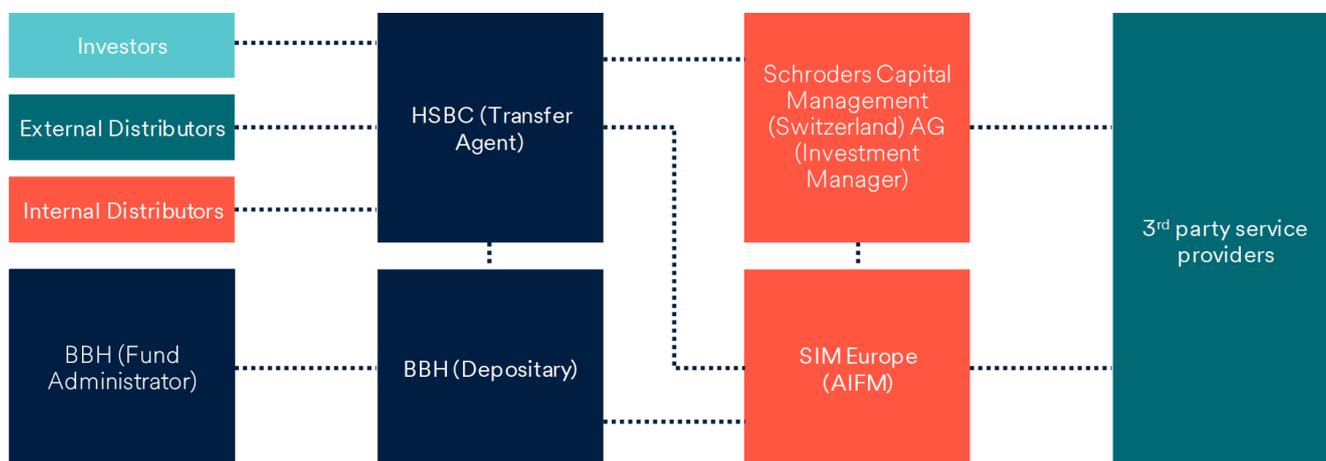
Schroders has helped Australian investors achieve their objectives since 1964 through our diversified suite of actively managed investment products, which now spans both public and private markets. Our local expertise in equities, fixed income, multi-asset and alternatives, combined with our global resources facilitates a diversity of thought to assess each situation from every angle and consider the long-term impact on returns and the earth.

Schroders is part of the Schroders Group, an investment manager with over 200 years' experience which is headquartered in London and has a presence in 37 locations around the world. Schroders offers Australian investors the strength and stability of a global firm coupled with the long-term perspectives and independent thinking of a local manager. For further information, please visit Schroders' website, www.schroders.com.au.

Management Company of the Underlying Fund

Schroder Investment Management (Europe) S.A. (**'SIM EU'**) is the alternative investment fund manager responsible for performing portfolio and risk management functions and performing administration and marketing functions for the Underlying Fund.

SIM EU as Management Company has delegated certain administration functions to Brown Brothers Harriman (Luxembourg) S.C.A. (**'BBH'**), HSBC France, Luxembourg Branch, and HSBC plc. SIM EU has also delegated certain investment management functions to Schroders Capital Management AG. However, SIM EU remains responsible for the risk management function.



Fund Administrator and Unit Registrar of the Fund

JPMorgan Chase Bank N.A. (Sydney Branch) acts as Fund administrator (**'JPMorgan'**) and Link Market Services Limited as unit registrar for the Fund (**'Link'**).

8.2 Terms and conditions

Terms summary

1. Management fees

The management fee for this Fund has been set at a level to ensure it is highly competitive to similar funds. Additionally, in keeping with the philosophy to make this Fund more accessible to private investors, no performance fee will be charged by Schroders.

2. Performance fees

Performance fees are not charged by Schroders to the Fund or the Underlying Fund.

The Underlying Fund invests in underlying private equity vehicles (such as other funds managed by third party private equity managers) which may charge performance fees, which will be borne indirectly by the Fund. It is not possible to accurately estimate the performance fees that may be charged as it is not possible to forecast what the performance of an underlying investment will be, but we expect that there will be some level of performance fees charged in the underlying investments in future years.

