

# Schroder Investment Solutions

## Adviser guide

### Introduction

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The Schroder Investment Solutions (SIS) Model Portfolio Service (MPS) is designed to be distributed exclusively via financial advisers to their underlying clients. The assets are held and administered on retail investment platforms.

The MPS is offered on an 'agent as client' basis. This means that the adviser (acting as agent for their underlying client) will be treated as our client as opposed to the end investor. The adviser therefore, will contract with us directly, on behalf of their underlying client. The adviser is responsible for obtaining appropriate client consent to act as their agent in relation to this service. Moreover, the adviser is responsible for assessing the suitability of the relevant MPS model for their underlying client.

We believe the Agent as Client Model enables the adviser to better manage and fully own the relationship with their client and allows the adviser to build a proposition that meets their required client outcomes.

Each adviser is required to ensure that their client consents to the adviser firm acting as their agent in relation to the MPS agreement and ongoing service provision with us.

### Client categorisation and target market

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Under the Agent as Client arrangement, SIS will categorise the adviser firm as a 'per se' professional client, due to the regulated nature of such firms.

All of the SIS model portfolios are designed to be suitable for retail clients who meet the target market criteria (as defined in the appendix). The underlying investments are carefully selected to construct a portfolio which we consider to be appropriate for retail clients. Our portfolios are risk-mapped models that have been specifically designed for retail clients seeking risk-adjusted returns. For detailed target market information on our MPS offering please refer to the tables in the appendix. Please note, the MPS construction is designed for a generic target market. The suitability of each MPS model for a particular end investor rests with the adviser.

### Investment mandate, construction methodology, and management controls

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#### Investment mandate

We deliver a range of risk mapped model portfolios underpinned by our Strategic Asset Allocation (SAA) process as a core element of the model portfolios' investment and construction process. Whilst the investment profile of our model portfolios varies depending on the MPS solution selected, all are based on the same principles.

#### Construction methodology

Our approach to the construction of our model portfolios is based on four key elements/stages:

**Capital market assumptions:** This is our long-term expectation for asset class returns. We work alongside the Schroder Economics Team to produce a set of 30-year return forecasts for all major asset classes.

**Efficient frontier generation:** This our Capital Asset Pricing Model that results in our 'efficient frontier'; this is the optimal blend of asset classes that maximises return for a given level of risk.

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**Strategic Asset Allocation in line with volatility bands:** We use the Schroders SMART Optimisation tools to apply sensible constraints and create optimal portfolios along the efficient frontier. We select the portfolios on the frontier that match our portfolio benchmarks and ensure that there is enough risk and return separation between portfolios as we move up the risk curve, setting the optimal strategic asset allocation for each portfolio.

**Fund manager analysis and selection:** We have access to independent research from our research partner, RSMR. We conduct both quantitative analysis (assessing performance on a rolling period, attribution and contribution of funds, risk statistics and alpha generation) as well as qualitative considerations (such as the underlying fund's investment philosophy, risk management process, team dynamics, team experience and underlying investment systems).

## Ongoing monitoring and management

The Schroder Investment Solutions Committee (SISC) is responsible for overseeing the management of the model portfolios and for approving the investment strategy. SISC meets on a quarterly basis to discuss the range of model portfolios and vote on investment strategy proposals. In addition to the quarterly meeting, the Investment Committee is divided into sub-committees to better facilitate key discussions around the investment and operational processes.

## Key adviser actions

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The below list is by no means exhaustive but provides some key actions for advisers:

**Research and due diligence:** Undertake a thorough assessment of the investment proposition, proposed investment mandate, management methodology and controls and the discretionary manager itself. The proposition must be suitable for the financial needs of retail clients;

**Legal/compliance guidance:** Seek compliance, third party, and/or legal advice on your client agreements, and agreement with SIS;

**Client consent:** The adviser's clients (i.e. the end investor) must provide their informed consent for their adviser to act as their 'agent'. This provides the adviser with the authority to commit and bind the client to certain actions contained within the agreement, including appointing a Discretionary Fund Manager (DFM) and deducting MPS fees from the client portfolio;

**Client awareness:** Ensure the arrangements have been clearly disclosed to the end investor and that they understand the relevant roles and responsibilities of each party.

