



Minutes

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date and Time	WEDNESDAY 25 NOVEMBER 2020 COMMENCING AT 10.00 AM
Venue	VIRTUAL (MS TEAMS)
Present	Cllrs A Axford (Chairman), B Abraham, D Andre, P Brading, V Churchman, A Garratt, G Perks Steve Milford (Employee Representative)
Also Present	Jo Cooke, Jo Thistlewood, Megan Tuckwell, Chris Ward Cllr Reg Barry, Barbara Milton, Trevor Ould (Board Members), Emma Garrett, David Walker (Hymans Robertson), Geoffrey Day, Michael Lake, Freya Petty (Schroders)

32. **Minutes**

RESOLVED:

THAT the Minutes of the meeting held on 28 October 2020 be confirmed, subject to the inclusion of additional wording for clarity in Minute 26.

33. **Declarations of Interest**

No new declarations were received at this stage.

34. **Public Question Time - 15 Minutes Maximum**

No public questions were received.

35. **Governance Compliance Activities**

As requested at the meeting held on 28 October 2020, the Director of Finance and Section 151 Officer was in attendance to provide an update in respect of activities to improve the fund's level of compliance with standards of governance and administration.

The Director of Finance expressed the view that the current resource allocated to support the pension function was no longer sufficient. It was advised that plans were underway to increase the number of full-time-equivalent staff focused on matters regarding the fund, which would be a relevant charge to the fund associated with good governance. Members were pleased to note that plans were in place for the Technical Finance Manager's role to become focused solely on pension matters.

Questions were raised regarding the relevant HR recruitment and restructure processes, and members emphasised the need for retention of specialist knowledge. With regard to timescales, it was anticipated that these plans would be implemented by the start of the next financial year and an update would be available to the committee at its meeting in March 2021.

RESOLVED:

THAT the update be noted.

36. Annual Report and Accounts

The Technical Finance Manager advised that at the meeting of the Audit Committee held on 23 November 2020, the external auditors confirmed that they found no significant issues and intended to issue an unqualified opinion on the fund's accounts, and were therefore able to close the audit of the pension fund.

Subsequent to this meeting, confirmation had been received that the external auditors would sign their audit opinions by 27 November 2020. Members were advised that upon receipt of the formally signed audit certificates, the pension fund's annual report and accounts would be published on the fund's website.

RESOLVED:

THAT the update on the approval of the council's statement of accounts, and the pension fund's annual report and accounts, be noted.

37. Private Debt Investment Solution Selection

The Technical Finance Manager presented the report which set out the outcome of the selection of an investment solution to deliver the fund's private debt allocation. Members were advised that on 6 November 2020, an investment selection panel was convened to receive presentations from four shortlisted fund managers suitable to deliver the fund's new allocation to private debt.

Following the presentations and moderation, the panel agreed to invest in the Goldman Sachs Merchant Banking Division Broad Street Loan Partners IV fund. Subsequent to this decision, officers had begun work with Hymans Robertson to inform the shortlisted managers of the interim decision and to progress the implementation of these investments. Comments were made with regards to diversity of the investment team and the legal documentation.

It was confirmed that the deadline for finalising the application to the investment solution was mid-December 2020, and officers anticipated that the fund would have an initial investment in this asset class by the end of the financial year. Progress reports would be brought to the committee in due course.

Following discussion, a vote was taken and it was:

RESOLVED:

THAT the committee agrees the selection of the Goldman Sachs Merchant Banking Division Broad Street Local Partners IV fund for the delivery of the fund's private debt allocation.

38. Infrastructure Manager Selection Process

The Technical Finance Manager confirmed the arrangements for the infrastructure manager selection day due to take place on 4 December 2020. Confirmed panel members included; Cllrs Andre, Axford, Churchman, and Garratt, the Director of Finance and Section 151 Officer, the Treasury Management and Pension Fund Accountant, and the Technical Finance Manager. The session would be facilitated by Hymans Robertson and would be attended by three shortlisted fund managers. It was anticipated that a decision would be reached by the end of the day on 4 December 2020, which was to be presented to and ratified by the Committee at its meeting on 27 January 2021.

RESOLVED:

THAT the arrangements for the infrastructure manager selection day (due to take place on 4 December 2020) be noted.

39. Scheme Updates

The Technical Finance Manager presented the report which provided members with information regarding the recent legislative changes in respect of restricting local government exit payments and the associated implications for the pension fund. Members were reminded that their focus should be on the proper implementation of the new regulations for the pension fund, rather than the content of the regulations themselves.

In light of the changes, it was confirmed that the council as scheme employer had reviewed its existing restructuring proposals to determine whether there are any immediate cases which could breach the exit cap. Led by the Director of Corporate Resources, a working group had been convened to review the council's existing policies and processes to implement the exit cap. Members were advised that revised LGPS regulations, to facilitate the full implementation of the exit cap, were currently being consulted upon by MHCLG, and the consultation would not close until 18 December 2020. The revised regulations would not therefore become law until the first quarter of 2021. Since publication of the report (and in conjunction with other pension funds in the ACCESS pool), legal advice had been received regarding the implementation of the exit cap in the interim period before the introduction of the new LGPS regulations. It was proposed that the fund should implement the solution suggested by the Scheme Advisory Board, in that any impacted members should be offered the opportunity to take a deferred benefit at normal retirement age (or an immediate but fully actuarially reduced pension), and it was recommended that scheme employers delay the payment of a cash alternative to impacted members. It was anticipated that members would challenge the proposed treatment, as it was not in compliance with existing LGPS regulations. However, until such time as a challenge be received and resolved through the courts or tribunal, the proposed solution is the "least worst" outcome for pension funds.

Following discussion, a vote was taken and it was:

RESOLVED:

- i) THAT the ongoing developments in respect of the implementation of the exit cap be noted.
- ii) THAT the Isle of Wight Council Pension Fund offers impacted members the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5).
- iii) THAT the Isle of Wight Council Pension Fund recommends to scheme employers to delay the payment of a cash alternative under regulation 8 of the Exit Cap Regulations.

40. Investment Performance Report to 30 September 2020

Due to a fire alarm, the Chairman left the meeting and the Vice-Chairman, Cllr Churchman, took the chair.

The Investment Consultant of Hymans Robertson presented the investment performance report for the quarter ended 30 September 2020, which included a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager performance.

RESOLVED:

THAT the update be noted.

At the conclusion of discussion, members adjourned for a 10-minute comfort break.

41. Investment Manager Presentation

The Chairman re-entered the meeting and took the Chair.

The Investment Director (Fixed Income) of Schroder Investment Management delivered a presentation (Appendix 1) on the Schroder Sterling Broad Market Bond Fund. This included an overview of the portfolio, and updates on global fixed income, investment themes, and the post-Covid-19 response. Discussion took place regarding the performance summary as at 30 September 2020, 5-year performance, country exposure, and the evolution of non-government sector allocation.

The Real Estate Capital Manager of Schroder Investment Management delivered a presentation (Appendix 2) on the Schroder UK Real Estate Fund. This included a summary of fund performance and an economic recovery forecast. Members noted the funds position and the updates on strategic priorities, new acquisitions, Covid-19 strategy, and tenant engagement.

RESOLVED:

THAT the update be noted.

42. Items circulated for Members Attention

The committee noted the items circulated for information since papers were published for last meeting. Attention was drawn to the invitation to the ACCESS virtual investor day due to take place on 17 December 2020, which members were encouraged to attend.

RESOLVED:

THAT the items circulated for member's attention be noted.

43. **Members' Question Time**

No member's questions were received.

44. **Exclusion of the Public and Press**

RESOLVED:

THAT the public and press be excluded.