Schroder Specialist Private Equity Fund		
Type of fee or cost ¹	Amount	How and when paid
Ongoing annual fees and costs²		
Management fees and costs The fees and costs of managing your investment ³	Estimated to be 2.40% p.a. of the NAV of the Fund, comprised of: 1. A management fee of 1.48% p.a. of the NAV of the Fund ⁴ 2. Estimated indirect costs of 0.92% p.a. of the NAV of the Fund 3. Estimated expense recoveries of 0% p.a. of the NAV of the Fund	1. The management fee is calculated and accrued daily and generally paid monthly in arrears out of the assets of the Fund within 10 business days after the end of the month 2. Indirect costs are generally deducted from the assets of the Fund as and when incurred 3. Expense recoveries are generally deducted from the assets of the Fund as and when incurred
Performance fees Amounts deducted from your investment in relation to the performance of the product	Estimated to be 0% p.a. of the NAV of the Fund, comprised of: 1. A performance fee of 0% p.a. of the NAV of the Fund ⁵ 2. Estimated interposed vehicle performance fees of 0% p.a. of the NAV of the Fund ⁶	1. The Fund does not presently charge a performance fee 2. However, performance fees charged by interposed vehicles are generally deducted from the assets of the interposed vehicle as and when incurred
Transaction costs The costs incurred by the scheme when buying or selling assets	Estimated to be 0.15% p.a. of the NAV of the Fund. ⁷	Transaction costs generally arise when the value of the assets of the Fund are affected by the day-to-day trading of the Fund, and are deducted from the assets of the Fund as and when incurred.
Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)		
Establishment fees The fee to open your investment	Nil	Not applicable
Contribution fee³ The fee on each amount contributed to your investment	Nil	Not applicable
Buy-sell spread An amount deducted from your investment	Estimated to be 0% of the application amount on application and 0% of the withdrawal amount on withdrawal. ⁸	The buy-sell spread is deducted from the application amount received from, or the withdrawal amount to be paid to,

representing costs incurred in transactions by the scheme		applicants and withdrawing unitholders respectively at the time of the relevant application or withdrawal.
Withdrawal fee³	Nil	Not applicable
The fee on each amount you take out of your investment		
Exit fee³	Nil	Not applicable
The fee to close your investment		
Switching fee	Nil	Not applicable
The fee for changing investment options		

¹Unless otherwise stated, all fees and costs are quoted inclusive of GST and net of any input tax credits ('ITCs') or reduced input tax credits ('RITCs') that are expected to be available to the Fund, and are shown without any other adjustment in relation to any tax deduction available to the responsible entity.

²Unless otherwise stated, all estimates of fees and costs are based on information available as at the date of the most recent PDS for the Fund and reflects Schroders' reasonable estimates of the typical ongoing amounts for the current financial year.

³This fee includes an amount payable to an adviser.

⁴For certain wholesale clients (as defined in the Corporations Act), Schroders may, at its discretion and in accordance with ASIC Policy and the Corporations Act, negotiate, rebate or waive all or part of Schroders' management fee.

⁵Although entitled to do so under the Constitution, Schroders does not currently charge a performance fee for the Fund and has not done so in any period in which the Fund was in operation (however interposed vehicles may charge a performance fee, see below), and Schroders will not charge a performance fee in future for this class of units in the Fund unless such fees are approved by an ordinary resolution of unitholders.

⁶Schroders does not currently charge a performance fee in respect of the Fund, and the Investment Manager does not currently charge a performance fee in respect of the Underlying Fund, but the Underlying Fund invests in other private equity funds and funds of private equity funds. These funds may charge performance fees. Schroders' reasonable estimate of these funds performance fees are based on (as applicable): (i) the average fee incurred for the previous five financial years; or (ii) if the fund was not in operation for the past five financial years, the average fee incurred for all of the financial years in which the fund was in operation; or (iii) if the fund was first offered in the current financial year, Schroders' reasonable estimate of the fee for the current financial year adjusted to reflect a 12-month period. Past performance is not a reliable indicator of future performance and the performance fee will be based on the performance of the funds over the relevant period.

⁷The transaction costs disclosed in this fees and costs summary are shown net of any recovery received by the Fund from the buy-sell spread charged to transacting unitholders.

