Schroders

Marketing material for professional investors and advisers only

Schroder GAIA Sirios US Equity
Quarterly Fund Update
Fourth quarter 2019

Portfolio characteristics

Fund manager	John F. Brennan (Sirios)
Managed fund since	27 February 2013
Fund launch date	27 February 2013
Fund benchmark*	S&P 500 Net TR Index
Fund size	$789 million
Ongoing charge**	1.68%
Performance fee	Subject to the "high water mark" principle, 20.0% of the share class outperformance in excess of the BBA Libor USD 3 Month Act 360.

Source: Schroders, as at 31 December 2019.

*Please note the fund is benchmark unconstrained; index returns are provided for reporting purposes only. **The ongoing charges figure is as at 30 November 2019 and may vary from year to year.

Portfolio structure

Gross/net exposure (%)	
Long equities	99.6%
Short equities	-48.2%
Options (delta-adjusted)	0.0%
Total gross exposure	**147.7%**
Total net exposure	**51.4%**
Number of positions*	
Long	63
Short	57

Source: Schroders as at 31 December 2019. Figures are on a delta-adjusted basis.*Excluding index options and government bonds.

Discrete monthly returns since inception (%)
C accumulation shares (USD)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	Schroder GAIA Sirios US Equity	-	0.5	4.8	0.9	5.2	-0.2	1.5	-3.1	3.3	1.7	2.8	3.6
	S&P 500 Net Total Return Index	-	-0.1	3.7	1.9	2.3	-1.4	5.0	-3.0	3.1	4.6	3.0	2.5
2014	Schroder GAIA Sirios US Equity	-1.1	1.6	-1.0	-2.8	0.9	0.8	-2.4	2.6	0.4	1.2	1.1	-0.8
	S&P 500 Net Total Return Index	-3.5	4.5	0.8	0.7	2.3	2.0	-1.4	3.9	-1.4	2.4	2.6	-0.3
2015	Schroder GAIA Sirios US Equity	0.0	3.0	-0.2	-0.6	2.2	-0.1	2.2	-3.9	-2.9	2.0	0.4	-1.0
	S&P 500 Net Total Return Index	-3.0	5.7	-1.6	0.9	1.2	-2.0	2.1	-6.1	-2.5	8.4	0.2	-1.6
2016	Schroder GAIA Sirios US Equity	-1.8	-3.2	2.8	-0.4	2.1	-3.6	1.6	0.7	0.3	-0.1	2.7	0.4
	S&P 500 Net Total Return Index	-5.0	-0.2	6.7	0.4	1.7	0.2	3.7	0.1	0.0	-1.9	3.6	1.9
2017	Schroder GAIA Sirios US Equity	2.6	2.5	0.3	0.4	0.1	1.8	0.4	-0.3	2.9	0.5	1.0	0.3
	S&P 500 Net Total Return Index	1.9	3.9	0.1	1.0	1.3	0.6	2.0	0.2	2.0	2.3	3.0	1.1
2018	Schroder GAIA Sirios US Equity	2.8	-3.0	-0.1	0.5	-0.3	0.2	3.7	0.3	0.9	-5.9	2.3	-5.1
	S&P 500 Net Total Return Index	5.7	-3.8	-2.6	0.4	2.3	0.6	3.7	3.2	0.5	-6.9	2.0	-9.1
2019	Schroder GAIA Sirios US Equity	5.0	0.9	-0.3	4.2	-3.7	4.2	1.4	-0.1	-0.1	-0.7	0.4	0.4
	S&P 500 Net Total Return Index	8.0	3.1	1.9	4.0	-6.4	7.0	1.4	-1.7	1.8	2.1	3.6	3.0