45. **ACCESS Update**

The Technical Finance Manager provided an update on recent activity within the ACCESS pool since the last committee meeting. Members were invited to confirm their attendance at the next virtual ACCESS joint committee meeting due to be held in January 2021.

RESOLVED:

THAT the update be noted.

46. **Investment Strategy Implementation – Equity Allocation**

The Investment Consultant of Hymans Robertson presented the confidential report which outlined the process by which the fund's allocation to equities would be rebalanced.

It was recommended that the Committee adopt a new equity investment strategy which would provide an optimal blend of equity exposure across a number of factors; and would be the first step in implementing the Committee's environmental and social governance and responsible investment beliefs into the Fund's investment strategy (particularly to address climate change).

Members agreed to adopt the new strategy and requested that a development session be arranged to better understand the current climate change impact of the Fund's investment strategy following the next meeting of the Committee in January 2021.

Following discussion, a vote was taken and it was:

RESOLVED:

- i) THAT the proposed new equity investment strategy be adopted; to provide a more optimal blend of equity exposure across a number of factors and as a

first step in implementing the Committee's environmental and social governance and responsible investment beliefs into the Fund's investment strategy, particularly to address climate change. The strategic changes include:

- Reducing the allocation to Majedie UK equities from 22.5% to 12.5% (initial reduction of 5% to 17.5% pending funding of private debt).
- Reducing the allocation to Newton Global equities from 32.5% to 18.75%.
- Introducing a new allocation of 18.75% to the UBS Climate Aware fund, funded 5% from Majedie and 13.75% from Newton.
- Continuing to reduce the overall equity exposure by 5% by seeding the new 5% Private Debt allocation from Majedie UK Equities.

- ii) THAT the Committee agrees to establish more robust environmental and social governance monitoring to better understand the current impact of the Fund's investment strategy, such as carbon foot printing.

CHAIRMAN



Schroder Sterling Broad Market Bond Fund

Isle of Wight Pension Fund Committee

Michael Lake, CFA – Investment Director, Fixed Income

November 2020

Global Multi-Sector

Targeting repeatable, transparent and scalable active return

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Global	Thematic	Conviction	Diversified	Team
				
No bias towards any country or sector	3 to 5 well-researched themes with an investment horizon of 3 to 12 months	Driven by confidence in our research process	Risk rotated through government and corporate bonds	Global team of portfolio managers and strategists

Source: Schroders.

Schroders global fixed income

Your investment team – exploiting local insights in global portfolios

Bob Jolly
Head of Global
Macro Strategy

Paul Grainger
Head of Global
Multi-Sector Fixed Income

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Strategy

Asset allocation, rates, FX, technical analysis and liquidity funds

Credit sector and security selection

James Bilson
Alice Leedale
Marcus Jennings
Jean-Christophe Alario

James Ringer
Jamie Fairest
Robbie Boukhoufane
Thomas Gabbey
Henry Winstanley

Edmund Weeks
George Thompson
Matt Johnson

Alix Stewart
James Macintyre-Ure

Chris Ames
Rick Rezek
Martha Metcalf

Specialist fixed income portfolio management teams (no. portfolio managers)

Specialist analyst teams (no. analysts)

Specialist product team (no. specialists)

Credit

Rates

EMD

Extended
sectors¹

European
credit

North
American
credit

Asia,
Australia and
EMD credit

Quant,
strategy and
economy

Portfolio
specific

Multi-sector
and EMD

Credit and
securitised

23

21

15

14

13

14

14

17

9

23

14

Source: Schroders, as at 02 November 2020

¹Includes municipals, securitised and convertibles.



The themes we were looking to exploit

Summary of investment themes 2019 / H1 2020

- End of 2019 / beginning of 2020 believed central banks were determined to support economies
- Global growth would be positive, but weak due to global manufacturing and trade uncertainties
- Government policy would be required to support economic growth, but support would only be marginal
- China's transition to a service based economy would be a headwind

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Post-Covid response

- Unprecedented action from governments and central banks in response to global health crisis
- Central bank response goes beyond setting interest rates
- Difference in size and strength of government spending packages creates cross country opportunities

Source: Schroders. Forecast risk warning: Please see the information slide at the end of this presentation. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Schroder Sterling Broad Market Bond

Performance summary as at 30 September 2020

Performance objective¹

The fund aims to provide capital growth and income in excess of the benchmark (after fees have been deducted) over a 3 to 5 year period.

Total assets: £819 million

Inception date: June 2005

Share class performance vs. 50% iBoxx Gilts and 50% iBoxx Non-Gilts (p.a.)



Year	Active return (%)	Currency hedging (%)	Government bonds (%)	Corporate bonds and asset allocation (%)	Residual (%)
YTD 2020	1.23%	-0.21%	1.16%	0.32%	-0.04%
2019	2.13%	0.00%	0.44%	1.74%	-0.04%
2018	-1.12%	-0.05%	0.07%	-1.21%	0.07%
2017	1.86%	-0.03%	0.43%	1.57%	-0.10%
2016	0.60%	-0.01%	0.94%	0.17%	-0.50%

Past performance is not a guide to future performance and may not be repeated. The return may increase or decrease as a result of currency fluctuations. 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 as of 30 September 2020. Performance is shown for the named share class, net of ongoing charges and annualised. ¹Targets are performance-dependent and there are no guarantees they will be achieved. Attribution is shown gross of ongoing charges and aggregates the following factors: 2016: Rates (duration, yield curve, inflation, sovereign, carry & roll sovereign), Credit (Carry & Roll Credit, Credit Sector Allocation, Credit Selection, Credit ABS/MBS), Residual (Volatility, Valuation, Trading). 2017-2019: Rates (duration, yield curve, inflation, sovereign, carry & roll sovereign), Credit (Swap Spread, Carry & Roll Swap, Carry & Roll Credit, Credit Sector Allocation, Credit Selection, Credit ABS/MBS), Residual (Volatility, Valuation, Trading). 2020: Rates (duration, yield curve, inflation, sovereign, carry & roll sovereign, volatility, Swap Spread), Credit, Carry & Roll Swap, Carry & Roll Credit, Credit Sector Allocation, Credit Selection, Credit ABS/MBS, Residual (Valuation, Trading).

Schroder Sterling Broad Market Bond

Discrete 5-year performance

	2019	2018	2017	2016	2015
Schroder Sterling Broad Market Bond X Acc	10.32	-1.62	4.97	11.24	1.08
50% IBOXX £ Gilt & 50% IBOXX £ Non-Gilts	8.18	-0.51	3.11	10.64	0.47

Risk considerations

- **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.
- **Issuer risk:** The fund is permitted to invest more than 35% of its scheme property in transferable securities and money market instruments issued or guaranteed by an EEA State / governments of the following countries: United Kingdom
- **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.
- **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.
- **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.

