

Summary

Schroders' Global Credit strategy seeks to generate total return by investing across the full maturity spectrum of investment grade corporate bonds denominated in various currencies. The strategy can also invest in global governments, government agencies, supra-national issuers, below investment grade and emerging market corporate debt.

Our process focuses on active sector rotation and security selection, supported by extensive proprietary fundamental, technical and quantitative research. Investment decisions are made on a relative-value basis, with the goal of capitalizing on opportunities across a wide range of market conditions.

Why Schroders for Global Credit?

- 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
- Opportunistic style that seeks to capitalize on changing market environments
- Experienced team of over 40 'career' global credit analysts applying in-depth fundamental research that is fully aligned with the themes-based investment process
- Risk management mentality embedded within every element of the investment process

Firm highlights

- Founded in 1804, with a strong family presence to this day
- Asset management is our main business
- Over 700 investment professionals worldwide
- Truly global reach: based in London, with offices in 27 countries
- Expertise in Fixed Income, Equities, Multi-Asset, Solutions, and Alternatives

Team highlights

- Approximately \$127 billion of fixed income assets under management globally
- Specialist regional portfolio managers led by Rick Rezek, Portfolio Manager
- Strong team of global credit analysts with geographical and industry expertise, covering over 1,300 issuers
- In-house economics team

Key features

- Research-driven, themes-based investment process
- Sector and security selection are the key drivers of alpha
- Analysts utilize a rigorous issuer evaluation process that combines fundamental, relative value and volatility assessment
- 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—we are lending our client's money

Investment objective

Schroders' Global Credit strategy seeks to outperform the Bloomberg Barclays Global Aggregate Credit Index¹ by 75–100 basis points annualized (before fees) over an investment cycle.

¹There can be no guarantee that any investor objective or outcome will be achieved.

Investment philosophy

- Fixed Income markets are global, interrelated and generally efficient but can overreact to events, creating investment opportunities
- Proprietary research that is fully aligned with credit investment themes can distinguish opportunity from risk
- A globally integrated team of research-driven bond investors is the ideal structure to take advantage of credit opportunities across the world

Credit research

Fundamental credit research is core to our investment philosophy and process and is a key driver of whether we are able to deliver superior risk-adjusted performance. Our global credit team of over 40 'career' analysts is one of the largest and most experienced in the industry, averaging 15 years of experience. Schroders credit analysts have close relationships with companies' senior management due to our strong franchise and close cooperation with

Schroders' network of 90 equity analysts. Research responsibilities are organized regionally and by sector with analysts based in London, New York, Philadelphia, Singapore, Hong Kong, Tokyo, Jakarta and Sydney. Our global team of credit analysts cover the full spectrum of investment grade and sub-investment grade issuers, and produces analysis and internal ratings of more than 1,300 issuers, or approximately 60-70 issuers per analyst.

Investment process

Our fixed income process consists of four distinct steps:

- **Investment themes.** Conduct in-depth proprietary market research (fundamental, quantitative and technical) to develop investment themes that will dominate markets over the ensuing three to six month period
- **Portfolio strategy.** Based on investment themes, develop and prioritise investment strategies which will determine optimal portfolio positioning in three primary areas of the market: duration, yield curve exposure, and sector allocation
- **Portfolio construction.** Implement investment strategies within an actively managed portfolio, using relative value framework to prioritise investment ideas and execute security selection using the resources of our Global Credit, Securitized and Global Teams
- **Risk management.** Continually review portfolio within rigorous risk management framework

Investment process (continued)

Schroders uses a themes-based investment strategy that combines top-down market drivers with bottom-up fundamental credit analysis to formulate investment strategies

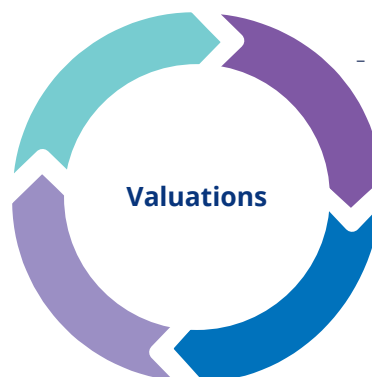
and construct portfolios. This process is consistently applied, transparent and repeatable.

Investment Themes

- Quarterly Investment Forum (QIF)
- Multi-Sector macro meeting
- Fundamental credit analysis

Risk Management

- On-the-desk portfolio management tools
- Pre and post-trade compliance
- Independent oversight by risk team



Portfolio Strategy

- Relative sector allocations
- Set and prioritize investment strategies
- Technicals/sentiment

Portfolio Construction

- Industry allocation
- Issuer/security selection
- Yield curve positioning

Source: Schroders.

Risk management

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 Charles River Trading Systems and Barclays Capital POINT.

At a total portfolio level, the team seeks to reduce risk through diversification across investment areas and time horizons. 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 in 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 as: modified and effective duration, yield to maturity, option-adjusted spread, yield curve exposure, sector and industry allocation, and credit rating category.

All investments 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 interest rate risk, credit risk, inflation/deflation risk, government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk and liquidity risk. Frequent trading of the portfolio may result in relatively high transaction costs

and may result in taxable capital gains. 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.

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