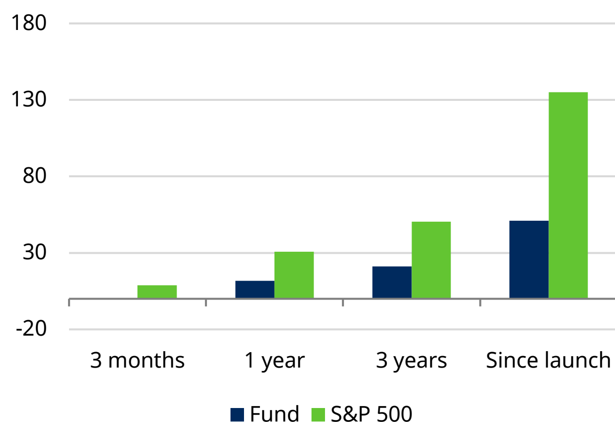
Source: Schroders as at 31 December 2019. NAV to NAV, net of fees. *Year-to-date performance is shown for years where monthly returns are not available for the full year.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

	2019	2018	2017	2016	2015
Schroder GAIA Sirios US Equity C Acc	11.7%	-4.2%	13.3%	0.3%	0.8%
S&P 500 Net Total Return	30.7%	-4.9%	21.1%	11.2%	0.7%

Cumulative returns to 31 December 2019 (%)

C accumulation shares (USD)



	3 months	1 year	3 years	Since launch
Schroder GAIA Sirios US Equity	0.0%	11.7%	21.2%	51.0%
S&P 500 Net Total Return Index	8.9%	30.7%	50.5%	135.1%

Source: Schroders as at 31 December 2019. NAV to NAV, net of fees. Fund launch date: 27 February 2013.

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What happened in the market

The US economy continued to demonstrate stable, yet more moderate growth in Q4 '19, while the US – China trade war and central bank policy continued to gather headlines. US Q3 '19 real GDP advanced 2.1%, up slightly from the 2.0% reading in Q2 '19, but still below 2018 growth levels. The US labour market remained strong, with job growth accelerating significantly in November and the unemployment rate dipping slightly to 3.5%. The US housing sector also continued to trend higher during the quarter, with housing starts, building permits, pending home sales and new home sales all increasing in November, although existing home sales declined. US manufacturing data remained mostly weak during the quarter, as the ISM Manufacturing Index fell again in November after posting a modest monthly gain in October. Retail sales increased modestly during the quarter, but below consensus expectations, as several categories of discretionary retail sales posted declines in November. The Conference Board Consumer Confidence Index declined modestly during the quarter, as consumers' view of current conditions improved in December, while they were moderately less upbeat about the short-term outlook. Q3 '19 US corporate earnings remained strong relative to modest expectations, as approximately 73% of S&P 500 companies exceeded earnings estimates by a median of 5% and 54% of companies beat top-line estimates by an average of 3%. After lowering the target range of the federal funds rate to a range of 1.50% - 1.75% at the conclusion of its October meeting, the FOMC indicated at its December meeting that interest rates were appropriately positioned unless there was a significant and persistent rise in inflation. The Fed dot plot shifted lower for longer after the December meeting, with the median projected 2020-2022 rate hike path 0/+1/+1. In December, the US and China announced a Phase One trade deal that would reduce some US tariffs on Chinese goods, while boosting Chinese purchases of American farm, energy and manufacturing goods, as well as addressing certain US complaints about intellectual property practices. The US House of Representatives passed two articles of impeachment against the US President

in December, and weighed its options for sending the articles of impeachment to the US Senate as a next step in the process.

The S&P 500 gained 9.1% (on a total-return basis) during the quarter. Ten sectors recorded gains during the quarter, led by the information technology (+14.4%), health care (+14.4%) and financials (+10.5%) sectors. Meanwhile, the real estate sector (-0.5%) was the only sector that declined during the quarter. International and emerging markets equities also posted strong positive returns during the quarter, with the MSCI World ex USA Index and the MSCI Emerging Markets Index returning 7.9% and 11.7%, respectively (both on a total-return basis).

For the full year, the S&P 500 gained 31.5% (on a total-return basis), with each sector posting double-digit positive returns. The most significant positive returns during the year were from the information technology (+50.3%), communication services (+32.7%) and financials (+32.1%) sectors. At the individual stock level, 88% of S&P 500 issuers registered positive returns during the year. Each S&P 500 sector had more issuers experience positive returns than negative, with the most positive skews in the financials, utilities, health care and communication services sectors. Meanwhile, the MSCI World ex USA Index and the MSCI Emerging Markets Index climbed 23.1% and 18.6% respectively (both on a total-return basis for the year).

