

# Schroder International Selection Fund European Equity Absolute Return

June 2017

**Schroder ISF\* European Equity Absolute Return** seeks to generate positive returns independent of market conditions with low correlation to, and lower volatility than, the FTSE World Europe Index. It aims to do this throughout the market cycle by investing primarily in large or mid-cap companies.

## Why invest?

- Generate positive returns across any market environment – adopting our ‘business cycle’ approach, the fund targets companies that are most likely to perform according to the stage of the economic cycle
- Generate returns with a low correlation to broader equity markets, providing valuable portfolio diversification benefits
- Can provide downside protection when markets are falling while our robust risk management framework ensures volatility is carefully controlled.

## Highlights

### Diversified approach

Our distinctive ‘business cycle’ investment approach aims to deliver consistent, absolute returns with a risk profile that changes according to the phases in the business cycle. Our pragmatic approach avoids a permanent style bias (e.g. growth or value).

### Flexible

Largely, the fund does not follow a specific benchmark, and the ability to take long and short positions enables the fund manager to invest in the areas of the market where he sees the most attractive opportunities in order to deliver returns independent of market conditions.

### Competitive advantage

Our competitive advantage comes from strong stock selection, implementation of the business cycle investment philosophy and timing of investment decisions. Using our business cycle approach the fund is able to target positive returns in all phases of the economic cycle.

## The ‘business cycle’ investment approach

Our investment process separates the stock universe into seven different style groups; growth, growth defensive, value defensive, financials, consumer cyclicals, commodity cyclicals and industrial cyclicals, each with specific sensitivities to certain macro drivers, which, along with fundamental analysis, allow us to identify mis-priced securities.

The chart overleaf illustrates the seven style groupings and their typical position at different stages of the business cycle.

## Asset class

○ Bonds      ⊗ Equities  
⊗ Alternatives      ○ Cash

## Fund manager

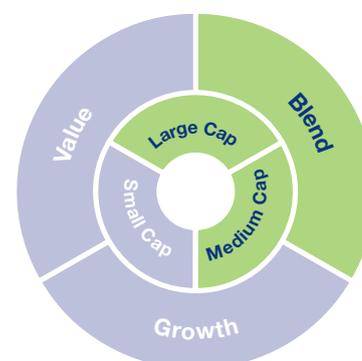
Steve Cordell



Steve Cordell has over 22 years’ investment experience. He joined Schroders following the acquisition of Cazenove Capital in July 2013, where he was a senior member of the pan-European equity team, having joined in 2002. Prior to Cazenove, he was at HSBC Asset Management (Europe) Ltd where he was responsible for several retail and institutional pan-European portfolios.

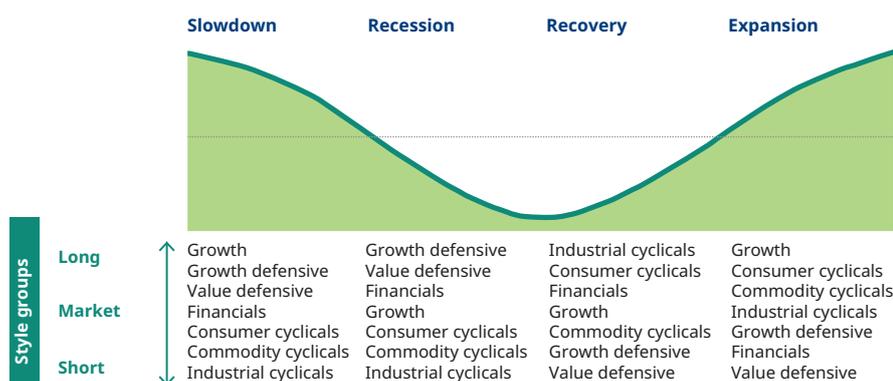
Source: Schroders, as at May 2016.

## Investment style



\*Schroder International Selection Fund is referred to as Schroder ISF throughout this document.

