

# Schroder International Selection Fund Securitised Credit

IZ Accumulation EUR Hedged | Data as at 31.03.2020

## Fund objectives and investment policy

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The fund aims to provide income and capital growth of USD LIBOR 3 Months +2% (or an alternative reference rate), before fees have been deducted\* over a three to five year period by investing in securitised assets issued by entities worldwide.\*For the target return after fees for each Share Class please visit the Schroder website: <https://www.schroders.com/en/uk/private-investor/investing-with-us/historical-ongoing-charges>The fund is actively managed and invests at least two-thirds of its assets in securitised investments including but not limited to asset-backed securities (ABS), residential mortgage-backed securities (MBS) and commercial mortgage-backed securities (CMBS). The fund may also invest in collateralised loan obligations (CLOs).The fund may invest up to 100% of its assets in ABS, MBS and CMBS issued worldwide with an investment grade and sub-investment grade credit rating (as measured Standard & Poor's or any equivalent grade of other credit rating agencies). Underlying assets of the asset-backed securities may include credit card receivables, personal loans, auto loans, transportation finance and small business loans.The fund may invest up to 30% of its assets in securities with a sub-investment grade credit rating (as measured Standard & Poor's or any equivalent grade of other credit rating agencies).The fund may also invest directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, investment funds, warrants and money market investments, and hold cash.The fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

**Relevant risk as associated with this Fund are shown overleaf and should be carefully considered before making any investment.**

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## Share class performance

Cumulative performance	1 month	3 months	YTD	1 year	3 years	5 years	Since inception
EUR Hedged	-9,6	-9,3	-9,3	-9,0	-	-	-9,3
USD Unhedged	-9,2	-8,6	-8,6	-6,3	-	-	-2,6
Comparator USD	-3,1	-2,5	-2,5	-0,9	-	-	-
Target USD	0,3	1,0	1,0	4,4	-	-	-

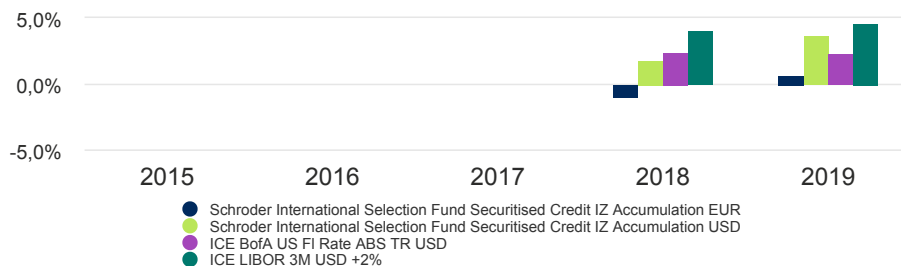
  

Discrete yearly performance	Mar 15 - Mar 16	Mar 16 - Mar 17	Mar 17 - Mar 18	Mar 18 - Mar 19	Mar 19 - Mar 20
EUR Hedged	-	-	-	-0,5	-9,0
USD Unhedged	-	-	-	2,5	-6,3
Comparator USD	-	-	-	2,5	-0,9
Target USD	-	-	-	4,5	4,4

Calendar year performance	2015	2016	2017	2018	2019
EUR Hedged	-	-	-	-0,9	0,7
USD Unhedged	-	-	-	1,9	3,7
Comparator USD	-	-	-	2,4	2,3
Target USD	-	-	-	4,1	4,7

## Performance over 5 years (%)



Gross performance method (BVI method). The costs incurred at fund level (e.g. management fees) were taken into account. Net performance method : In addition to the gross performance method, the costs incurred at customer level are taken into account. Model calculation (net): An investor wishes to purchase shares for EUR 1,000. Given a maximum subscription fee of 5%, he is required to pay EUR 50 on a one-off basis at the time of purchase. Custody fees may be incurred in addition, thus reducing performance. Custody fees can be found in your bank's schedule of prices and services. **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 any overseas investments to rise or fall.**

Source: Morningstar, bid to bid, net income reinvested, net of fees. The fund's performance should be assessed against its target benchmark of USD LIBOR 3 Months +2% (or an alternative reference rate) and compared against the ICE BofA Merrill Lynch US Floating Rate Asset Backed Securities index. The investment manager invests on a discretionary basis and is not limited to investing in accordance with the composition of a benchmark.