Stock highlights

Abbott Laboratories (ABT) develops, manufactures and sells a broad and diversified line of health care and diagnostics products and devices across the following areas: pharmaceuticals, nutrition, diagnostics, cardiovascular, peripheral intervention, neuromodulation and diabetes.

- ABT should continue taking share in a number of high growth markets as the result of a series of recent and future product launches, positioning it for continued peer-leading sales and EPS growth
- St. Jude and Alere (both acquired by ABT) both suffered from poor execution and, as a result, generated below-industry growth in a number of high-growth industries prior to being acquired. ABT is known for quality execution and should be able to accelerate St. Jude and Alere assets to at least market-average growth levels
- Synergy opportunities from the acquisitions of both St. Jude and Alere should yield sizable margin enhancement
- ABT has a number of significant optionalities that are underappreciated by the market and could provide significant upside in the intermediate-term (e.g., Portico TAVR, TriClip, CardioMEMS, HeartMate PHP, Amplatzer LAAC)
- ABT has repaid debt significantly faster than expected and already surpassed net leverage targets, giving it capacity to re-engage in strategic M&A or to augment shareholder returns

Airbus (AIR FP) manufactures and provides services for large commercial aircraft, helicopters, military vehicles and equipment, and spacecraft. The commercial aircraft segment is one of two manufacturers that dominate the global market, delivering 800 aircraft in 2018 and responsible for ~80% of adjusted operating income during the year. The commercial aircraft business is currently ramping its production rate, with deliveries expected to total 860 aircraft in 2019. Airbus's key aircraft include the A320, A350, A330, A380 and the recently acquired C Series program (from Bombardier; renamed the A220). The helicopters segment is the largest civil and para-public helicopter manufacturer in the world, with 50% market share in 2017, and contributed 6% of 2018 adjusted operating income. The defence and space segment with products including military aircraft, satellites and launchers generated 15% of 2018 adjusted operating income.

- The A320 aircraft family within the commercial segment should see significant earnings growth over the next several years as the production rate is increased by 20%+ vs. 2016 levels and the

transition to the new engine option variant (A320neo) provides incremental earnings per aircraft delivered. Airbus has increased A320 production to 60 per month in mid-2019 (versus an average delivery rate of 54 per month in 2018). Further, Airbus recently announced that it will increase A320 production to 63 per month in 2021, with additional rate increases likely to follow in subsequent years. An increasing mix of new variants and options, such as the A321neo Airbus Cabin Flex (ACF), should also drive higher profitability per aircraft going forward
- The A350 aircraft family that saw its first delivery in 2014 is expected to contribute positively to earnings by 2020 (as compared to a cumulative ~€3 billion loss-making position from 2016-2018) as the program progresses on the learning curve and realises lower unit costs while the negative impact from launch customer pricing diminishes. Potential upside to A350 profitability (both versus company guidance and consensus expectations) could drive positive earnings revisions
- A $100 billion FX hedge book should be a positive contributor to earnings as Airbus locks in favourable EUR/USD exchange rates in future years. The weaker Euro has been a benefit for Airbus by lowering its manufacturing costs in USD terms, which serves as the transaction currency for aircraft sales globally
- Free cash flow generation should continue to expand as the A350 and A320 become more profitable and working capital headwinds moderate in 2019 and 2020. Airbus has significant capacity to return cash to shareholders through share repurchases and dividend increases, driven by further improvements to free cash flow and balance sheet capacity (net cash of ~€17/share at fiscal year-end 2018)

Berkshire Hathaway (BRK) is a holding company owning a majority of more than 50 firms and it has equity stakes in roughly a dozen others. Its principal operations are in manufacturing, retailing and services (36% of earnings, including investment income); insurance and reinsurance (33%); freight rail transportation (22%); and utilities and energy (9%). Core insurance subsidiaries include GEICO, National Indemnity and General Re. Other larger holdings include Marmon Group, McLane, MidAmerican Energy and Shaw Industries. Warren Buffett holds a significant stake in the company.

