

Schroder QEP Global Core

Strategy Overview

What is QEP Global Core?

The Schroder QEP Global Core is an actively-managed, enhanced-index strategy. Within index-relative constraints it invests in stocks on the basis of valuations and business quality. Analyzing

a broad universe of 15,000 stocks across around 40 developed and emerging countries, the team constructs highly diversified portfolios.

Benefits of our approach

- Designed to offer investors the benefits of index-based investing from a risk and cost perspective, with the potential for relative outperformance
- Benefits from strategic diversification between Value and Quality drivers, offering investors the potential for outperformance across a broad range of environments
- Exploits a wide opportunity set, tapping into all sectors and regions, and investing across the market cap spectrum; some flexibility to deviate from the index in a risk-controlled way
- Highly experienced and well-resourced team

Complementary fundamental drivers

This is a blend approach – we invest on the basis of both valuations and business quality. In the case of the former we are using fundamentals such as dividends and earnings to identify companies which we believe are undervalued by their current market price; in the case of the latter we look for quality companies by assessing measures of profitability, stability and financial strength. The advantage of combining Value and Quality opportunities in a single portfolio is that while both strategies tend to outperform through time, they have tended to deliver their returns at different stages of the economic cycle, offering investors the potential for outperformance across a broad range of market environments.

Exploiting genuine breadth of opportunity

We maximize the opportunity set by looking beyond the index to an investment universe of more than 15,000 stocks globally. The strategy is highly diversified, typically investing in over 500 stocks, which enables us to gain exposure to many more potential return opportunities in a risk-controlled way.

Limited index-relative risk via intelligent portfolio construction

Top-down risks are carefully managed in our portfolio construction process by applying index-relative limits. Regions and sectors are constrained to within +/- 3.0% and stocks to within +/- 0.75% relative to the index. However, the team still has the flexibility to invest a controlled amount in the best opportunities beyond the index. Our portfolio construction tools allow us to manage the risk-return trade-off efficiently and we also focus on cost-effective implementation.

About the team

The QEP Investment Team was established in 1996 and has managed assets since 2000. The team, led by Justin Abercrombie, consists of 31 team members based in

London, Sydney and New York. It manages around \$31 billion in a comprehensive range of global and emerging market equity strategies for

clients all over the world, including pension funds, insurance companies and sovereign wealth funds.

Source: Schroders, team as at 30 July 2019, assets as at 30 June 2019.

A strategic approach to equity investing

There are three distinct components to the QEP team's investment philosophy:

1. All stock selection is focused on two key fundamental drivers of long-run equity returns: stock valuations and business quality.
2. We then use quantitative models to 'scale up' our process, which allows us to access the best opportunities across a broad global universe. These models enable us to maximise the opportunity set and re-balance portfolios in a disciplined way as opportunities evolve.
3. Finally, experienced investors are responsible for implementing every trade decision, ensuring proper diversification and identifying future risks and return opportunities.

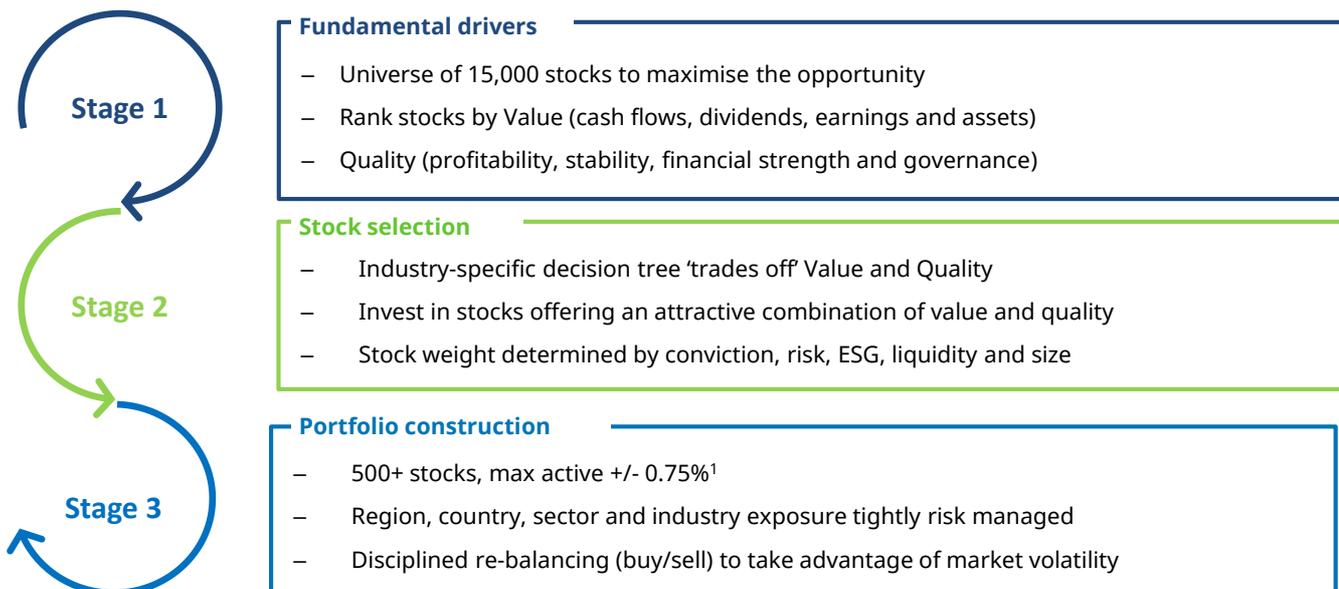
Key features of QEP Global Core

Beta	Neutral
Number of holdings	500+
Stock weights	Index +/- 0.75%
Regions / Sector weights	Index +/- 3.0%

Source: Schroders. Guidelines only and subject to change.