## Fund facts

Fund manager	Michelle Russell-Dowe
Managed fund since	06.09.2017
Fund management company	Schroder Investment Management (Europe) S.A.
Domicile	Luxembourg
Fund launch date	06.09.2017
Share class launch date	06.09.2017
Fund base currency	USD
Share class currency	EUR
Fund size (Million)	USD 1.856,73
Number of holdings	330
Target	ICE LIBOR 3M USD +2%
Comparator	ICE BofA US FI Rate ABS TR USD
Unit NAV	EUR 90,6692
Dealing frequency	Daily
Distribution frequency	No Distribution

## Fees &amp; expenses

Ongoing charge	0,41%
Redemption fee	0,00%
Entry charge up to	0,00%

## Purchase details

Minimum initial subscription	EUR 100M ; USD 100M or their near equivalent in any other freely convertible currency.
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## Codes

ISIN	LU1662755716
Bloomberg	SCHIIA LX
SEDOL	BD822J1
WKN	A2DWA7
Reuters	LU1662755716.LUF

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### 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.

**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.

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

**High yield bond risk:** High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk.

**ABS and MBS risk:** The fund may invest in mortgage or asset-backed securities. The underlying borrowers of these securities may not be able to pay back the full amount that they owe, which may result in losses to the fund.

**Derivatives risk – Efficient Portfolio Management and Investment Purposes:** Derivatives may be used to manage the portfolio efficiently. 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.

**Interest rate risk:** The fund may lose value as a direct result of interest rate changes.

**Counterparty risk:** The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole.

**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.

**IBOR:** 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.

**Currency risk/hedged share class:** The hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.

Explanations of technical terms are provided in glossary.

A more detailed explanation of these terms can be found on our Homepage under <https://www.schroders.com/de/de/institutionelle/tools/glossar/>

### Synthetic risk & reward indicator (SRRI)



The risk category was calculated using simulated historical performance data and may not be a reliable indicator of the fund's future risk profile. The fund's risk category is not guaranteed to remain fixed and may change over time. A fund in the lowest category does not mean a risk-free investment. A fund is in categories 1 to 3 where it can take lower risks in search of potentially lower rewards and its price may rise and fall accordingly. A fund is in categories 4 to 7 where it can take higher risks in search of potentially higher rewards and its price may rise and fall accordingly.

### Risk statistics & financial ratios

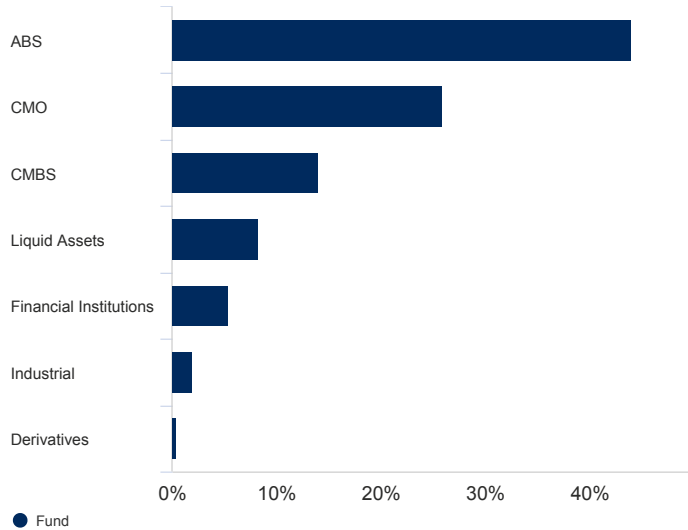
	Fund	Comparator
<b>Effective duration (years)</b>	1,5	-
<b>Current yield (%)</b>	3,0	-
<b>Yield to maturity</b>	5,4	-

Source: Morningstar. The above ratios are based on bid to bid price based performance data.