- The company currently holds approximately $122 billion of cash, which can be used for potential acquisitions that are not contemplated in current EPS forecasts, and management has suggested it could target an acquisition up to $150 billion (including debt)
- The company's stock repurchase methodology has shifted to an intrinsic value approach (versus below 1.2x book value previously), and it commenced repurchasing shares in Q4 ‘18, which limits downside risk. If the company used its excess cash for share buybacks, it could repurchase approximately 16% of its shares outstanding
- Within its existing businesses, the company is experiencing strong premium growth in its personal lines auto business
- Opportunity exists for management to implement Precision Scheduled Railroading (PSR) within its BNSF business, which could lead to enhanced margins

BJ’s Wholesale Club (BJ) is a warehouse club operator with approximately 64% of its 218 club locations in the north-eastern US BJ’s has over 10 million members paying annual fees (with membership fees accounting for over half of BJ’s EBIT), giving them access to savings on manufacturer-branded groceries, consumables, general merchandise, gas and ancillary services. Roughly 75% of the company’s sales are from grocery-related items, and BJ’s prices at a 25-30% discount relative to traditional supermarket competitors.

- BJ's margins are poised to expand due to consolidation of vendors, mix changes and more effective inventory management

- BJ's same-store-sales should benefit from more frequent apparel inventory resets and from the introduction of higher ticket/margin items such as tools, sporting goods and toys
- Increased private label penetration and mix of inventory should yield higher incremental margins moving forward

Cellnex Telecom (CLNX SM) is the leading independent tower operator in Europe. Pro forma for the recent acquisition of the portfolios of Salt and Iliad, CLNX now owns roughly 53,000 towers, including agreements to build 8,000 for a number of network operators. Its portfolio consists of assets in Italy (27%), France (25%), Spain (17%), the U.K. (15%), Switzerland (12%), Belgium (2%) and Ireland (2%). Broadcasting revenue comprises roughly 17% of 2020E pro forma revenue (down from ~33% in 2016). The company also has limited exposure to small cells via its purchase of Commscon Italia. CLNX closed on its acquisition of the Iliad towers in Q4 '19 (its acquisition of Salt towers is set to close imminently), and leverage is expected to decline to ~4.9x when the deals have been integrated at the end of 2020. The equity component of the transaction has already been raised via a rights offering, which at 16x oversubscribed was the highest ever recorded in Spain.

- CLNX's recent acquisition of the Salt/Iliad tower portfolios is financially attractive and the benefits do not appear to have been fully reflected in the stock price
- The company's capital position, and the potential for further tower divestitures by European telecom companies, should allow it to pursue more acquisitions in the intermediate term
- CLNX's increasing scale, combined with the continued fragmentation of other independent tower operators in Europe, should allow the company strong access to deal flow
- In addition to M&A execution, CLNX has generated steady organic growth, which should be further bolstered by improving tenancy ratios, build-to-suit towers (BTS) and the implementation of small cells
- Europe will lag the US in its 5G rollout, but the tower operators in Europe should eventually see a greater benefit than their US peers due to the use of mid-band spectrum
- CLNX trades at roughly 14.4x pro forma 2021E EBITDA (~16.5x current consensus EBITDA estimates, which have yet to fully reflect recent M&A), compared to INWIT at ~16.5x and US operators at ~23.0x

Elanco Animal Health (ELAN) is a leading innovator, manufacturer and marketer of products for both food and companion animals. ELAN operates in more than 90 countries and is the market leader in medicinal feed additives, #2 in poultry and #3 in cattle. ELAN also has one of the broadest portfolios of pet parasiticides for companion animals. The company has a diverse portfolio of more than 125 brands, with its largest brand (Rumensin) representing approximately 10% of its revenue and its top 10 brands representing roughly 40% of revenue. ELAN reports across four segments: companion animal disease prevention (CADP), companion animal therapeutics (CAT), food animal future protein & health (FAFP) and food animal ruminants & swine (FARS). ELAN recently announced the acquisition of Bayer's animal health business, with the transaction expected to close in mid-2020.