## Schroder Investment Solutions

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Managing investment portfolios is a specialist discipline that requires multiple skills and extensive resources. Led by our experienced Chief Investment Officer Alex Funk, SIS manage over £4.5 billion of assets across a range of diversified investment solutions. Alex is supported by a skilled and dedicated investment team whose activities are overseen through a robust compliance investment oversight framework. SIS brings together specialist resources across the Schroders Group to provide well managed investment solutions for advice practices and retail clients.

We understand the importance to advisers and their clients in undertaking due diligence on SIS as a chosen MPS provider to ensure advisers are confident that the model portfolios are suitable for their end investors' investment needs and financial objectives. SIS will work with advisers to facilitate any additional information that may be required. The model portfolios are risk mapped by Defaqto, Dynamic Planner, Synaptic, ARC and Finametrica and the reports are available to advisers.

For further information on Schroder Investment Solutions, please contact a Schroders' representative, call our **Business Development Desk** on **0207 658 3894** or email [solutions@schroders.com](mailto:solutions@schroders.com).

## Further information

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The internet can provide plenty of information on this subject and we would urge you to undertake independent research. You may also consider seeking professional guidance through appropriately qualified third parties.

**Important Information:** For professional intermediaries only, not for onward distribution. **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. Exchange rate changes may cause the value of investments to fall as well as rise.** Schroders has expressed its own views and opinions in this document and these may change. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. Insofar as liability under relevant laws cannot be excluded, no Schroders entity accepts any liability for any error or omission in this material or for any resulting loss or damage (whether direct, indirect, consequential or otherwise). Schroders will be a data controller in respect of your personal data, please view our Privacy Policy available at [www.schroders.com/en/privacy-policy/](http://www.schroders.com/en/privacy-policy/) or on request should you not have access to this webpage.

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## Appendix – Target market information

The Model Portfolio Service is designed for financial advisers who are looking for a fully outsourced discretionary investment solution for their clients. Advisers and their clients access the service using a range of third-party platforms.

The tables below reflect the manufacturer's Target Market of each type of model portfolio. Please note, you should assess the target market for yourself, under the FCA's Product Governance Rules.

<b>1. Product: Schroder Sustainable Model Portfolios</b>	
<b>Target Market identification</b>	
<b>Type of clients</b>	Retail clients
<b>Knowledge and experience</b>	<p>Basic Investor with basic knowledge of relevant financial instruments. Can make an informed investment decision with the help of information provided by their financial adviser prior to investing.</p> <p>Informed Investor with average knowledge of relevant financial products. Can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only.</p>
<b>Financial situation with a focus on the ability to bear losses</b>	Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity or bond markets. Potential loss is limited to the value of the investment.
<b>Risk tolerance and compatibility of the risk/reward profile of the product with the target market</b>	<p>The use of numerical identifiers to specify the risk level of each specific model in a range is more familiar to investors than using descriptors, such as cautious, balanced etc.</p> <p>The number in the model's name reflects the risk level, which is in line with risk profiling classification. This risk classification can range between 1 and 10, with 10 being the highest.</p> <p>Sustainable Model Portfolios range is available between 3-8 .</p>
<b>Clients' objectives and needs</b>	<p>Investment objective and time horizon: the model portfolios are compatible with investors seeking risk-adjusted returns over the medium to long term through investment in funds offering exposure to a global equities, global bonds and alternatives.</p> <p>Liquidity: requires the possibility to exit the investment early.</p> <p>Additional criteria: needs of a specific preference for sustainable investment.</p>
<b>Distribution strategy</b>	Discretionary only account distributed by adviser firms to their underlying clients. Assets held on one of a range of investment platforms.