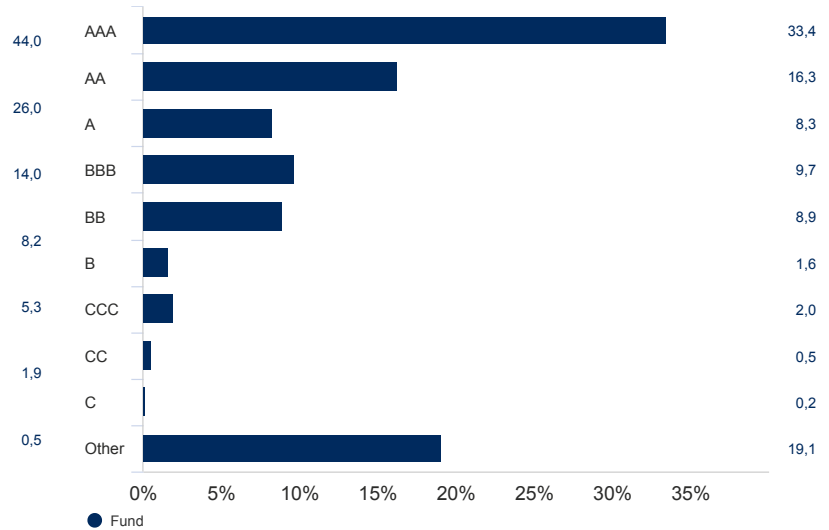
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### Asset allocation

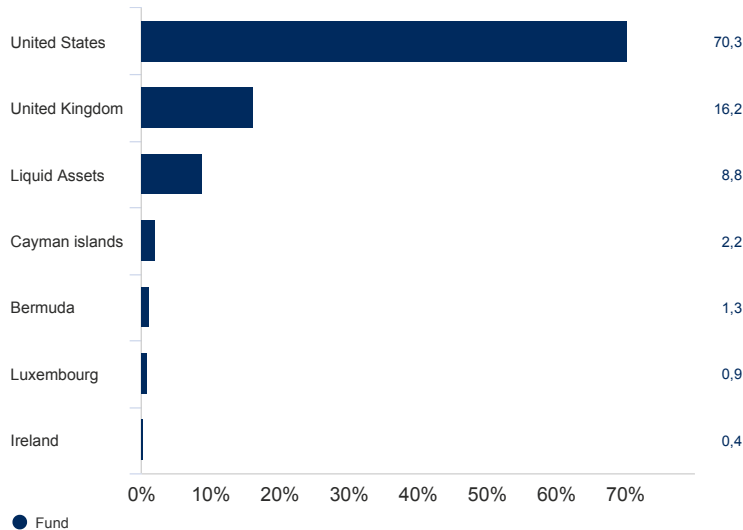
#### Sector (%)



#### Credit quality (%)



#### Geographical Breakdown (%)



#### Top 10 holdings (%)

	Holding name	%
1	PARGN 13X A1 FRN 15/01/2039 - REGS	2,3
2	AMBAC LSNI LLC FRN 12/02/2023 - 144A	2,0
3	ALBA 2007-1 A3 FRN 17/03/2039 - REGS	1,9
4	TPMT 2017-1 A1 2.7500 25/10/2056 - 144A	1,5
5	CAS 2017-C03 1M2 FRN 25/10/2029	1,5
6	PARGN 12X A1 FRN 15/11/2038	1,3
7	HILT 2016-SFP A 2.8284 05/11/2035 144A	1,3
8	MAGNE 2014-8A AR2 FRN 15/04/2031 - 144A	1,3
9	VZOT 2018-A A1A 3.2300000 20/04/2023	1,2
10	VZOT 2018-1A A1A 2.8200 20/09/2022 - 144A	1,1

Source: Schroders. Top holdings and asset allocation are at fund level.

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### Contact information

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### Important information

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**Benchmark:** The target benchmark has been selected because it is representative of the type of investments in which the fund is likely to invest and it is, therefore, an appropriate target in relation to the return that the fund aims to provide. The comparator benchmark has been selected because the investment manager believes that the benchmark is a suitable comparison for performance purposes given the fund's investment objective and policy.

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### Glossary

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#### **ABS (Asset Backed Securities)**

Tradable bonds or notes that are backed by financial assets.

#### **Accumulation**

Accumulation policy: earnings are automatically reinvested to increase the value of fund units. Opposite: distribution.

#### **Alpha**

The excess return of an actively managed portfolio compared with the performance of a benchmark. This amount represents the value added by the fund's management.

#### **Asset Allocation**

The allocation of a portfolio's assets between asset classes/markets.

#### **Asset Class**

The various types of assets in which the fund invests, e.g. equities, bonds or multi-asset.

#### **Benchmark**

General: Comparative value; for a fund, also referred to as the benchmark index.

#### **CMBS**

Commercial mortgage-backed securities. Tradeable bonds backed by mortgages on commercial real estate.