- The overall industry is expected to grow 4-5% annually, driven by increasing demand for protein and increased pet ownership, increased longevity of pets and increased spending per pet
- Predictable industry growth, coupled with a flow of innovation, positions ELAN to drive consistent 4-5% top-line growth
- Top line growth will be supplemented by a cost-cutting effort that was initiated 3 years ago, and still has another 3-5 years left to run. The resulting margin expansion is expected to yield high-teens EPS growth, supporting a low 20's forward P/E multiple

- A sell-off in the stock following the announcement of the Bayer Animal Health acquisition created an even more attractive entry point, as we expect the deal to be accretive to earnings, bring added e-commerce scale to ELAN's Companion Animal business, and add to its growing Emerging Market presence. In addition, we expect the deal to close with minimal divestitures required

JP Morgan (JPM) is a US based bank with $2.8 trillion in assets, providing investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management capabilities worldwide. The company has four main business segments: consumer & community banking (~44% of earnings), corporate & investment bank (~35%), commercial banking (~13%) and asset & wealth management (8%). Geographically, JPM generates ~79% of earnings from North America, ~14% from EMEA, ~5% from Asia and 2% from LatAm/Caribbean. The company's revenue stream is comprised of roughly 50% net interest income / 50% fee income, with asset management and trading revenue the biggest fee contributors. JPM's balance sheet is strong, with a 7.0% tangible common equity ratio, 12.3% CET1 ratio and 62% loan/deposit ratio.

- JPM is well positioned to achieve its medium-term 17% ROTCE target in 2019 and has tailwinds going forward in the form of positive revenue growth, expense control, capital management and potential regulatory reform
- The company was approved for $29.4 billion of share repurchases and permitted to increase its quarterly dividend to $0.90 per share (versus $0.80 previously) in the 2019 CCAR cycle
- JPM is taking market share in both lending and capital markets. Its loan growth has exceeded peers, and JPM has remained #1 in global investment banking fees, with market share of 8.7% in 2018 (vs. 8.1% in 2017 and 7.9% in 2016)

Keysight Technologies (KEYS) is a leading technology company that helps its engineering, enterprise and service provider customers accelerate innovation to connect and secure the world. KEYS' solutions optimise networks and bring electronic products to market faster and at a lower cost with offerings from design simulation, to prototype validation, to manufacturing test, to optimisation in networks and cloud environments. Customers span the worldwide communications ecosystem, aerospace and defence, automotive, energy, semiconductor and general electronics end markets. KEYS divides its operations into three primary lines of business: commercial communications (communications and aerospace/defence), electronic industrial solutions, and ixia test and visibility. KEYS generates gross margins of 63% and operating margins of 23%, and has net leverage of 0.4x LTM EBITDA. The company derives revenue from the US (36% of sales), China (17%), Japan (9%) and the rest of the world (38%). KEYS was spun off of Agilent Technologies in late 2014.

- KEYS should benefit from the rollout and maintenance of 5G networks across multiple lines of business
- In addition to its 5G exposure, KEYS participates in a $15.5B overall TAM, and is exposed to attractive areas of growth such as internet of things (IoT), autonomous/electric vehicles, 400G, and aerospace/defence
- KEYS has over 20% market share in each of its areas of focus, yet the overall markets remain fragmented
- The company has an improving balance sheet and strong free cash flow generation, which should provide opportunities for further deleveraging as well as return of capital. KEYS also has multiple levers to drive further expansion of both gross and operating margins
- Revenue visibility is high and KEYS has posted consistent results during its tenure as an independent company

Truist Financial (TFC) is a $470 billion asset (proforma) North Carolina-based bank, and the product of a recently completed merger of equals between SunTrust and BB&T. It provides deposit, credit, trust, investment, mortgage, insurance, specialized lending, asset management, securities brokerage and capital market services. The company operates a branch network throughout the south-eastern and mid-Atlantic states, and serves clients nationally in certain business lines. TFC's revenue stream is comprised of roughly 60% net interest income / 40% fee income, with insurance, deposit services charges and investment banking the biggest fee contributors. By segment, TFC's revenue mix is ~50% retail, wealth & national consumer finance; 40% corporate & commercial banking; and 10% insurance. Profitability metrics at both companies were strong prior to the merger, and the combined company targets a 22% ROTCE.