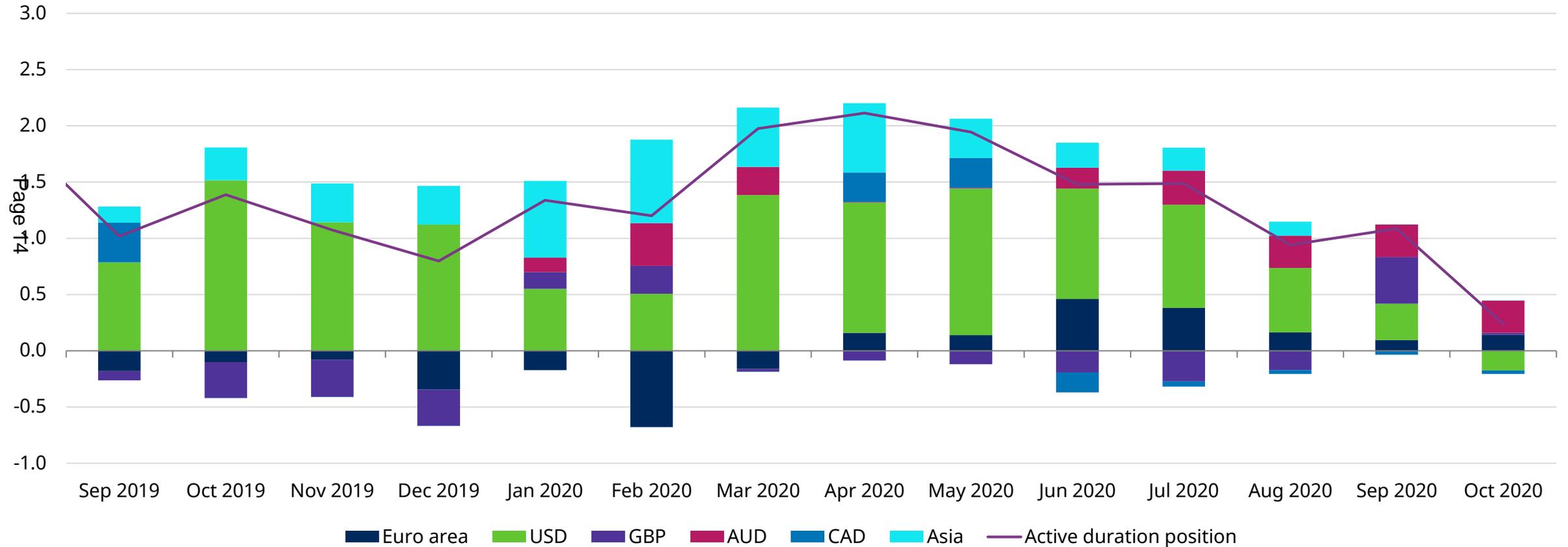
Past performance is not a guide to future performance and may not be repeated. The return may increase or decrease as a result of currency fluctuations. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Please refer to the Important Information slide showing the effect of fees at the end of the presentation for further details. Source: Schroders, as at dates specified, based on performance of the named share class, net of ongoing charges (%) in GBP.

Schroder Sterling Broad Market Bond

Evolution of country positioning

Active country exposure (Portfolio – Benchmark: interest rate sensitivity)

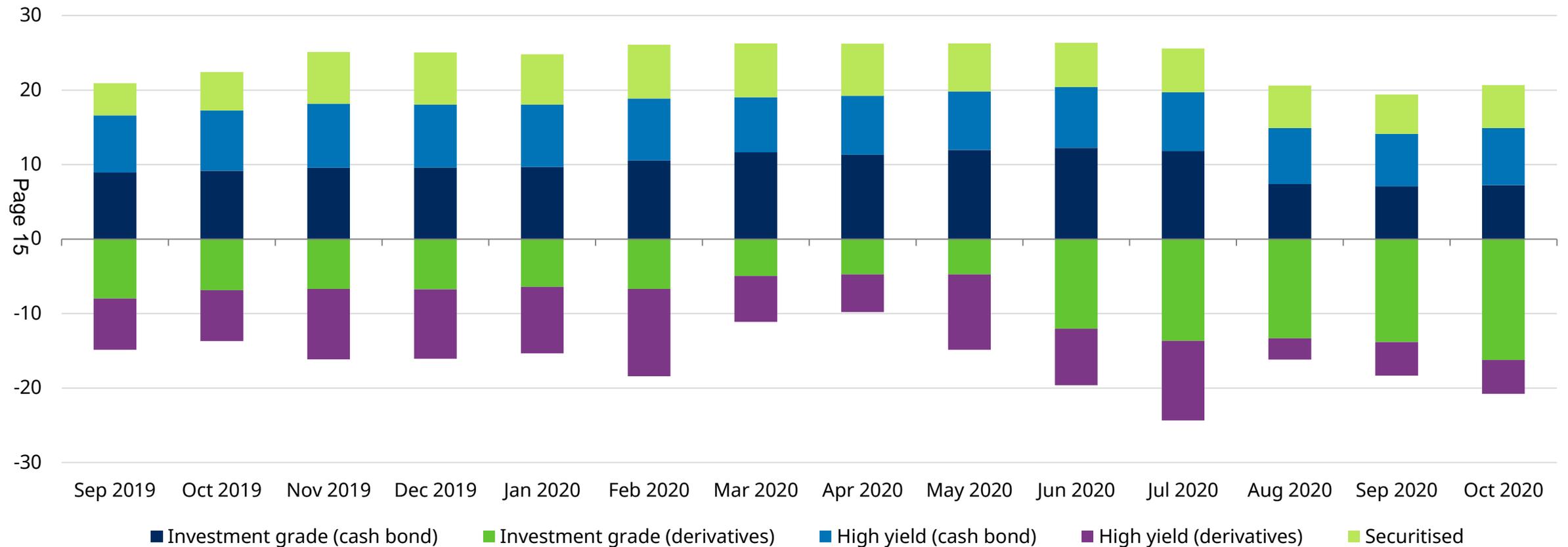


Source: Schroders; 30 October 2020. Asia includes China, South Korea, Japan

Schroder Sterling Broad Market Bond

Evolution of non-government sector allocation

Active corporate bond and securitised allocations (Portfolio – Benchmark: % market value)



Source: Schroders; 30 October 2020. Exclusions: government, government related and all derivatives except credit default swaps.

Schroders



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Outlook

The themes we are looking to exploit

Quarterly Investment Forum September 2020



Transition from central bank to government led support allows traditionally pro-growth assets to perform

Government spending, particularly infrastructure and green investment should support economic recovery, helping to lift growth rates across the global economy.



China - cyclical optimism can't hide structural problems

Near term government spending has further exacerbated domestic debt concerns in China, which will limit the size of further support the government can provide.



Europe - a structural improvement

The market underestimates the positive impact the EU recovery fund will provide, reducing EU reliance on exports and promote further integration between countries.

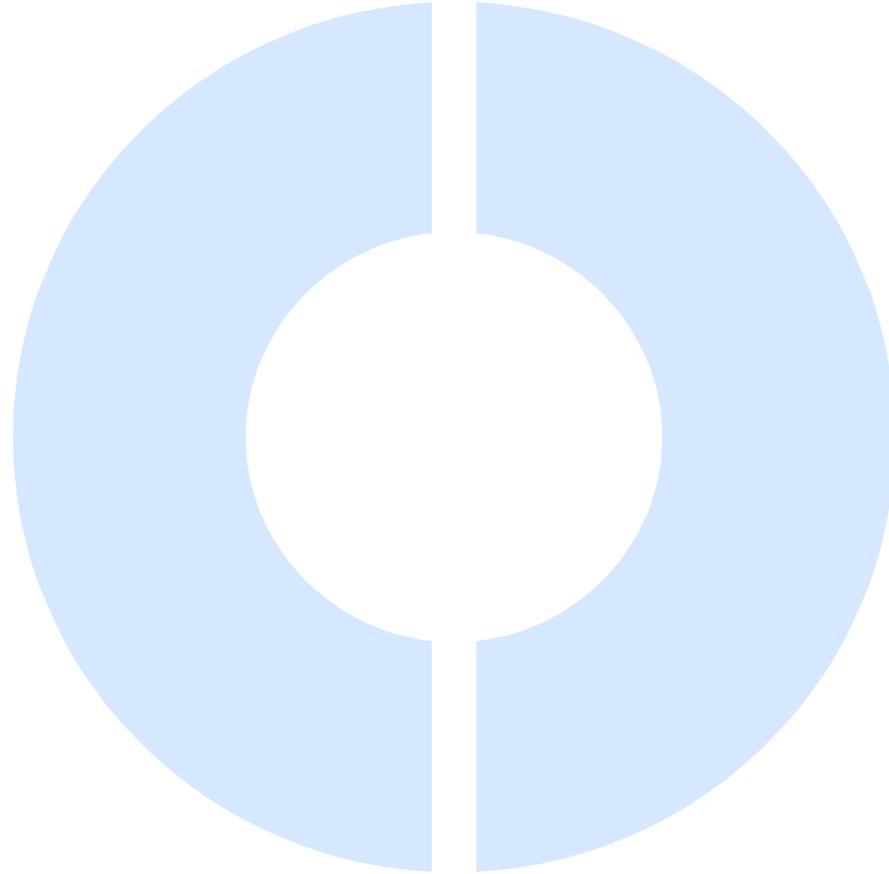


Global and local political tensions to remain heightened

Greater economic and social inequality has given rise to greater uncertainty with potential implications for asset prices.