#### **Convertible**

Describes bonds that can be converted into a certain number of shares in the relevant company at set dates, generally at the discretion of the investor.

#### **Credit Rating**

Bonds are valued on the basis of their credit rating. This credit rating is dependent on the investment risk associated with the bonds – i.e. how likely it is the issuer will be able to meet interest (coupon) and capital (principal) repayment obligations. The higher the credit rating (e.g. AAA), the more likely the issuer is to meet these obligations. This means they can thus offer bonds with lower interest rates and still attract investors. Bonds with higher ratings are referred to as investment grade, those with lower ratings as non-investment grade or junk (i.e. D to BB+). See also default risk.

#### **Default Risk**

The risk that an issuer of bonds, government or corporate, will not meet payments either of regular coupon payments or final principal. Credit rating agencies grade company and government issues to show the likelihood of this. Investors can diversify and invest in a variety of bonds from different issuers to decrease the default risk. This mitigates the impact if one of the issuers defaults.

#### **Derivative**

A financial instrument of which the price or value is dependent on an underlying asset, generally a commodity, bond, share or currency. Examples of derivatives are futures and options. With the purchase or sale of derivatives, investors can hedge the risk related to the underlying asset, gain protection from volatility and take advantage of periods of stagnation or price falls.

#### **Discretionary Basis**

According to the judgement of the manager.

#### **Distribution**

With a policy of distribution, fund income is paid out to investors. Opposite: accumulation.

#### **Duration**

Duration is a sensitivity indicator describing the average commitment period for capital in a fixed-interest security. It is the sum of the present value of the future income and redemption payments, weighted by the number of years until payout. Modified duration is a measure of the sensitivity of the price of a bond to changes in the market interest rate.

#### **Effective Duration**

Effective duration provides a measure of interest-rate sensitivity - the longer a fund's or index' duration, the more sensitive they are to shifts in interest rates. The relationship between funds/indexes with different durations is straightforward: A fund/index with a duration of 10 years is twice as volatile as a fund/index with a five-year duration. Duration also gives an indication of how a fund's net asset value (or index' value) will change as interest rates change. A fund/index with a five-year duration would be expected to lose 5% from its value if interest rates rose by one percentage point or gain 5% if interest rates fell by one percentage point.

#### **Entry Charge**

An entry charge is a one-off charge arising when fund units are purchased. It is usually shown as a percentage of the unit price. Entry charges vary and are set by the management company. They are used to cover distribution costs and other items, and are generally between 0% and 7%.

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### Fund

Short for “investment fund”. An investment fund is an investment vehicle managed by a management company (or investment management company) investing in assets such as equities, bonds, real estate and commodities. Undertakings for Collective Investment in Transferable Securities (UCITS) are investment funds authorised for distribution in the EU. The UCITS III Directive governs the current legal provisions on UCITS determining a broad range of financial instruments, including derivatives, in which investment funds may invest. All UCITS were required to comply with UCITS III requirements as of 13 February 2007. Most authorised funds in the UK are UCITS.

### Fund Management

The construction and ongoing management of a portfolio of investments in different financial instruments in accordance with the criteria defined in the investment objectives and investment policy.

### Gross Performance Method

(Also the BVI method, after the BVI Bundesverband Investment und Asset Management e.V.) The security's gross performance is calculated annually. All costs incurred by the fund (e.g. management fees) are included in this calculation. Net performance method: in the first year of investment, the security's gross performance is reduced by subscription fees payable by investors when fund units are acquired (= net performance). Model calculation (net): say an investor wishes to purchase shares for EUR 1,000. For a maximum subscription fee of 3%, there will be a one-off charge of EUR 30 at the time of purchase. The performance for that year is reduced proportionately. Investors may also incur additional securities account costs that reduce performance. These securities account costs are charged in accordance with the schedule of prices and services of the bank administering the securities for the investor.

### Growth

When shares in companies generate stable earnings and consistent share price increases.

### Income

The return generated by an investment over a specific time horizon (income plus capital appreciation); generally expressed as a percentage.

### Investment Funds

An investment fund is an investment vehicle managed by a management company (or investment management company) investing in assets such as equities, bonds, real estate and commodities. Undertakings for Collective Investment in Transferable Securities (UCITS) are investment funds authorised for distribution in the EU. The UCITS III Directive governs the current legal provisions on UCITS determining a broad range of financial instruments, including derivatives, in which investment funds may invest. All UCITS were required to comply with UCITS III requirements as of 13 February 2007. Most authorised funds in the UK are UCITS.