⁸As at the date of the most recent PDS for the Fund, Schroders does not charge a buy-sell spread on applications and withdrawals, but may do so in future.

8.3 Application procedure

The Fund primarily targets two client types:

- Those institutions that are familiar with private equity but have been restricted from investing because of a need for flexibility (e.g. multi-manager funds, family offices)
- Private investors that have hitherto been put off from investing in private equity because minimum subscription amounts are too high or the concept of capital commitments that are drawn down at short notice is too complex to administer

You can make an investment into the Fund by completing the application form attached to the PDS and sending it in accordance with the instructions contained in the form. The minimum initial investment amount is \$20,000.

Applications must be made by 3pm on the 11th calendar day of each month, and where that day does not fall on a Business Day, the cut-off will be 3pm on the preceding Business Day.

Please refer to the PDS for more information on the application procedure.

Withdrawal procedure

Withdrawals are quarterly, on the last Business Day of the quarter. Withdrawal instructions received by the last Business Day of the quarter will be processed on the following calendar quarter. Withdrawal proceeds will normally be paid 23 Business Days from the date the withdrawal is processed (for example, withdrawal

requests received before the end of September will generally be processed at the end of December and paid 23 Business Days after the end of December).

Net withdrawals out of the Underlying Fund will usually be limited per calendar quarter to 5% of the Underlying Fund NAV at the end of the preceding quarter. Where the Fund is unable to withdraw its interests in the Underlying Fund or is restricted in the amount it may withdraw, it is likely that the Responsible Entity will not accept withdrawal requests (or will not accept withdrawal requests in full) and accordingly this will limit the ability of investors to withdraw from the Fund.

In addition, applications into and withdrawals out of the Fund will be made based on the relevant unit price calculated for each dealing date. The unit price is based on a fair value adjusted NAV determined in accordance with Schrodgers' Global Instrument Pricing Policy.

A sell spread of up to 5% may be levied by the Underlying Fund at the discretion of the Directors from time to time in the event that the Underlying Fund would need to make asset sales in the secondary market at a spread to meet redemption requests. This is to ensure that the costs associated with asset sales to meet the redemptions of transacting investors are not to the detriment of the remaining investors. Such sell spread will be set in consideration of the actual costs.

Please refer to the PDS for further information on the withdrawal procedure.

Special Dealing Procedure

During situations of illiquidity, volatility or abnormal market conditions the Underlying Fund may invoke a 'Special Dealing Procedure' which may result in applications and withdrawals being suspended and adjustments to application and withdrawal prices to reflect volatile or uncertain asset prices. This may have a materially adverse effect on the Fund if the Fund intends to make an application or withdrawal during a Special Dealing Procedure.

As unitholders in the Fund do not hold any direct interests in the Underlying Fund, they will not be able to directly affect any decision made in connection with Special Dealing, nor will they be directly provided with any information or notices by the Directors in relation to the Special Dealing. Instead, unitholders will be reliant on the Responsible Entity who will make decisions in relation to the Special Dealing based on its judgement with regard to its obligations under the Fund's constitution and applicable law. Such decisions may impact the NAV of the Fund and its ability to accept subscriptions or meet redemptions.

The Special Dealing Procedures of the Underlying Fund are summarised below. Please refer to the PDS for further information on the Special Dealing Procedure.

- The Directors may decide to implement a special dealing procedure at the Underlying Fund level, for example, in periods of extraordinary market and economic circumstances
- The Special Dealing shall be temporary only and expected to stop applying as soon as no longer required
- Under the Special Dealing procedure, redemption requests will be processed once every calendar year and transacted at a Secondary Value Dealing Price reflecting the discount obtained through secondary sales of the Underlying Fund's assets
- Net redemptions will not be limited and all investors redemption requests will be served



Source: Schrodgers Capital, 2021. Dealing procedure at Underlying Fund level.

8.4 Valuation standards and methodology

Valuation of the Fund

Schroders has appointed JPMorgan to calculate the Fund's NAV and NAV per unit, which will be published on Schroders' website www.schroders.com.au.

For the purpose of calculating the NAV of the Fund, JPMorgan shall rely on, and will not be responsible for the accuracy of, financial data furnished to it by the Underlying Fund. In addition to its interest in the Underlying Fund, the Fund will also hold cash and cash equivalent instruments.