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Source: Schroders. Forecast risk warning: Please see the information slide at the end of this presentation. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.



Global Multi-Sector

Targeting repeatable, transparent and scalable active return

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Global	Thematic	Conviction	Diversified	Team
				
No bias towards any country or sector	3 to 5 well-researched themes with an investment horizon of 3 to 12 months	Driven by confidence in our research process	Risk rotated through government and corporate bonds	Global team of portfolio managers and strategists

Source: Schroders.

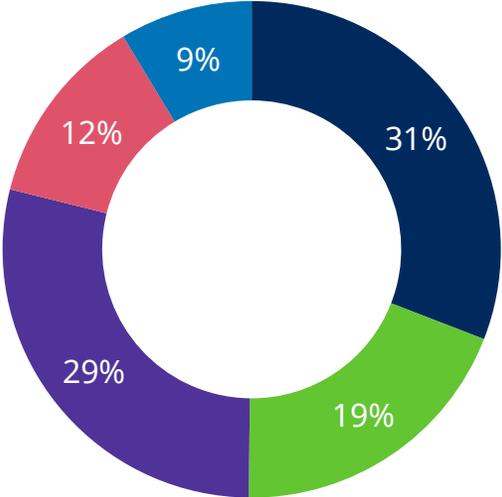


Schroders Fixed Income

Funds under management

£525.8bn AUM¹

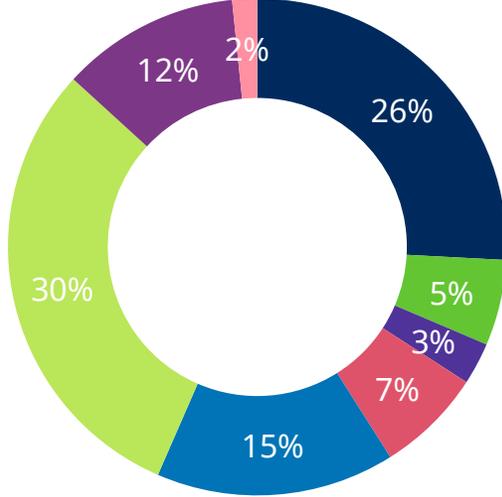
30 June 2020



- Equities
- Multi Asset
- Private Assets & Alternatives
- Fixed Income
- Wealth Management

£142.1bn Fixed Income division AUM²

30 June 2020



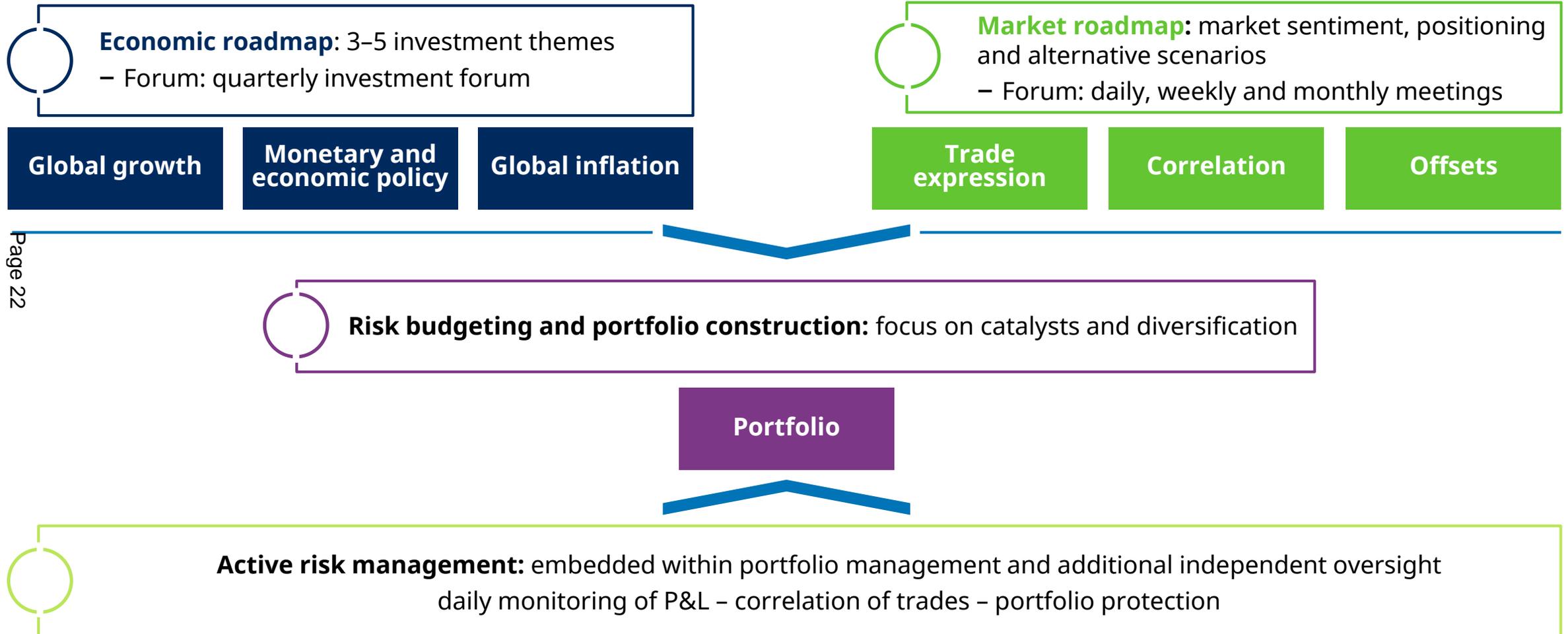
- US
- Australia
- UK & European Credit
- Fixed Income Solutions³
- Asia
- Emerging Markets & Commodities
- Global Multi-Sector
- Other⁴

Over £490 billion in funds and mandates which have been internally accredited as ESG integrated⁵

Source: Schroders, as at 30 June 2020. ¹Data represents global assets under management, pie chart shows split of AUM by product sold. ²Data represents AUM by investment desk. ³Comprised of Buy & Maintain assets in the US, Europe, and Asia. ⁴Other includes Convertibles. ⁵Internally accredited funds include sustainability as a building block in the investment process (over 90% of Schroders' Group AUM is internally accredited for ESG integration). The charts may not add to 100% due to rounding.