## 2. Product: Schroder Active Model Portfolios

Target Market identification	
<b>Type of clients</b>	Retail clients
<b>Knowledge and experience</b>	<p>Basic Investor with basic knowledge of relevant financial instruments</p> <p>Can make an informed investment decision with the help of basic information provided by their financial adviser prior to investing.</p> <p>Informed Investor with average knowledge of relevant financial products. Can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only.</p>
<b>Financial situation with a focus on the ability to bear losses</b>	Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity or bond markets.
<b>Risk tolerance and compatibility of the risk/reward profile of the product with the target market</b>	<p>The use of numerical identifiers to specify the risk level of each specific model in a range is more familiar to investors than using descriptors, such as cautious, balanced etc.</p> <p>The number in the model's name reflects the risk level, which is in line with risk profiling classification.</p> <p>This risk classification can range between 1 and 10, with 10 being the highest.</p> <p>The Active Model Portfolios range is available between 2-10.</p>
<b>Clients' objectives and needs</b>	<p>Investment objective and time horizon: the model portfolios are compatible with investors seeking risk-adjusted returns over the medium to long term through investment in funds offering exposure to a global equities, global bonds and alternatives.</p> <p>Liquidity: requires the possibility to exit the investment early.</p>
<b>Distribution strategy</b>	Discretionary only account distributed by adviser firms to their underlying clients. Assets held on one of a range of investment platforms.

## 3. Product: Schroder Income Portfolio

Target Market identification	
<b>Type of clients</b>	Retail clients
<b>Knowledge and experience</b>	<p>Basic Investor with basic knowledge of relevant financial instruments.</p> <p>Can make an informed investment decision with the help of basic information provided by their financial adviser prior to investing.</p> <p>Informed Investor with average knowledge of relevant financial products. Can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only.</p>
<b>Financial situation with a focus on the ability to bear losses</b>	Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity or bond markets.
<b>Risk tolerance and compatibility of the risk/reward profile of the product with the target market</b>	<p>The use of numerical identifiers to specify the risk level of each specific model in a range is more familiar to investors than using descriptors, such as cautious, balanced etc.</p> <p>The number in the model's name reflects the risk level, which is in line with risk profiling classification.</p> <p>This risk classification can range between 1 and 10, with 10 being the highest.</p> <p>The Schroder Income Portfolio risk rating is 5.</p>
<b>Clients' objectives and needs</b>	<p>Investment objective and time horizon: the model portfolio is compatible with investors seeking risk-adjusted returns, in particular annual income with the potential for capital growth over the medium to long term through investment in funds offering exposure to a global equities, global bonds and alternatives.</p> <p>Liquidity: requires the possibility to exit the investment early.</p>
<b>Distribution strategy</b>	Discretionary only account distributed by adviser firms to their underlying clients. Assets held on one of a range of investment platforms.

## 4. Product: Schroder Strategic Index Model Portfolios

### Target Market identification

<b>Type of clients</b>	Retail clients
<b>Knowledge and experience</b>	<p>Basic Investor with basic knowledge of relevant financial instruments.</p> <p>Can make an informed investment decision with the help of basic information provided by their financial adviser prior to investing.</p> <p>Informed Investor with average knowledge of relevant financial products. Can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only.</p>
<b>Financial situation with a focus on the ability to bear losses</b>	Investors must be prepared to accept fluctuations in the value of capital including capital loss and accept the risks of investing in equity or bond markets.
<b>Risk tolerance and compatibility of the risk/reward profile of the product with the target market</b>	<p>The use of numerical identifiers to specify the risk level of each specific model in a range is more familiar to investors than using descriptors, such as cautious, balanced etc.</p> <p>The number in the model's name reflects the risk level, which is in line with risk profiling classification.</p> <p>This risk classification can range between 1 and 10, with 10 being the highest.</p> <p>The Strategic Index Model Portfolios range is available between 2-10 .</p>
<b>Clients' objectives and needs</b>	<p>Investment objective and time horizon: the model portfolios are compatible with investors seeking risk-adjusted returns over the medium to long term through investment in funds offering exposure to a global equities, global bonds and alternatives.</p> <p>Liquidity: requires the possibility to exit the investment early</p>
<b>Distribution strategy</b>	Discretionary only account distributed by adviser firms to their underlying clients. Assets held on one of a range of investment platforms.