

**SHINING A LIGHT ON THE.....
Schroders Multi-Asset Total Return Fund**

AT A GLANCE

Investment Objective
The Fund aims to provide capital growth and income of UK 3-month LIBOR + 4% per annum (gross of fees) over rolling three-year periods by investing in a diversified range of assets and markets worldwide. The Fund also aims to limit losses when markets fall. This cannot be guaranteed, and your capital is at risk.

Inception Date	28 April 2017
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00001027A

Management	
Manager Name	Start Date
Johanna Kyrklund	28 April 2017
Alastair Baker	28 April 2017

Return seeking holdings	37.6%
Emerging Market Equities	8.0%
US Large Cap Equities	7.4%
Emerging Market Debt	5.6%
Global Value Equities	4.4%
Japan Equities	3.8%
High Yield Debt	3.3%
Broad Commodities	2.8%
Global Quality Equities	1.8%
Investment Grade Credit	0.5%

Diversifiers holdings	42.3%
Diversified Trend	11.4%
FX Growth	9.9%
FX Value	6.9%
Fixed Income Relative Value	6.4%
Long US Fin vs Large Cap Equities	3.8%
Long European Energy vs Large Cap	2.4%
Long AUD vs NZD	1.5%

Risk reducing holdings	20.1%
Long JPY vs EUR	6.3%
Long USD vs CAD	4.2%
Government Bond Basket	3.3%
Long US vs Italy 10yr	2.3%
Long EUR vs AUD	1.6%
US TIPS	1.2%
US 10yr	1.2%

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FUND PERFORMANCE

Performance from 28 April 2017 to 28 February 2018:

	2017	2018	Since launch
Schroders Multi Asset Total Return Fund	4.22%	0.19%	4.42%
Vanguard Global Bond Index	1.16%	-1.03%	0.11%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

This fund has been launched into an ever-growing market that was started by Standard Life and has seen Invesco, Aviva and others follow. They haven't tried to copy what has been done by others but modelled it around a similar strategy that they have been running for ten years.

The aim is to achieve a return of 4% above cash over a three-year period. In doing this they aim to keep volatility low but capture some of the upside. The approach invests across three buckets:

1. Return seeking component – this is the part of the portfolio which returns most but contains the greatest volatility. It looks over a one to three-year time frame and is based on valuations and the economic cycle
2. Risk reducing component – this is there to provide downside protection. This part of the portfolio that is expected to provide flat returns
3. Diversifiers – these are mixed with the return seeking component to deliver the returns

The aim is to smooth the path of returns over the different cycles. The cycles are seen as four stages – expansion, slow-down, recession and recovery. Currently they believe the cycle is in the recovery / expansion curve, so they are positive from a cyclical viewpoint, but they feel assets are expensive.

In setting the risk reducing component they work from a baseline scenario and then look at other risks. With inflation the scenarios would include stagflationary, deflationary, reflationary and productivity boost. Depending on their views this will then help set the risk reducing component.

The investment process is a key part and contains 3 steps. The first step looks at a 1 to 3-year view which includes quantitative and qualitative research. The next step is to evaluate risk scenarios and the final step is portfolio construction.

Portfolio construction is a key part of the process and one area we discussed was avoiding icebergs. As they explained good ideas are only part of the story. The other side is finding the hidden risks. So, an idea on US Interest Rates might impact other ideas which might seem uncorrelated. Knowing this they can size the positions to reflect the potential risk, move to another bucket to provide downside protection, or not use.

The aim is not to be reliant on ideas and hope that more than 50% are right and therefore deliver positive returns. They have designed this to weather all market conditions and they can do this by moving across the three buckets depending on views at any given point. They explained that

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sometimes they won't get it right, but the openness of the portfolio and strategy will help them to identify when this happens. They have run back testing on the portfolio and so far it is delivering as they expected.

The team is 85 strong and the core portfolio team have worked together for 10 years. The strategy comes out of another strategy and was developed for an institutional client. The assets are around £1 billion, and they think the fund can build to around £15 billion.

As a fund this feels different to the products offered by Standard Life, Invesco and Aviva but the concern is that if anyone had found a way to deliver positive returns they would have done it. Certainly, in the early stages this has delivered what it has set out to do. Whether it can continue to achieve this is something to watch.

In summary, this is a new kid on the block, but it is based on an existing strategy and has a ready-made team of specialists. It feels different to other strategies in the market place so could act as a blend. It managed to deliver positive returns in 2017 unlike other funds but with these types of funds we would like to see a longer track record.

The source of information in this note has been provided by Schroders and is correct as at March 2018. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.