Investment process

Overview



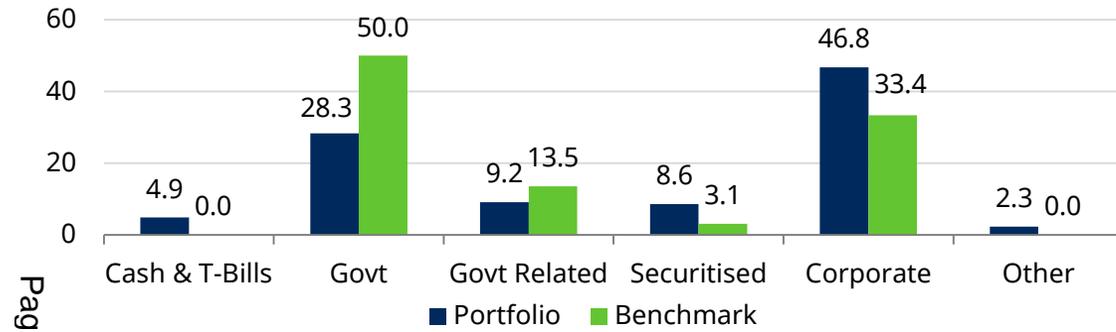
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Source: Schroders, as at 30 October 2020

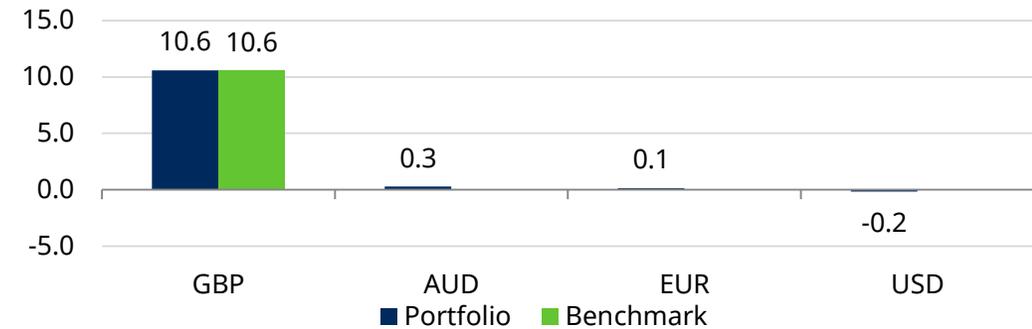
Schroder Sterling Broad Market Bond

Portfolio characteristics as at 30 October 2020

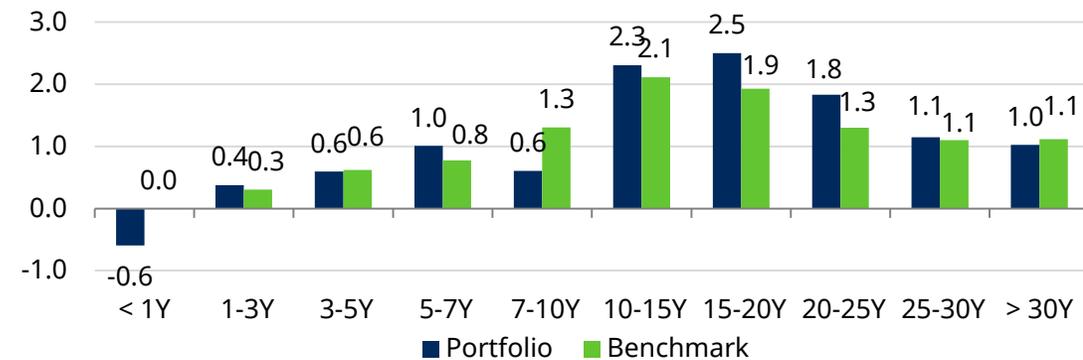
Asset class (% market value)



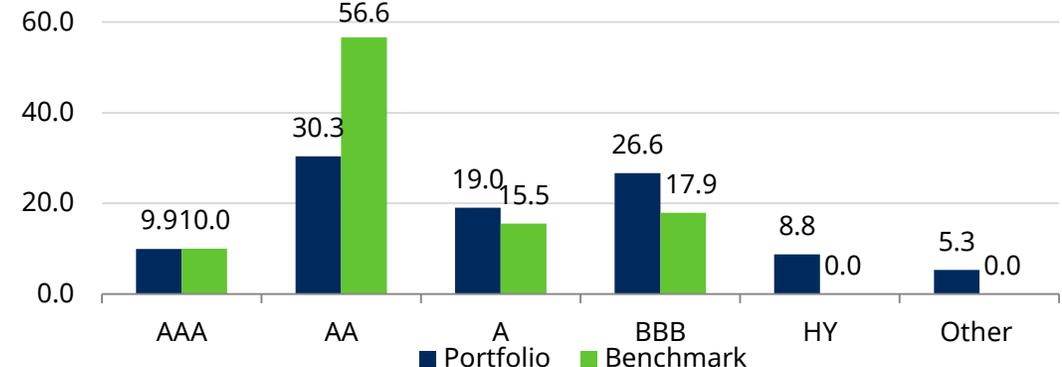
Country of risk (interest rate sensitivity)



Curve (interest rate sensitivity)



Rating (% market value)



Portfolio refers to Schroder Sterling Broad Market Bond; Benchmark is 50% iBoxx Gilts 50% NonGilts. Source: Schroders SPARCS. Based on un-audited data as at 30 October 2020. Note: 'Other' includes IRS, ILS, forwards and options. Exclusions: active country of risk exposures <0.1 years, with the exception of GBP. Credit rating is the average of S&P, Moody's and Fitch.

Biographies

Biographies of key investment professionals



Bob Jolly, CFA

Head of Global Macro Strategy, Fixed Income

- Joined Schroders fixed income team in September 2011 as Head of Global Macro, based in London
- Prior to joining Schroders Bob worked for UBS Global Asset Management, where his more recent responsibilities were Head of Currency, UK Fixed Income and Global Sovereign
- Prior to UBS Bob spent 2 years with SEI investments developing customised solutions for institutional pension fund clients
- The majority of Bob's investment career was spent at Gartmore Investment Management where he held the following positions:
 - 2000-2005 Head of Fixed Income Portfolio Construction
 - 1989-2000 Head of Structured Fixed Income
 - 1982-1989 UK and Global Fixed Income Portfolio Manager
- CFA Charterholder



Paul Grainger, CFA

Head of Global Multi-Sector, Fixed Income

- 2015: Schroders
- 2014: Co-founded financial technology firm yoyoDATA
- 2006: Wellington Management
- 2003: F&C Asset Management, Senior Portfolio Manager
- 1999: Gartmore, Senior Portfolio Manager
- 1995: Joined the BZW graduate training programme where he rotated through Fixed Income Sales and Trading into Asset Management at Barclays Global Investors
- BA(Hons), University of Exeter
- Member of the United Kingdom Society of investment professionals and a CFA Charterholder

Biographies

Biographies of key investment professionals



James Ringer, CFA

Portfolio Manager, Fixed Income

- 2017: Schroders, Portfolio Manager
- 2014: Schroders, Portfolio Analyst
- 2013: Schroders, Graduate Trainee, Economics desk
- BA (Hons) Business Economics, University of Exeter
- CFA Charterholder



Andrew Chorlton

Global Head of Fixed Income

- 2020: Global Head of Fixed Income, Schroders
- 2013-2020: Head of US Multi Sector & Fixed Income Solutions, Schroders
- 2007-2013: Principal and Portfolio Manager, STW Fixed Income Management
- 2001-2007: Senior Portfolio Manager, AXA Investment Managers
- 1997-2001: Portfolio Manager, Citigroup Asset Management
- 2001: CFA Charterholder
- 1997: BSc in Economics with Spanish from University of Birmingham

Biographies

Biographies of key investment professionals



Michael Lake, CFA

Investment Director, Fixed Income

- 2014: Joined Schroders in May 2014 from Amundi London Branch, Global Fixed Income team
- 2009: Crédit Agricole Asset Management (now Amundi) working as Global Bond and Currency Management Product Specialist
- 2005: Crédit Agricole Asset Management as UK and Irish Institutional Client Support
- CFA Charterholder and obtained the IMC in 2006.
- BA., English, St. Mary's College, University of Surrey



Jonathan Snow

Investment Director, Fixed Income

- 2019: Joined Schroders
- 2006: Genesis Investment Management – Director, Client Relationships and Product Specialist, EM equity
- 1998: Baring Asset Management – Product Specialist, Global Fixed Income and Currency (2000-2003 based in Tokyo)
- Associate of the UK Society of Investment Professionals (2003)
- BSc in Maths and Computer Science, University of Manchester

Important information

Marketing material for professional clients only.