The Fund NAV will usually be available 21 Business Days after each month end.

Valuation of the Underlying Fund

The NAV of the Underlying Fund is determined by Brown Brothers Harriman (Luxembourg) S.C.A., ('BBH'). BBH acts as Custodian, Depositary and Administration Agent, as of close of business on the last Business Day of each calendar month by dividing the value of the assets of the Underlying Fund, including accrued income, less the amount of the liabilities of the Underlying Fund, by the total number of shares then on issue.

8.4.1 Valuation governance structure

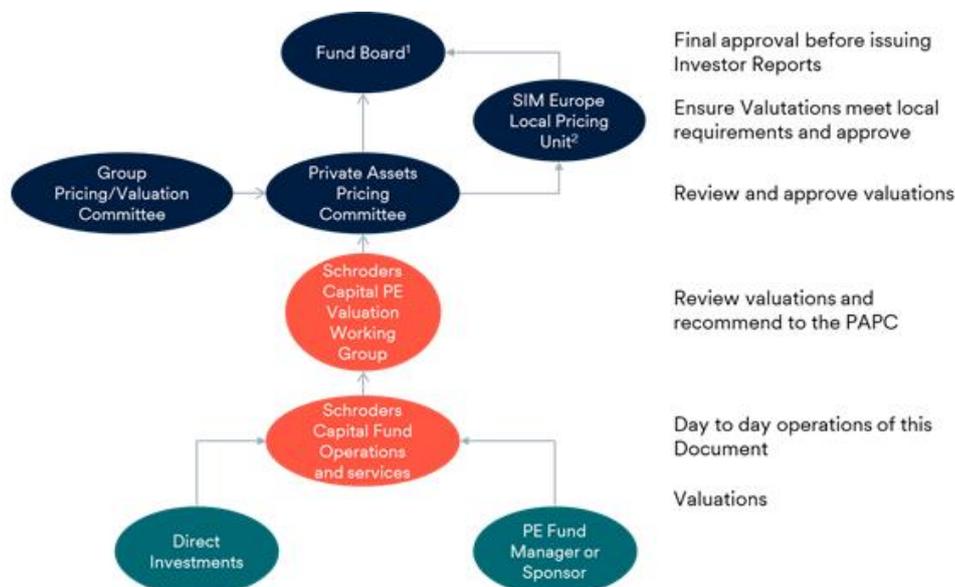
Schroders Capital has a Private Equity Pricing Operational Working Document (the '**Document**') that is an appendix to the Schroders' Global Instrument Pricing Policy ('**GIPP**'). It documents the principles, governance and practices applied to the valuation of private equity investments across all operating entities within the Schroders Group and investment structures/funds managed or advised by Schroders Capital.

The Underlying Fund Operations and Services team of Schroders Capital runs the day to day valuation operations with its main responsibilities being:

- The sourcing of valuations
- Application of valuations to fund NAV calculations
- Governance and oversight of independent valuers where applicable
- Raising any changes to the accounting treatment in funds

All valuations are reviewed by the Valuation Working Group ('**VWG**'), which is a standing committee comprised of the COO, acting as Chairman, the CFO, the Head of Risk Management and the Head of Private Assets Operations (non-voting observer). The VWG meets when valuations for the Schroders Capital private equity investments are complete and ready for review. Following this, a recommendation is made to the Private Assets Pricing Committee ('**PAPC**').

The PAPC has overall responsibility for pricing and valuation at Schroders and ensuring compliance with the GIPP.



Source: Schrodgers Capital 2021,
¹Only for Scottish funds with Jersey domiciled GP and for Luxembourg funds. ²Only for funds where SIM Europe is the Fund Manager.