## The 'business cycle' investment approach



We avoid any permanent investment style bias by managing the tilts towards these groupings within the portfolio. In this way, the portfolio's strategy can change over time because our business cycle approach recognises that different stocks outperform at different stages of the economic cycle and this should be reflected within the composition of the portfolio.

We combine our top-down macro view with bottom-up stock selection, driven by thorough analysis of earnings change relative to the business cycle. Understanding the economy's progress through recession and expansion phases allows us to ascertain where we are in the business cycle and tilt the portfolio accordingly. For example, cyclical stocks are overweighted in the recovery and expansion phases whereas we will be overweight defensive stocks during slowdown and recession phases. In between turning points we focus on bottom-up stock selection looking for earnings revisions and inflection points in relative estimate revisions to drive share prices.

## Risk considerations

- The capital is not guaranteed
- All equity forward sales are with a single counterparty. In case of default, the relevant equities will be sold in the market and this may affect performance
- Investments denominated in a currency other than that of the share-class may not be hedged. The market movements between those currencies will impact the share-class
- The fund may hold indirect short exposure in anticipation of a decline of prices of these exposures or increase of interest rate
- There is no guarantee that a financial derivative contract will achieve its intended outcome, even if the terms of the contract are completely satisfied.

## Key information

<b>ISIN code</b>	<b>Date of inception</b>	<b>Ongoing charge (latest available)<sup>2</sup></b>	<b>Entry charge</b>
LU1046235062	11 February 2014 <sup>1</sup>	1.87%	3.00% of gross investment amount
<b>Bloomberg code</b>	<b>Fund base currency</b>	<b>Performance fee</b>	
SIEEAAE:LX	EUR	20% of the Fund's outperformance of the LIBOR 3 Months, subject to high water mark	

All information in the table above is for the A Accumulation share class, for further share class information please see the Prospectus.

1. Schroder ISF European Equity Absolute Return was launched on 11 February 2014 to accommodate a transfer of shareholders from Cazenove European Equity Absolute Return Fund, Cazenove UK Equity Absolute Return Fund and Cazenove Leveraged UK Equity Absolute Return Fund to the Schroder ISF SICAV. Prior to 11 February 2014 the fund uses the track record of Cazenove European Equity Absolute Return Fund (launched on 30 October 2003) as a performance track record.
2. The ongoing charges figure is based on the last year's expenses for the year ending December 2016 and may vary from year to year. You can find more information about the charges in Section 3 of the fund's prospectus.

**Important information:** This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the "Company"). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. Subscriptions for shares of the Company can only be made on the basis of its latest Key Investor Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Luxembourg) S.A. The Company is a Luxembourg-registered UCITS recognised in the UK under Section 264 of the Financial Services and Markets Act 2000. There will be no right to cancel any agreement to purchase shares under section 6.7

of the UK Financial Services Conduct of Business Sourcebook. All or most of the protection provided by the UK regulatory system does not apply to investments in the Company and compensation will not be available under the UK Financial Services Compensation Scheme. An investment in the Company entails risks, which are fully described in the prospectus. Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested. Schroders has expressed its own views and opinions in this document and these may change. This document is issued by Schroder Investment Management, 31, Gresham Street, London, EC2V 7QA. For your security, communications may be taped or monitored. EU04000. RC61339.

## Schroders' awards



Global Investor ISF 'Asset Manager of the Year' awarded July 2016; International Adviser Awards 2016, International Retirement Provider of the Year.

## About Schroders



€486.7bn of assets under management and administration.



An extensive global network of 4,100+ employees.



41 offices in 27 countries across Europe, the Americas, Asia, Middle East and Africa.



Over 200 years' experience of investment markets.

Source: Schroders, as at 31 December 2016. Assets as at 31 March 2017.



Source: Fitch Ratings, as at 27 April 2016.

To learn more about Schroders' Luxembourg domiciled fund ranges, visit:

[schroders.lu](http://schroders.lu)