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 amount originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

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Schroder UK Real Estate Fund

Q3 2020 Fund update

November 2020

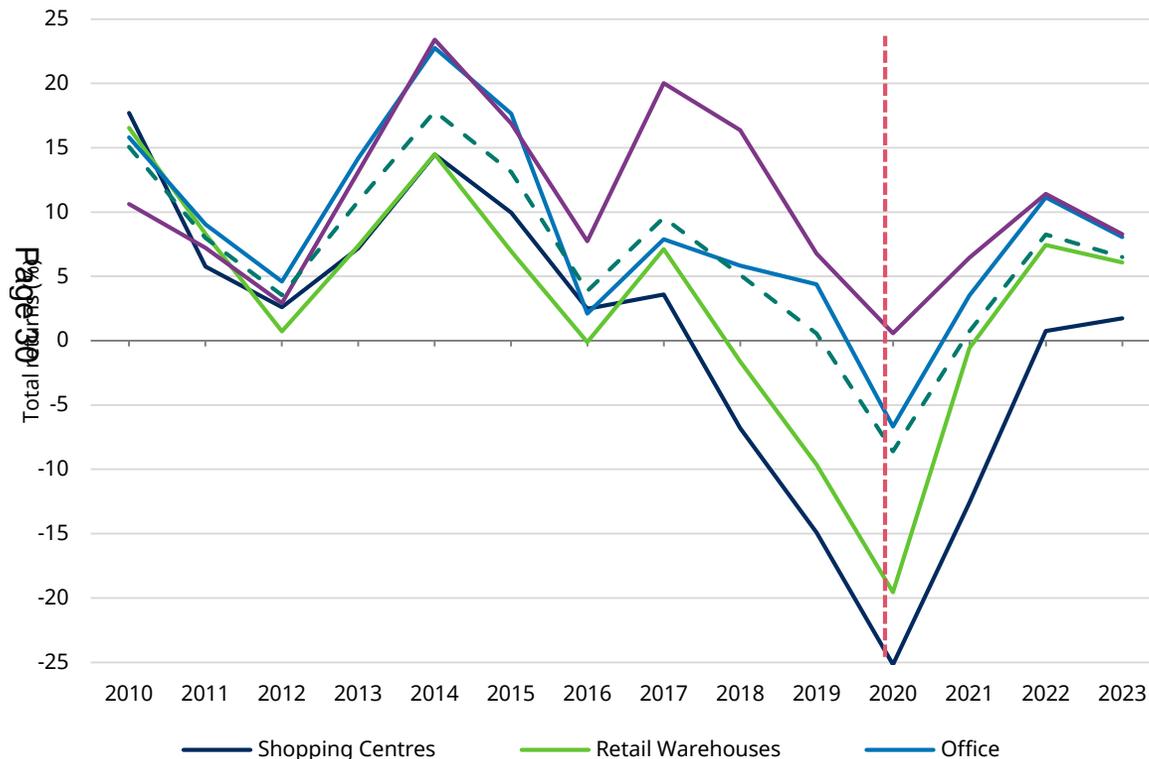
Freya Petty Manager, Real Estate Capital

Marketing material for professional investors or advisers only.

Fund performance to end Q3 2020 and outlook

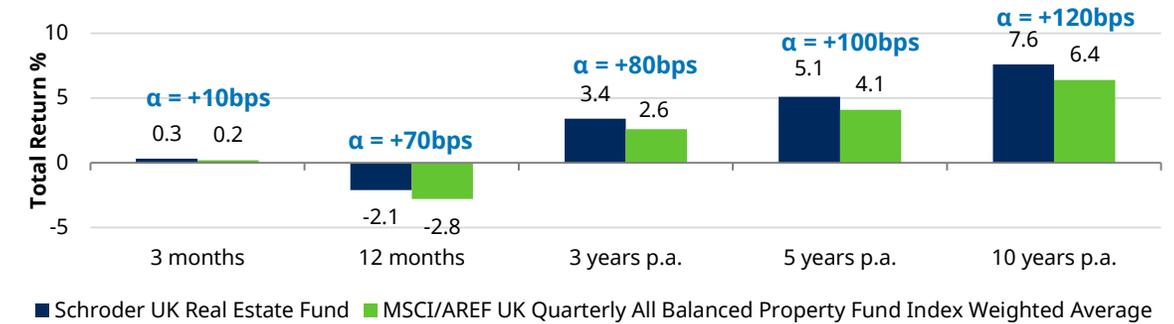
Forecast economic recovery over 2021-2022 will feed through to real estate markets

Office and industrial are likely to out-perform through 2021-2023



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. The return may increase or decrease as a result of currency fluctuations. Source: ¹Schroders, 30 September 2020. MSCI/AREF UK Quarterly All Balanced Property Fund Index. Performance is calculated on a net asset value (NAV) to NAV price basis plus income distributed, compounded monthly, net of fees and based on an unrounded NAV per share. ²Source Schroders/MSCI/AREF UK Quarterly All Balanced Property Fund Index, 31 December 2019.

SREF net NAV to NAV performance Q3 2020¹



Discrete annual performance as at 31 December 2019²

Performance (%)	Q4 2019 Q4 2018	Q4 2018 Q4 2017	Q4 2017 Q4 2016	Q4 2016 Q4 2015	Q4 2015 Q4 2014
Schroder UK Real Estate Fund	2.1	7.3	11.1	4.7	14.2
MSCI/AREF UK Quarterly All Balanced Property Fund Index Weighted Average	1.6	6.5	10.2	2.8	12.5

Schroder UK Real Estate Fund – risk considerations:

- No warranty is given, in whole or in part, regarding the performance of the Fund and there is no guarantee that the investment objectives of the Fund will be achieved
- The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed
- Property-based pooled vehicles, such as the Fund, invest in real property, the value of which is generally a matter of a valuer's opinion
- It may be difficult to deal in the shares of the Fund or to sell them at a reasonable price because the underlying property may not be readily saleable, thus creating liquidity risk. Shares can be purchased or redeemed upon application to the Authorised Corporate Director of the Fund, Schroder Unit Trusts Limited
- A potential conflict with the Manager's duty to the shareholder may arise where a transaction is effected for the Fund in the units of another fund(s) managed by the same Manager or an Associate of the Manager. However, the Manager will ensure that such transactions are effected on terms which are not materially less favourable than if the potential conflict had not existed

Schroder UK Real Estate Fund

Strength and depth of the wider SREF team, resources and governance

Schroder Real Estate Direct Investment Committee

 Mark Callender Head of Real Estate Research 30 years' experience	 Nick Montgomery Head of UK Investment 23 years' experience	 Jessica Berney Senior Fund Manager, UK 14 years' experience	 Duncan Owen¹ (Chairman) Global Head of Real Estate 30 years' experience	 Jonathan Harris Head of Continental European Investment 19 years' experience	 Roger Hennig Head of Switzerland Real Estate 28 years' experience
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Sustainability