### Investment Grade

Bonds with at least good issuer credit quality. A bond is classified as an investment grade bond if it has a minimum rating of BBB (Standard & Poor's) or Baa3 (Moody's). Such bonds generally offer the highest security as regards capital repayment and interest payments, and have the lowest risk of loss. The further a bond's rating falls from AAA, the greater the risk linked to it. In general, investment grade bonds are most suitable for conservative investors.

### LIBOR

LIBOR stands for the London InterBank Offered Rate. LIBOR is an average benchmark rate (a reference for other interest rates) at which a selected group of banks (known as the panel banks) provide, or are prepared to provide, unsecured loans to each other in the London money market. Although you will often hear about “the LIBOR rate”, there are actually many different LIBOR rates. LIBOR is calculated for seven different maturities and five different currencies. The official LIBOR rates are published on every banking day at 11:45 London time by the ICE Benchmark Administration (IBA).

### Liquid Assets

Liquid assets include cash, deposits and money market instruments with a term of up to 397 days that are not part of the core investment targets or core investment policy. Any commitments related to equity index futures are netted off against liquid assets.

### Maturity

The date on which a fixed-interest security reaches its term and is redeemed. Maturity may also refer to the end of the term of a future or option.

### Money Market

Market for short-term loans and deposits made and traded between banks. The money market plays an important role in providing liquidity.

### NAV

Net Asset Value

### Net Performance Method

In the first year of a fund's existence, its gross performance is reduced by subscription fees payable by investors when fund units are acquired (= net performance). Model calculation (net): say an investor wishes to purchase shares for EUR 1,000. For a maximum subscription fee of 3%, there will be a one-off charge of EUR 30 at the time of purchase. The performance for that year is reduced proportionately. Investors may also incur additional securities account costs that reduce performance. These securities account costs are charged in accordance with the schedule of prices and services of the bank administering the securities for the investor.

### Paying Agent

A service provider ensuring payments from a financial instrument to investors when these cannot be received by investors via their bank accounts.

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### **Rating**

Assessment of credit quality (creditworthiness or solvency) within a kind of grading system. Companies, states and financial assets can all be rated. Ratings are generally set by a rating agency or bank.

### **Rating Agencies**

A private company assessing credit quality (creditworthiness or solvency) and awarding a rating to companies across all economic sectors, financial instruments, financial products, debts, governments and their subsidiary regional authorities.

### **Redemption**

The repayment of the principal sum outstanding on an investment. The date on which this occurs is the redemption date.

### **Return**

Measurement of the yield on a capital investment. It is calculated for a set period of time (e.g. a year) and expressed as a percentage.

### **Risk**

Risk is a measure of possibility of losing and not gaining value. It can often be defined as the standard deviation of the return on total investment. Degree of uncertainty of return on an asset.

### **Share**

With the purchase of a share an investor becomes a co-owner or shareholder receiving a stake in the company. The share gives the shareholder legally and contractually defined rights. This includes, for example, the right to a dividend (a share in the profit) and a subscription right in a capital increase. The shareholder also has the right to request information and to vote at the general meeting.

### **Synthetic**

With synthetic products, only risks are traded or hedged. The underlying product (share, debt etc.) is not transferred between parties.

### **UCITS**

Undertakings for Collective Investments in Transferable Securities. UCITS are authorised funds that may be sold across all countries in the EU. UCITS III is the latest version of the statutory UCITS regulations which enable funds to invest in a wider range of financial instruments, including derivatives. All UCITS converted to UCITS III by 13 February 2007. Most authorised funds in the UK are UCITS.

### **Warrant**

A security in the form of an option certificate. A warrant is generally issued together with a bond or share, but with its own term and price. It gives the holder the right to purchase ordinary shares within a specified time period, or with no time limit, at a pre-determined price. This price is generally higher than the share price when the warrant is issued. Warrants are fully transferable and can be traded independently of their underlyings.

### **Yield**

A measure of the income return earned on an investment. In the case of a share the yield expresses the annual dividend payment as a percentage of the market price of the share. For property, it is the rental income as a percentage of the capital value. For bonds the running yield (or flat or current yield) is the annual interest payable as a percentage of the current market price. The redemption yield (or yield to maturity) allows for any gain or loss of capital which will be realised at the maturity date.