Valuation for all investments will be prepared in accordance with the Private Equity Pricing Operational Working Document and will be:

- Prepared by a member of Schrodgers Capital’s Fund Operations and Services followed by a 4-eye review within the team
- Draft valuations will be discussed with the Head of Investment Management and relevant Program Manager if required to better understand investment specific circumstances
- Draft valuations are reviewed and approved by the Head of Schrodgers Capital’s Fund Operations and Services
- Key valuation observations will be summarised in a valuation memorandum (investment status report) that will be subject to review and recommendation to the PAPC by the VWG

8.4.2 Valuation principles

Publicly traded investments

When an investment is publicly traded, the closing market price on the valuation date will be used to determine the company’s equity valuation. Schrodgers Capital will assess whether trading lock-up agreements and trading volume relative to Schrodgers Capital’s holding size warrant the application of a liquidity discount to the market price. To identify the appropriate liquidity discount, Schrodgers Capital may source input from other investors in the same company, compare the current company being valued to the prior public valuations conducted by Schrodgers Capital, and seek input from the auditor to the Schrodgers Capital’s funds.

Private equity fund investments

Investments in unquoted private equity funds are valued at the fund’s NAV last reported by the fund’s manager and adjusted for subsequent net capital activity, company-specific events and market events impacting fair value.

Net capital activity includes:

- Capital calls
- Distributions
- FX movements
- Fee accruals (including performance fee)

Company-specific events include, but are not limited to the following:

- Qualitative business updates
- Financial performance, KPIs
- Management initiatives
- Mergers, disposals, bolt-on acquisitions
- Dividend recaps or refinancing
- IPOs

Market events are related to general market, industry or economic metrics that are identified as having a material influence on the company's business environment, customers and its financial performance.

Direct private equity investments

Where a direct private equity investment held by Schroders Capital was made alongside an institutional private equity firm acting as the sponsor (the 'Sponsor') of the transaction, Schroders Capital will utilise the valuation for the company reported by the Sponsor. To the extent Schroders Capital invest alongside more than one Sponsor; the Firm will seek to source valuations from each Sponsor. If the enterprise value differs among the Sponsors, Schroders Capital will utilise the lower enterprise value. Schroders Capital will ensure that such valuation is compliant with the Private Equity Pricing Operational Working Document and international valuation guidelines.

For direct private equity investments by Schroders Capital not made alongside a Sponsor, the valuation will be performed using one or more valuation methods readily applied in the private equity industry and accepted by US GAAP and IPEV.

Additionally, private equity investments directly held by the fund are valued taking into account any net capital activity, company-specific events and market events as of the valuation date.

8.4.3 Monthly valuation cycle

In a first step, a search independent from the GP/Sponsor of the underlying investment is done for events that potentially impact the fair market value of relevant investments of the fund.

For each relevant investment relevant information sources (like Google news alert, CapitalIQ and Bloomberg) are screened for company-specific events that may impact the valuation.

Public market equivalents representing the industry and region in which the company is active are monitored and if any of the indices has moved by more than 5% since the last reporting date for such investment, this is considered a market event.

In a second step, for each investment held by the Fund, insight is sought from the responsible Schroders Capital investment manager and the respective GP, Sponsor or company itself, if the investment is not Sponsor-led.

For private equity fund investments, this comprises:

For companies where a company-specific event has been identified and that are held by the private equity fund, the impact of such company event on the valuation of the fund.

For companies where a market event has been identified and that are held by the private equity fund, the impact of such market event on the valuation of the fund.

Any other changes in the valuation of the fund since the last report date that the parties are aware of.

For direct private equity investments, this comprises:

If a company-specific event has been identified for this investment, the impact of such event on the valuation of the company.

If a market event has been identified for this investment, the impact of such event on the valuation of the company.

Any other changes in parameters relevant for the valuation methodology applied (e.g. EBITDA if valuation is based on an EBITDA multiple).

In a third step, the valuation of each investment held by the monthly Fund is made:

- For publicly traded investment, the valuation is done as per section above
- For private equity fund investments, the fund's last reported NAV is taken, adjusted for any capital activity since the last reporting date and for any change in fair market value of underlying investments as per the latest available information from the GP

- For direct private equity investments, the valuation model is re-run with the latest available information

The result of the monthly valuation cycle is summarised in the valuation recommendation which is reviewed by the VWG and submitted to the PAPC and subsequently to the SIM EU LPU for approval.

8.4.4 Applicable investments

When selecting investments, the investment manager has to take into consideration additional requirements related to monthly valuation.