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Charlie Jacques
Head of Real Estate Sustainability and Impact Investing
23 years' experience


Sam Benson
Sustainability Manager
6 years' experience


Nick Montgomery
Head of UK Investment
23 years' experience

SREF Fund management team

 Jessica Berney Senior Fund Manager, UK (maternity leave) 14 years' experience	 Rob Cosslett Acting Fund Manager 8 years' experience	 Emilia Tiernan SREF Investment Manager 10 years' experience
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Platform resources

 Freya Petty Manager, Real Estate Capital	 Mark Callender Head of Real Estate Research
 Nikki Keys Product Executive	 Jeremy Marsh Real Estate Research Analyst, UK
 Karen Archer Head of Operations	 Nick Pandolfino Fund Accountant
 Paul Clifford Fund Accounting Manager	 Andrew MacDonald Head of Real Estate Finance
 Rose Magee Operations & Insurance Assistant	 Jonathan Pang Research Data Analyst

Sector specialist investment resources

 Makoto Fukui Head of Central London 24 years' experience	 Harry Pickering Investment Manager, Head of Retail 13 years' experience	 Phil Scott Investment Manager, Industrial 10 years' experience	 Tom Newman Investment Manager, Offices 15 years' experience	 Tom Woolven Investment Manager, Retail 7 years' experience
 Annie O'Hara Investment Manager	 Ele Castelli Investment Analyst	 Patrick Wolstenholme Graduate Asset Manager	 Gabiella Peerman Investment Analyst	 Clive De Silva Fund Analyst

Third party providers

Property managers || Lawyers || Agents || EVORA Global Sustainability Consultants

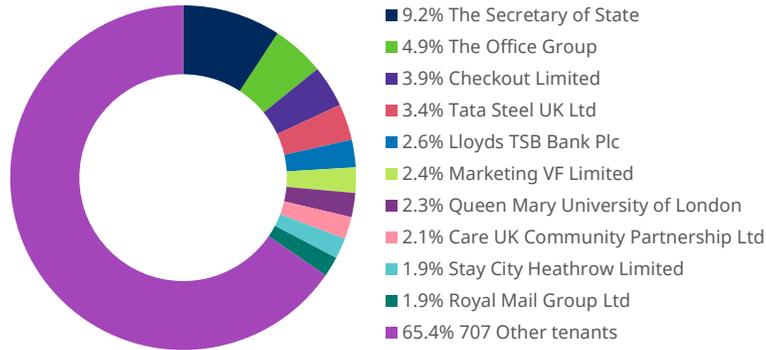
Source: As at October 2020. ¹Duncan Owen is due to be replaced by Sophie van Oosterom as Global Head of Real Estate on 1 January 2021..

Fund overview and positioning

Income is diversified, long term and positioned for growth

717 tenants

with the UK Government as the largest occupier. The proportion of Gov. income will rise to c.20% on completion of Croydon Building Two



18.5% inflation linkage

Long WAULT to break

High quality income is tied up for longer than benchmark



Strong growth potential

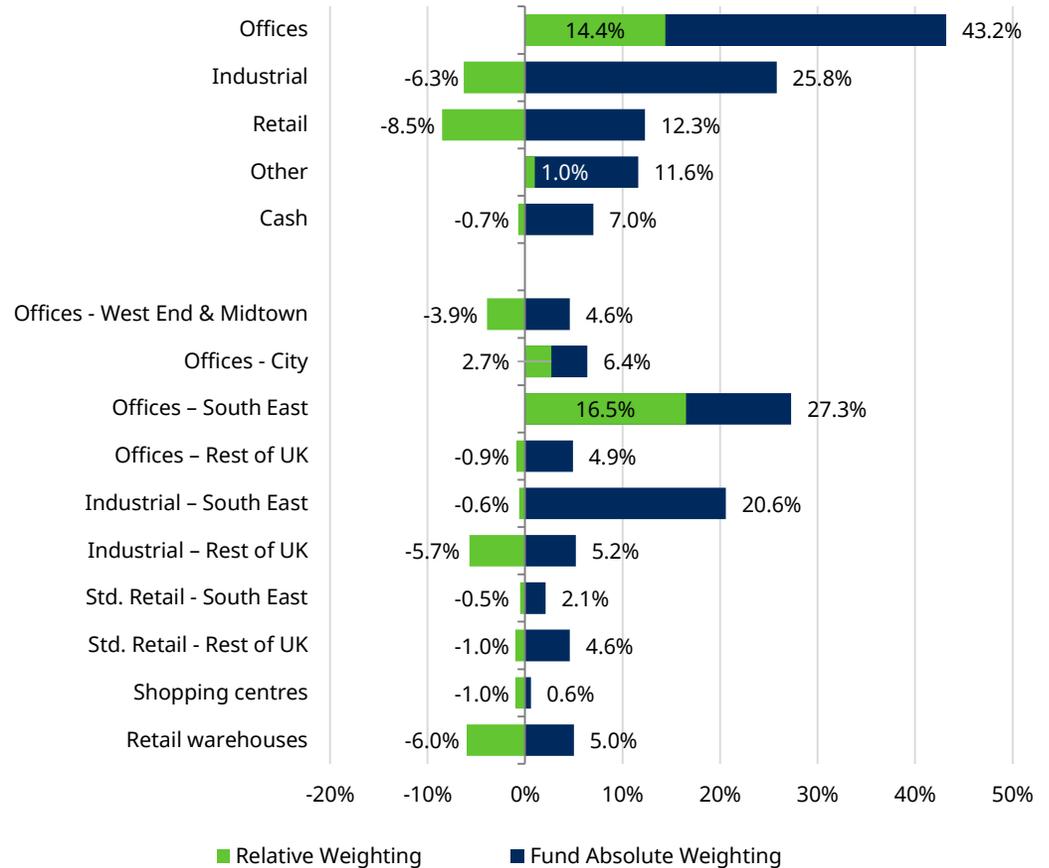
Rents are currently affordable for tenants, with sustainable future growth

Low income leakage

Void rate below benchmark



Defensive sector allocation with low retail weighting



Past performance is no guarantee of future results. Diversification cannot ensure profit or protect against loss of principal.

Source: Schroders, 30 September 2020. Notes: Benchmark: MSCI/AREF UK Quarterly All Balanced Property Index (Direct and Indirect). Notes: ¹Fund WAULT and void is provided as at 30 September 2020. Benchmark WAULT and void is as at 30 June - Q3 information is not yet available. Fund void rate excludes developments and AFL. ²Includes all directly held properties, all joint ventures plus the quoted initial yield on the indirect funds. Excludes land and development.

Strategic Priorities

Thematic research underpins strategic investment

- 1 Capturing and recycling profit**
 - Crystallising profit on completion of business plans
 - Divesting from low yielding assets at prices set to underperform
 - Investing in higher yielding asset with performance opportunities
- 2 Asset management execution**
 - Disciplined approach to business plan execution
 - Active asset management
 - Tenant engagement
- 3 Inherent opportunities**
 - Delivering enhanced returns from existing assets
 - Delivery of returns without having to compete in the investment market
- 4 Sustainable investment**
 - ESG and impact investing are integrated into all aspects of the assets life-cycle and reviewed annually
 - Increased occupier demand and therefore returns for sustainable assets

Business-plan led approach to generation of future performance, SREF has both short-term and long-term asset management opportunities



There is no guarantee that the investment strategy will produce returns or protect against a loss of principal.
Source: Schroders, October 2020.

