

## Total Return Fixed Income Fund Overview

Investor: SBBIX

### Summary

Schroder Total Return Fixed Income Fund seeks to generate return by investing across the full maturity and credit spectrum of fixed income securities, including US Treasury, agency, securitized, investment grade and high yield corporate, emerging market and non-dollar corporate debt. The Fund focuses on active sector rotation, security selection, duration and yield curve strategies. We use a team approach in constructing investment strategy and portfolio decisions are supported by extensive fundamental, technical and quantitative research. Sector specialist

portfolio managers execute investment strategy using a relative value framework, with the goal of capitalizing on opportunities across a wide range of market conditions.

The Fund intends to maintain an average effective portfolio duration that is within 30% of the average effective duration of the Bloomberg Barclays US Aggregate Bond Index. The Fund may invest in securities of issuers located anywhere in the world, but will normally not invest more than 20% of its total assets in securities that are not denominated in the US dollar.

### Why Schroder Total Return Fixed Income Fund?

- Globally integrated platform of experienced regional teams with local market expertise
- Consistent and proven investment process that seeks to capitalize on differentiated sources of risk-adjusted return
- Experienced team of global credit analysts applying stringent credit standards that are supported by our fundamental research
- Opportunistic style that seeks to capitalize on changing market environments
- Successful performance track record over full market cycle achieved with lower volatility than majority of our peers

### Firm highlights

- Founded in 1804, with a strong family presence to this day
- Asset management is our main business
- Over 740 investment professionals worldwide
- Truly global reach: based in London, with offices in 32 countries
- Expertise in Fixed Income, Equities, Multi-Asset, Solutions, and Alternatives

All data and statistics as of December 31, 2018, unless otherwise noted.

## Team highlights

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- Disciplined approach to core and intermediate strategies since 1992
- Experienced and stable team with an average of 23 years of investment experience
- Investments are team managed, and portfolio management and credit research are an integrated function
- Access to team of global credit analysts utilizing a rigorous research process that combines fundamental and relative value assessment

## Key features

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- Research-driven, themes-based investment process
- Sector and security selection are the key drivers of alpha
- Centralized global credit research platform for fixed income and equity teams
- Relative value approach to decision making with opportunistic management in changing markets
- Risk management is embedded in our culture

## Investment objective

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The Fund seeks a high level of total return.\*

\*There is no guarantee the Fund will achieve its objective.

## Investment philosophy

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- Fixed Income markets are global, interrelated and generally efficient but can overreact to events, creating investment opportunities
- We believe that a globally integrated team of research-driven bond investors is the ideal structure to take advantage of these opportunities
- Using a disciplined investment process and diversified strategies, we seek to generate consistent above benchmark returns with lower than average volatility

## Investment process — overview

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Our fixed income process consists of four distinct steps:

- Conduct in-depth proprietary market research (fundamental, quantitative and technical) to develop investment themes that we feel will dominate markets over the ensuing three to six month period
- Develop and prioritize investment strategies, based on investment themes, which will determine optimal portfolio positioning in three primary areas of the market: duration, yield curve exposure, and sector allocation
- Implement investment strategies within the portfolio, using a relative value framework to prioritize investment ideas and execute security selection

- Continually review portfolio within rigorous risk management framework, emphasizing contribution-to-duration metrics

The cornerstone of our investment process is our weekly US Fixed Income strategy meeting. Here, sector specialist portfolio managers combine the outputs from our economic, quantitative and global credit research with bottom-up issuer research to establish investment themes and resulting strategies. Macro strategy, sector allocations and overall risk budgeting are determined at this meeting. Portfolio construction, including security selection, follows and is implemented by our portfolio managers.

## Macro strategy

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Duration and yield curve strategy is based on a blend of qualitative and quantitative approaches. Analysis of the movement and shape of the yield curve is the foundation of this process; therefore the team's interest rate forecasts relative to the market forms the basis of our directional positioning. Additionally, we integrate output from our proprietary models to assess the likely movement in rates and the curve.

The qualitative view formulated by the US Fixed Income team is further supported by inputs from Schroders' economic team and targeted use of third party research. Our view is formally captured via the discipline of monthly government bond scorecards. The scorecard identifies and analyzes key economic and monetary policy trends, as well as technical factors such as fund flows and supply/demand dynamics that can drive our interest rate and yield curve view.

## Sector strategy

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Sector allocation is based on the team's research and forecasts for spreads over the next three to six months. Top-down decisions are based on our macroeconomic outlook and expectations for how individual sectors will react to potential movements in interest rates, both in absolute terms and relative to other sectors. Bottom-up factors that contribute to sector strategy decisions vary with each sector, and can

include qualitative credit research from our team of analysts, corporate default rates, growth potential, cyclicity, regulatory implications, and trends in prepayments and volatility. Our specialist portfolio managers also incorporate output from our quantitative team's proprietary models as well as the expected impact from technical factors, such as momentum and volatility, which can influence the performance of each sector.

## Security selection

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**Government securities** are selected by our specialist US government portfolio managers, whose decisions are driven by macroeconomic, inflation, interest rate and yield curve views, incorporating the implications of current valuation. Technical factors specific to each particular security or market, such as supply and demand, also influence security selection decisions.

