

Schroder SSF* Structured Income

Fund Insight – 28th June 2024

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Investment objective

The Fund aims to provide income and capital growth over rolling five year periods by investing directly, or indirectly through derivatives, in a diversified range of equity related securities and fixed income securities worldwide. In particular, the Fund will invest indirectly in global or local equity market indices (such as the S&P500, EuroSTOXX 50, FTSE100 and other equity market indices) via exposure to a diversified portfolio of defined return investments (also known as autocallable exposures).

Market overview

Equity performance, which is the main factor driving autocall performance, was positive over June. The MSCI World index returned +2.1% over the month. US Treasury yields fell, with the 5-year US Treasury yield down to 4.4%. As we look forward, based on the scenario analysis below, the current make-up of the fund should yield around +16.4% p.a. if markets remain unchanged. It is also interesting to note that the fund should yield around +6.4% p.a., even if equity markets are down 20% and stay there over the next 4 to 5 years.

In June, two investments, linked to the Nikkei 225 and FTSE 100 indices came to maturity, bringing the fund's realised yield to 8.2% p.a. for the first half of this year. We entered into two new investments with exposure to Nikkei 225 and FTSE 100/ EuroSTOXX 50 indices.

Key facts

Fund launch date	1 June 2023
Fund size	USD 10.5m
Fund type	Lux. UCITS
Dealing frequency	Daily
Fund base currency	USD
Portfolio autocall coupon¹	9.6%
Average cover to capital preservation²	44%
Average cover to capital growth³	21%

Cumulative performance

USD I share class

3 months	YTD	12 months	Since inception
1.67%	3.24%	8.80%	7.55%

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.

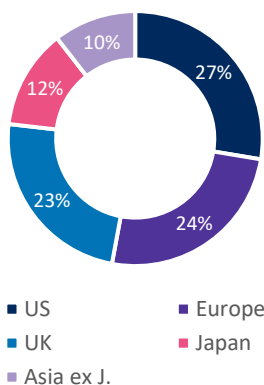
Source: Schroders. *Schroder Special Situations Fund is referred to as Schroder SSF throughout this document. ¹Sum of the potential coupons of the autocalls at the next coupon observation date expressed as a percentage of the aggregate autocall notional within the Fund. Autocall exposures typically pay a predetermined potential coupon if the underlier is above the coupon barrier on a coupon observation date: these exposures are exposed to the equity market risk and thus capital losses. Investors may not receive the portfolio autocall coupon due to performance of the underliers. ²Cover to capital preservation in respect of each autocall exposure is the percentage change by which the underlier may fall, before capital is eroded, assuming the exposure runs until its maturity and other market parameters are kept constant. ³Cover to capital growth in respect of each autocall exposure is the percentage change by which the underlier may fall, before capital growth is zero, assuming the exposure runs until its maturity and other market parameters are kept constant.

Portfolio details

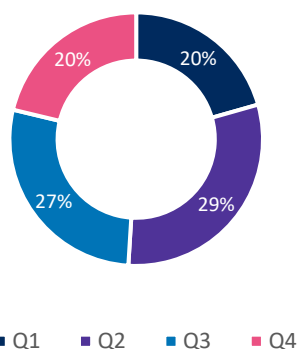
The Schroder SSF Structured Income offers an attractive income potential through investing across a diversified range of autocalls linked to equity indices globally.

Risk metrics and portfolio characteristics ¹	
Portfolio autocall coupon ²	9.6%
Average cover to capital preservation ³	44%
Average cover to capital growth ⁴	21%
Number of autocall exposures	20
Average rating of the autocall funding components	AA-
Average autocall maturity	4.3 years
European vs. American barriers	95% vs. 5%
Portfolio sensitivity to equities	29%

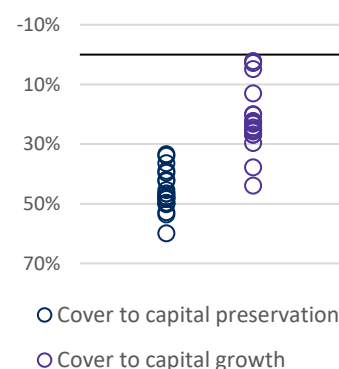
Notional equity market exposure



Coupon observation dates



Cover to capital preservation and growth



Top 10 autocall exposures

Underlier	Next potential autocall coupon	Next coupon observation month	Barrier type	Maturity year	Cover to capital preservation ¹	Cover to capital growth ²	Weight
FTSE 100 / Hang Seng	10.2%	Dec 2024	European	2028	48%	30%	6.01%
FTSE 100	9.2%	Apr 2025	European	2029	34%	3%	5.65%
Russell 2000 / Nikkei 225	11.0%	Feb 2025	European	2029	45%	22%	5.23%
EuroSTOXX 50	11.1%	Aug 2024	European	2028	48%	13%	5.10%
EuroSTOXX 50 / Nikkei 225	9.2%	Mar 2025	European	2029	39%	20%	5.10%
Russell 2000	10.2%	Oct 2024	European	2028	50%	27%	4.95%
SMI	8.5%	Jul 2024	European	2028	33%	5%	4.87%
FTSE 100	9.1%	Jul 2024	European	2028	50%	27%	4.81%
FTSE 100	9.8%	Sep 2024	American	2028	54%	26%	4.81%
EuroSTOXX 50 / Nikkei 225	9.3%	Apr 2025	European	2029	40%	23%	4.79%