- TFC recently formed via a merger of equals between SunTrust and BB&T, in which the combined companies expect 6% TBV accretion and 13% GAAP EPS accretion in 2021. Initial cost savings assumptions appear conservative given considerable branch overlap
- Revenue synergy opportunities exist, with management suggesting up to ~$1 billion over time, which have not been contemplated in accretion targets. Key opportunities include leveraging legacy BB&T's insurance business and legacy SunTrust's investment banking business, where its share was only 2.0%-2.5% of its addressable middle market customer base
- Proforma targets including a ROTCE of 22% and efficiency ratio of 51% are best-in-class among large bank peers
- The company has proactively positioned its balance sheet for a more volatile interest rate environment

World Wrestling Entertainment (WWE) is a media-content provider that derives 74% of sales (81% of cash flow) from its media segment, largely by leasing shows to networks such as Comcast's USA and offering consumers access to WWE's library and WrestleMania events. WWE also hosts live events (19% of sales / 14% of cash flow) and earns royalties (16% of sales / 8% of cash flow) on toy, apparel and video game sales.

- WWE is poised to see accelerating cash flow growth, as virtually all of its media contracts are up for renewal by the end of 2020. The service is significantly under-priced relative to other media given the large audiences (2-3 million viewers per episode) that WWE draws, the stability of its ratings, and the global appeal of its athletes. WWE earns roughly $0.20 per viewer per hour, which compares to $0.40 for the NHL, $0.66 for the Ultimate Fighting Championship, and $0.95 for NASCAR, despite delivering a larger audience than any of these events
- WWE should earn roughly $20-$25 million per event for its newly signed deal to perform in Saudi Arabia; this would be equivalent to 1-2 incremental WrestleMania events per year
- The incremental margin associated with the above revenue drivers is very high, which should lead to significantly higher margins

Outlook and strategy

Economic growth stabilised in the fourth quarter, despite continued softness in the manufacturing sector, as resilient consumption buoyed by record employment and gradually improved wages offset weakness across the industrial sector. The Fed provided additional stimulus to the economy with a third rate cut in October and returned to balance sheet growth to relieve tightening in the overnight repo market. Lower interest rates on the long end of the yield curve have already begun to stimulate the housing market which should bode well for economic growth in 2020.

Despite the broad-based rebound in the stock market during 2019, earnings growth was decidedly disappointing with negative earnings revisions throughout the year and flat earnings on a year-over-year basis. With relatively low inflation yielding nominal GDP growth in the 4-5% range, profit margins already at peak levels and a tight labour market, it's hard to foresee more than mid-single digit earnings growth for 2020.

After the 2019 surge in stock prices, valuations have become quite a bit more challenging. The price-to-earnings multiple for the S&P 500 has increased nearly 5 points over the past year and now approaches 20x on a forward estimate basis. With valuations at the upper end of the historical range, and interest rates at record lows, there's little room for negative surprises. Historically, tight labour markets eventually lead to inflation. Higher inflation would steepen the yield curve and cause the Fed to tighten monetary policy. Higher rates at the long and short end of the curve would slow economic growth and pressure price-to-earnings multiples, with significant impact on stock prices. The precursor to this impact is the fourth quarter of 2018 in which most stocks declined 15-20%.

We remain watchful for any early-warning signs of inflation and continue to maintain a more balanced long/short exposure.

Performance attribution as at 31 December 2019*

Summary attribution	Month (%)	Quarter (%)	Year to date (%)
Long equity	2.1	6.3	27.3
Short equity	-1.3	-5.3	-13.8
Corporate bonds	0.0	0.0	0.0
Index options	-0.1	-0.2	-0.3
Currency	-0.2	-0.3	0.5
Other	0.0	0.0	0.0
Total	**0.5**	**0.4**	**13.6**

Top 5 contributors	Type	Country	Sector	Quarter (%)
JP Morgan	Long	United States	Financials/RE	0.8
Truist Financial	Long	United States	Financials/RE	0.7
Berkshire Hathaway	Long	United States	Financials/RE	0.6
Elanco Animal Health	Long	United States	Healthcare	0.6
Airbus	Long	France	Energy/Industrials	0.4