**Mortgage-backed and asset-backed security selection** is similarly driven by macroeconomic factors such as inflation, interest rates and yield curve views with additional emphasis on swap spreads, volatility and prepayment trends. Portfolio managers use fundamental analysis to evaluate agency and non agency issuers and servicers, collateral characteristics and deal structures. The team rigorously models security cash flows and utilizes option adjusted spread (OAS) and scenario analysis seeks to determine relative value.

**Corporate credit selection** begins with a comprehensive due diligence of each issuer, performed by our team of credit analysts.

Our global credit team is one of the largest and most experienced in the industry. Schroders credit analysts have close corporate contact with companies' senior management due to our strong franchise and close cooperation with Schroders' network of equity analysts. Research responsibilities are organized regionally and by sector with analysts based in London, New York, Singapore, Hong Kong, Sydney, Jakarta and Tokyo.

Every issuer covered by our analysts is thoroughly analyzed using a common and disciplined process. This process includes a comprehensive due-diligence examination of each issuer and detailed financial modeling to assess credit worthiness. Above all, analysts focus on a company's current and future ability to service debt from cash flows. Issuers are then assigned a credit opinion, an investment recommendation, and an issuer concentration limit.

## Security selection (continued)

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Our proprietary credit research process provides a consistent and proactive framework for security selection and portfolio construction.

- 1 **Credit opinion:** the direction of credit quality trend over the next 6 – 12 months using five classifications ranging from improving to declining, ranked within each sector
- 2 **Recommendation:** an issuer ranking based on relative value of an issuer within its sector
- 3 **Issuer Concentration Limit:** a maximum position size, relative to the benchmark, that is determined by current internal ratings and potential price volatility of each issuer

Sector and Issuer views are brought together in Schroders' Credit Matrix, which is a 12-box grid of Issuer Recommendations (determined solely by credit analysts) and

Sector Views (determined jointly by credit analysts and portfolio managers). The Credit Matrix allows all of the credit analysts and portfolio managers worldwide to speak a common language and also serves as a guide for credit portfolio managers to use in portfolio construction, indicating gradations of buy, hold, or sell signals for the various issuers depending on the current sector view.

The output of this process is each analyst's ranking of all covered issuers relative to the respective sector. These reports are used by the portfolio managers to evaluate recommendations across all sectors. In addition, issue selection is optimized based on credit quality, capital structure and liquidity profile. This information is then incorporated with our macro economic analysis and themes, market trends and technical conditions to construct diversified portfolios.

## Risk management

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Inherent within the fixed income investment process is a total risk management mentality. Our structured approach to risk management and monitoring utilizes a combination of formal and informal rules and guidelines, as well as proprietary quantitative models and externally supplied software tools, including Aladdin® Trading System and Bloomberg Barclays POINT.

At a total portfolio level, the team seeks to reduce risk through diversification and by making investments that have low or zero correlation. For individual issues, position size is determined by an assessment of

risk and reward across different strategies, and is rigorously controlled based on the issuer's risk profile. All positions are measured in both market value percentage and contribution-to-duration (CTD) terms.

The use of structured risk controls is critical to limiting the volatility of returns versus a benchmark while achieving the portfolio performance target. Our process tracks sector and individual exposures against their benchmarks, quantifying such exposures through: modified and effective duration, yield to maturity, option-adjusted spread, yield curve exposure, sector and industry allocation, and credit rating category.

## Risk disclosures

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All investments involve risks including the risk of possible loss of principal. The market value of a fund's portfolio may decline as a result of a number of factors, including interest rate risk, credit risk, inflation/deflation risk, mortgage and asset-backed securities risk, US Government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk and liquidity risk. Investments in non-investment-grade debt securities (high yield bonds) may be subject to greater market fluctuations

and risk of default or loss of income and principal than securities in higher rating categories. To the extent the Fund uses derivatives, they involve risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Frequent trading of the Fund's portfolio may result in relatively high transaction costs and may result in taxable capital gains. Please see the prospectus for a full description of the risks associated with the Fund.

## Fund information

	Investor Shares
Ticker Symbol	SBBIX
CUSIP	808090765
Date of Inception	12/31/2004

## Fees and expenses of the Fund

### Fees and expenses (%) as of March 1, 2019

<b>Gross:</b>	0.93 (Investor Shares)
<b>Net:</b>	0.40 (Investor Shares)

In order to limit the Fund's expenses, the Fund's adviser, Schroder Investment Management North America Inc. ("Schroders" or the "Adviser"), has contractually agreed through February 28, 2020 to waive its fees, pay Fund operating expenses, and/or reimburse the Fund to the extent that Total Annual Fund Operating Expenses (other than acquired fund fees and expenses, other indirect acquired fund expenses, interest, taxes, and extraordinary expenses), for the Fund's Investor Shares, exceed 0.40% of Investor Shares' average daily net assets. The expense limitation may only be terminated during its term by the Board of Trustees.

**Please consider a fund's investment objectives, risks, charges and expenses carefully before investing. For a free prospectus, which contains this and other information on any Schroders fund, visit [www.schroders.com/us](http://www.schroders.com/us), call your financial advisor or call (800) 464-3108. Read the prospectus carefully before investing.**

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