Source: Schroders. ¹Weighted by the autocall notional. ²Sum of the potential coupons of the autocalls at the next coupon observation date expressed as a percentage of the aggregate autocall notional within the Fund. Autocall exposures typically pay a predetermined potential coupon if the underlier is above the coupon barrier on a coupon observation date: these exposures are exposed to the equity market risk and thus capital losses. Investors may not receive the portfolio autocall coupon due to performance of the underliers. ³Cover to capital preservation in respect of each autocall exposure is the percentage change by which the underlier may fall, before capital is eroded, assuming the exposure runs until its maturity and other market parameters are kept constant. ⁴Cover to capital growth in respect of each autocall exposure is the percentage change by which the underlier may fall, before capital growth is zero, assuming the exposure runs until its maturity and other market parameters are kept constant.

Forward looking scenario analysis

Scenarios are based on the current market conditions. Any assumptions and hypothetical indications of future performance should only be relied on only at the date of this analysis. These assumptions are subject to market movements after the date of this analysis, which occur daily. Further details of this are described below. It is important to note that these values are not forecasts, they are estimates we have calculated based on the inputs to our stress testing process. The redemption value of any investment may be negatively affected if any underlying investments are not held to maturity or the Fund is negatively affected by market movements.

Projected fund performance

Equity market move	30%	20%	10%	0%	-10%	-20%	-30%
3 months	4.6%	4.6%	4.2%	2.8%	-1.4%	-9.6%	-20.6%
1 year	11.1%	10.9%	10.4%	8.8%	4.2%	-4.4%	-16.2%
2 years	20.2%	20.1%	19.6%	18.0%	13.0%	3.2%	-10.3%
3 years	29.3%	29.2%	28.7%	27.0%	21.5%	10.6%	-5.0%

Redemption yield of current autocall portfolio

Equity market move	30%	20%	10%	0%	-10%	-20%	-30%
Return	9.5%	9.5%	9.5%	11.5%	20.1%	28.6%	5.8%
Time to Maturity (years)	0.5	0.5	0.5	0.7	2.4	4.1	4.4
Yield to Maturity (p.a.)	19.4%	19.4%	19.4%	16.4%	8.0%	6.4%	1.3%

Return: the anticipated return of the Fund if the current autocall exposures are held until maturity and are not reinvested. For example, if the Fund is purchased today and equity markets move by the 'Equity market move' until each autocall maturity, the investment is expected to change by the 'Return'.

Time to Maturity: the weighted average to maturity of the autocall exposures in the Fund. Currently this is 0.7 years, because at prevailing levels most of the exposures are expected to mature within 0 and 1 year. This metric gives the investor an idea of how long it will take to earn the 'Yield to Maturity'.

Yield to Maturity: the expected annualised return of the Fund if held until Time to Maturity. For example, if equity markets move by the 'Equity market move', we would expect the Fund to yield the 'Yield to Maturity' per annum given its current holding of autocall exposures.

The Fund's actual returns may differ from the estimates shown above. The value of investments, and the income from them, can go down as well as up and the investor may not get back the full amount invested.

Source: Schroders. Projected fund performance and redemption yield of current portfolio scenarios are net of fees share class I (ISIN: LU2416646862). They assume no reinvestment of maturing autocall exposures and that other market parameters are kept constant.

Risk considerations

Credit risk: A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.

Currency risk: The fund may lose value as a result of movements in foreign exchange rates.

Derivatives risk: A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset.

Equity risk: The performance of the fund and the payment of distributions depends on the performance of reference equity indices.

IBOR risk: The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.

Liquidity risk: In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares.

Operational risk: Operational processes, including those related to the safekeeping of assets, may fail.

This may result in losses to the fund.

Performance risk: Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.

Additional risks associated with using Over-the-counter (OTC) equity-swap based approach to autocall investing: The Fund will make extensive use of derivative financial instruments. Some of the derivatives will be over the counter and hence involve counterparty risk – the risk associated with the other party to the derivative contract not meeting their obligations.

Additional risks associated with collateral management:

Default risk: The Fund will invest in investment grade bonds as collateral. If a bond held in the portfolio defaults, this may reduce interest payments and could result in the capital value of the fund at maturity being lower than the initial investment.

Available share classes

ISIN	
	Class I USD - LU2416646862
	Class E USD Acc - LU2416646433
	Class E USD Dis - LU2600581263
	Class E1 USD Acc - LU2416646607
	Class E1 USD Dis - LU2416646789
	Class E2 USD Dis - LU2541844382
	Class A USD Acc - LU2541843574
	Class A USD Dis - LU2541845199
	Class A1 USD Acc - LU2541844978
	Class A1 USD Dis - LU2541844895
	Class A2 USD Acc - LU2541844622
	Class A2 USD Dis - LU2541844549
	Class C USD Acc - LU2541844465
	Class C USD Dis - LU2541845272
	Class C GBP Dis - LU2541843657

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