- For direct investments, the company invested in or the sponsor has to commit to support monthly valuation and to provide latest available information on the company
- For primary fund investments, the GP has to commit to support monthly valuation and to provide latest available information on the value of its fund and underlying investments
- For secondary fund investments, the number of GPs that are not willing to support monthly valuation has to be kept below a threshold such that the lack of information from such GPs does not lead to a distorted valuation that is likely to result in a material NAV error of the Fund

Fulfilment of the above requirements is checked and confirmed as part of the investment decision process for any investment to be held by the Fund.

The agreement for direct investments and primary fund investments shall contain language regarding monthly valuation. For secondary fund investments, such language shall be added where deemed appropriate and feasible.

8.4.5 Backtesting

Backtesting is performed on a quarterly basis, once official valuations from sponsors and GPs are available. These are compared to the valuations used for the monthly NAV of the Underlying Fund as of the respective quarter end. Significant differences between the value used for the monthly NAV and the official value of the GP or Sponsor are analysed to understand the drivers for such differences. The results of such analysis are used to further calibrate the monthly valuation process; and document the drivers for differences for audit purposes.

Significant differences are defined as the largest differences that – in combination – would result in a change in NAV of the monthly valued fund of more than 1%. The analysis of smaller differences that – in combination – would not change the NAV of the monthly valued fund by more than 1%, are at the discretion of Schroders Capital.

It should be noted that historical NAVs will not be adjusted as a result of the back-testing as the NAVs were determined based on the best available data at the time, however, the fair value methodology may be recalibrated for future NAV assessments.

Disclaimer

This document is intended solely for the information of the person (the **Recipient**) to whom it was provided by Schroder Investment Management Australia Limited (ABN 22 000 443 274, AFSL 226473) (**Schroders, we, our, us**). Investment in any of the Schroders Funds may be made on an application form accompanying the Fund's Product Disclosure Statement which is available from Schroders. You can also refer to the target market determination for each Schroders fund at www.schroders.com.au.

In preparing this document, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was provided to us by or on behalf of the Recipient or which was otherwise reviewed by us. Schroders does not give any warranty as to the accuracy, reliability or completeness of information which is contained in this document. To the maximum extent permitted by law, Schroders, every company in the Schroders plc group, and their respective directors, officers, employees, consultants and agents exclude all liability (however arising) for any direct or indirect loss or damage that may be suffered by the recipient or any other person in connection with this document.

This document is not intended to provide, and should not be relied on by any person as an investment recommendation, or as accounting, legal or tax advice and is not to be taken as containing any securities advice or securities recommendation. Any references to securities, sectors, regions and/or countries are for illustrative purposes only and are not to be construed as a recommendation to buy, sell or hold. Exchange rate changes may cause the value of the overseas investments to rise or fall. Potential investors should be aware that such investments involve market risk and should be regarded as long-term investments.

Unless otherwise specified, total returns are calculated using exit price to exit price, after fees and expenses, and assuming reinvestment of income, and gross returns are calculated using exit price to exit price and are gross of fees and expenses. The repayment of capital and performance in any of the detailed funds are not guaranteed by Schroders or any company in the Schroders Group. Unless otherwise stated the source for all graphs and tables contained in this report is Schroders. Opinions constitute our judgement at the time of issue and are subject to change. Investment guidelines are internal only and are subject to change without notice. Past performance is not necessarily a guide to future performance.

The content of this document and all confidential information relating to any Schroders plc group company must be treated by the Recipient in the strictest confidence. It may only be used for the purposes of assessing an investment in the funds or mandates offered by Schroders (the **Permitted Purpose**). Confidential information includes (but is not limited to):

- Schroders' proposed investment strategies, processes, know-how and details of the proposed investment mandate;
- fee and commission arrangements;
- fund holdings data;
- our staff details; and
- any other information Schroders marks as confidential.

Confidential information must not be disclosed by the Recipient to any third party without our prior written consent and should only be disclosed to those of the Recipient's employees, agents and professional advisers who are required to see such information for the Permitted Purpose. The Recipient must ensure that these persons are made aware of the confidential nature of such information and treat it accordingly.

The Recipient acknowledges and agrees that unauthorised disclosure or use of confidential information would cause irreparable harm, damages would not be an adequate remedy and we shall be entitled to all forms of equitable relief. Telephone calls and other electronic communications with Schroders representatives may be recorded.

Schroders
capital