Investment process

Our investment process can be summarized in three stages:



Source: Schroders. ¹Internal guidelines only and are subject to change.

Investment process (continued)

Stage 1 – Fundamental drivers

We analyze an investment universe of 15,000 companies across around 40 developed and emerging countries. Each stock is ranked in terms of its Value and Quality. The Value of a company is determined across measures of dividends, cashflow, earnings sales and assets. Quality is assessed using measures of profitability, stability and financial strength, as well as specialized balance sheet measures for financials. These ranks are re-calculated on a daily basis in order to ensure that the latest information is incorporated e.g. price movements and company fundamentals.

Stage 2 – Stock selection

Value and Quality form the basis of our stock selection. Within the strategy's index-relative stock weight parameter (+/-0.75%), any overweight or underweight will be determined by the relative attractiveness of the stock on its fundamentals. In particular we adopt a decision tree approach which enables us to model potentially complex investor behavior in a very intuitive manner. We also monitor the exposure of portfolios to other factors, including Momentum and Glamor, in order to guard against any undue influence on returns from these sources.

Stage 3 – Portfolio construction

We take a disciplined and sophisticated approach to portfolio construction. The amount that can be invested in any region or sector is controlled by index-relative guidelines (+/-3.0%). Within those parameters any overweight or underweight will be determined by the relative attractiveness of stock opportunities in the region or sector, rather than any active allocation decision to overweight or underweight a particular region or sector. Portfolios are exceptionally diversified – subject to their index-relative guidelines – accessing a genuinely broad opportunity set while also reducing stock-specific risk.

Awareness of risk management is integrated throughout our investment process and in particular at this final stage. The most critical role of our portfolio managers is to understand when stocks are attractive on a risk-adjusted basis, maximizing return opportunities within a comprehensive risk framework. On a daily basis portfolio managers review trades which have been recommended by our proprietary allocator tool and make the final decision on implementation; no trade is made automatically. The team has built an impressive track record in the implementation of investment decisions: liquidity considerations are built in at every stage of the process and we actively work to minimize the costs of trading.

Risk disclosures

All investments, domestic and foreign, involve risks including the risk of possible loss of principal. The market value of the portfolio may decline as a result of a number of factors, including adverse economic and market conditions, prospects of stocks in the portfolio, changing interest rates, and real or perceived adverse competitive industry conditions.

Investing overseas involves special risks including among others, risks related to political or economic instability, foreign currency (such as exchange, valuation and fluctuation) risk, market entry or exit restrictions, illiquidity and taxation. These risks exist to a greater extent in emerging markets than in developed markets.

Important information: The views and opinions herein are those of Schroders' investment professionals, and are subject to change over time. This document does not constitute an offer to sell or any solicitation of any offer to buy securities or any other instrument described in this document. The information and opinions contained in this document have been obtained from sources we consider to be reliable. No responsibility can be accepted for errors of facts obtained from third parties. Reliance should not be placed on the views and information in the document when making individual investment and/or strategic decisions. Schroders has expressed its own views and opinions in this document and these may change. Past performance is no guarantee of future results. The value of investments can go down as well as up and is not guaranteed. Sectors/securities illustrate examples of types of sectors/securities in which the strategy invested and may not be representative of the strategy's current or future investments. Portfolio sectors/securities and allocations are subject to change at any time and should not be viewed as a recommendation to buy/sell. The opinions stated in this document include some forecasted views. We believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that any forecasts or opinions will be realized. Schroder Investment Management North America Inc. (SIMNA Inc.) is registered as an investment adviser with the US Securities and Exchange Commission and as a Portfolio Manager with the securities regulatory authorities in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan. It provides asset management products and services to clients in the United States and Canada. Schroder Fund Advisors LLC (SFA) markets certain investment vehicles for which SIMNA Inc. is an investment adviser. SFA is a wholly-owned subsidiary of SIMNA Inc. and is registered as a limited purpose broker-dealer with the Financial Industry Regulatory Authority and as an Exempt Market Dealer with the securities regulatory authorities in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Quebec and Saskatchewan. This document does not purport to provide investment advice and the information contained in this material is for informational purposes and not to engage in a trading activities. It does not purport to describe the business or affairs of any issuer and is not being provided for delivery to or review by any prospective purchaser so as to assist the prospective purchaser to make an investment decision in respect of securities being sold in a distribution. SIMNA Inc. and SFA are indirect, wholly-owned subsidiaries of Schroders plc, a UK public company with shares listed on the London Stock Exchange. Further information about Schroders can be found at www.schroders.com/us or www.schroders.com/ca. Schroder Investment Management North America Inc. 7 Bryant Park, New York, NY, 10018- 3706, (212) 641-3800.