Bottom 5 contributors	Type	Country	Sector	Quarter (%)
Undisclosed	Short	United States	Other	-0.7
Undisclosed	Short	United States	Other	-0.7
Undisclosed	Short	United States	Healthcare	-0.5
BJ's Wholesale Club	Long	United States	Consumer	-0.5
Undisclosed	Short	United States	Consumer	-0.5

Region	Month (%)	Quarter (%)	Year to date (%)
Europe ex UK	0.1	0.5	4.4
United Kingdom	0.1	0.0	0.0
North America	0.7	0.4	9.0
Pacific ex Japan	0.0	0.0	0.0
Japan	0.0	0.0	0.0
Emerging Markets	-0.1	0.0	0.1
Other (including FX Hedging, Options)	-0.2	-0.5	0.1
Total	**0.5**	**0.4**	**13.6**

Source: Schroders. *Analysis expressed on a gross of fees basis using a total return methodology. The impact of any currency movement at security level is reflected within each of the relevant strategies. All data is rounded to one decimal place; as such, any small discrepancies can be attributed to this.

Key positions as at 31 December 2019 (%)

Top 10 long positions

	Holding	Sector	Country	Weight
1	Berkshire Hathaway	Financials/RE	US	6.4%
2	Elanco Animal Health	Healthcare	US	5.7%
3	JP Morgan	Financials/RE	US	4.7%
4	Keysight Technologies	Tech/Telecom	US	4.5%
5	Cellnex Telecom	Tech/Telecom	ES	4.4%
6	World Wrestling Entertainment	Tech/Telecom	US	4.4%
7	Abbott Laboratories	Healthcare	US	4.4%
8	Airbus	Energy/Industrials	FR	3.8%
9	Truist Financial	Financials/RE	US	3.7%
10	BJ's Wholesale Club	Consumer	US	3.5%

Top 5 short positions

	Sector	Country	Weight
1	Healthcare	US	-1.7%
2	Financials/RE	US	-1.5%
3	Consumer	US	-1.1%
4	Energy/Industrials	US	-1.1%
5	Tech/Telecom	US	-1.1%

Market cap breakdown

Size	Long (%)	Short (%)	Net (%)
Mega (> 20 billion)	63.9%	-25.9%	38.0%
Large (between 5 and 20 billion)	28.7%	-15.6%	13.1%
Medium (between 1 and 5 billion)	6.4%	-5.4%	1.0%
Small (between 250 million and 1 billion)	0.6%	-1.3%	-0.7%
Total	**105.5%**	**-48.2%**	**51.4%**

Source: Schroders.

Portfolio positioning as at 31 December 2019

Country allocation

Sector	Net Weight (%)
United States	32.7%
France	6.2%
Switzerland	3.8%
Spain	4.4%
United Kingdom	1.6%
Israel	1.6%
Netherlands	0.3%
Germany	0.2%
Ireland	0.2%
Finland	0.2%
Denmark	0.2%
Italy	0.0%
Total	**51.4%**

Sector allocation

Sector	Net Weight (%)
Tech / Telecom	19.1%
Health Care	19.0%
Energy / Industrials	16.0%
Financials / Real Estate	10.5%
Consumer	0.3%
Others	-13.5%
Total	**51.4%**

Source: Schroders. Analysis based on market exposure as a percentage of total fund size excluding currency forward contracts. NB All data is rounded to one decimal place; as such, any small discrepancies can be attributed to this.

Risk Factors

The capital is not guaranteed. The value of the fund will move similarly to the equity markets. Emerging equity markets may be more volatile than equity markets of well established economies. The title of securities may be jeopardised through fraud, negligence or mere oversight in some countries. However the access to such markets may provide a higher return to your investment in line with its risk profile. The fund may hold indirect short exposure in anticipation of a decline of prices of these exposures or increase of interest rate where relevant. The fund may be leveraged, which may increase the volatility of the fund. The fund may not hedge all of its market risk in a down cycle. Investments into foreign currencies entail exchange risks. Investments in money market instruments and deposits with financial institutions may be subject to price fluctuations or default of the issuer. Some of the invested and deposited amounts may not be returned to the fund. The investments denominated in a foreign currency of the share-class may not be hedged back to the currency denomination of the share-class. The share-class will be positively or negatively impacted by the market movements between those currencies.

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