Strategic sale to crystallise returns

Sale of Electra Business Park at premium price

Electra Business Park	Key Statistics
Sector	Industrial
Sale Date	October 2020
Sale Proceeds	£132.7 mn (net of top ups)
Net initial yield at sale	2.58% (1.99% net of top ups)
Passing Rent	£3.29 million per annum (£2.8 million per annum net of top ups)

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- 1 October valuation £100 million, significant premium in Q4 performance
 - £586 per sq ft capital value – record price
 - 12% total return p.a. since SREF developed in 2002
 - Business plan complete, limited future rental growth anticipated
 - Divesting out of low yielding assets anticipated to underperform
 - Proceeds to be reinvested into existing portfolio to generate enhanced income returns and future capital growth as well as selective acquisitions

£2.8m

Passing rent

£133m

Sale proceeds

2.58%

Net Initial Yield



Reinvestment focused on income growth



New acquisition building income return

Speculative development with income throughout

One Cambridge Square	Key Statistics
Sector	Office
Exchange date	September 2020 (speculative development)
Lot size	£45 mn maximum construction commitment for SREF
Target completion	Q4 2022
Area	99,793 sq ft



BREEAM®

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Forward funding of the development of One Cambridge Square, the second building (after the Novotel Hotel) to be built within the mixed-use 34 acre Cambridge North regeneration area

The development has planning consent for 99,793 sq ft NIA of office and ancillary retail space over basement, ground and 6 floors, with typical 15,643 sq ft floorplates and 56 parking spaces, 364 bicycle spaces, showers and changing facilities

- Cambridge is a winning city (above-average growth, young demographics, infrastructure improvements, technology and life-sciences cluster, world renowned brand) where SREF has no current exposure
- One Cambridge Square offers a rare freehold tenure in Cambridge and access to new Grade A, BREEAM Excellent stock in a highly competitive occupational and investment market
- Excellent connectivity to the rest of Cambridge and London due to proximity to newly opened Cambridge North railway station. Kings Cross in 61 minutes by train, London Stansted in 45 minutes
- Letting risk mitigated by the strength of the Cambridge occupational market, lack of void, sufficient control over the letting strategy and two years to pre-let (at least part) during construction
- Off market transaction with the principal developer in Cambridge Brookgate

BREEAM

EXCELLENT

Source: Schroders

£56m

**Anticipated NDV
post completion**

6.25%

**Income yield
throughout
development**

BPP

**BETTER
BUILDINGS
PARTNERSHIP**

target



ESG is integral to our investment process across the real estate life cycle



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Fund statistics¹



93%
SREF's coverage of landlord-controlled electricity on renewable tariffs for the 2019 financial year



23%
Reduction in the Fund's water consumption over the 2019 financial year



0%
Of Fund waste sent directly to landfill

56%
Of Fund waste recycled

44%
Of Fund waste incinerated with energy recovery



13%
Reduction over the 2019 financial year in landlord-controlled greenhouse gas emissions

Source: Schroders, data to end 31 March 2019.

Disciplined asset management

Our business-plan led approach proactively driving value

2 Ruskin Square	Key Statistics
Sector	Office
Acquisition date	Feb 2006 (development site a legacy portfolio holding)
Lot size	£217mn gross development cost
Occupier	Secretary of State for Housing Committee and Local Government
Lease terms	25 year term, with five-yearly RPI inflation-linked uplifts with a floor of 0% and cap of 4% p.a. 20 th year break subject to 2yrs rent penalty
Area	330,000 sq ft



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- Ruskin Square is a nine-acre mixed-use site adjacent to East Croydon station, aiming to generate long-term and secure income.
- Outline planning consent has been obtained for a multi-storey car park and 2 million sq. ft. of office, residential and restaurants.
- The first residential block of 162 units has been built and now been sold. The second and third residential buildings, a further 316 units, has received full planning permission and the strategy is being reviewed.
- The first office building was delivered in 2016 with a 25-year lease to HMRC with fixed uplifts to RPI at the first two reviews. 1 Ruskin Square equates to 7.1% NAV, £6.2 million per annum passing rent.
- The second office building has been designed, and successfully pre-let to the government, who will take a 25-year lease with fixed uplifts throughout once the 330,000 sq. ft. building is constructed. The tenant has a break option in the 20th year subject to a two-year penalty. 2 Ruskin Square will generate £11.1 million p.a. on completion in 2023, from a site which is currently non-income producing. The scheme will target BREEAM 'Excellent'.

10.7%
of Fund NAV
Source: Schroders

£6.9m
passing rent p.a.

£11.08m
Government income
generated p.a. (from
vacant land site)

19%
Government contractual
income post-completion





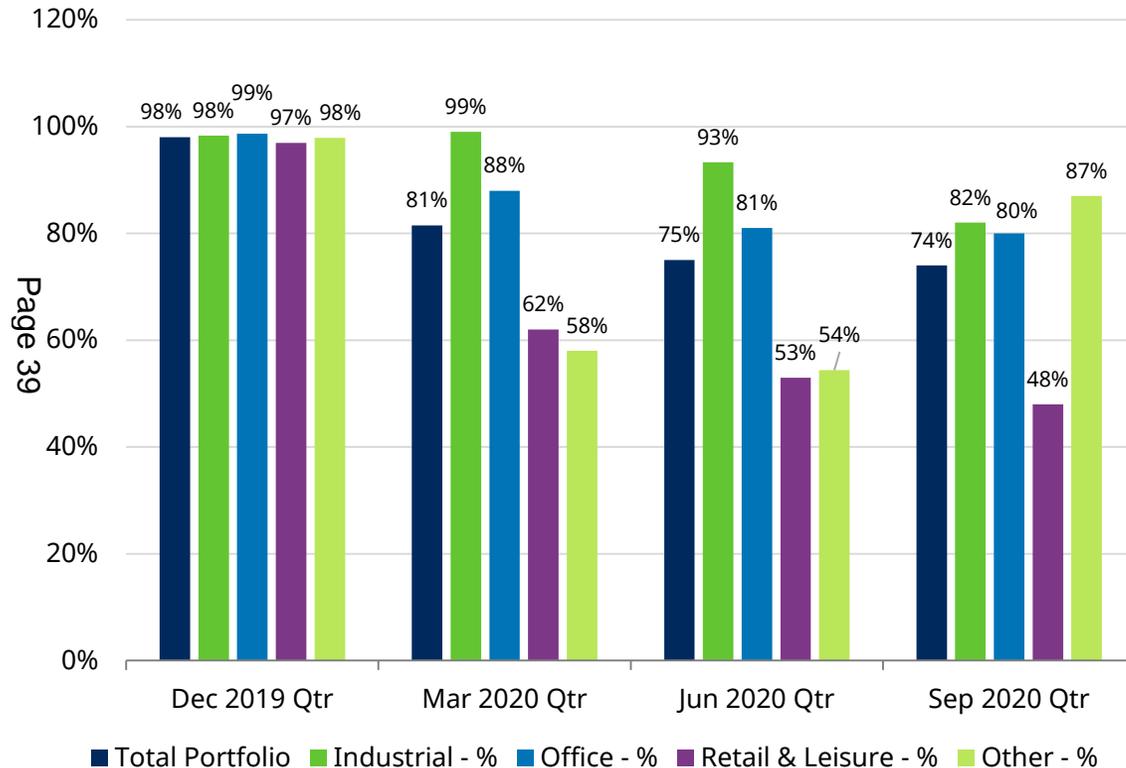
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Appendix

Covid-19 strategy and tenant engagement

Underweight retail and resilient covenant profile supporting positive rent collection

Rent collection profile¹



Case-by-case approach to rent concession requests²

	Income impact	Capital impact	Count ³	%
Rent deferment⁴	Negative short term, neutral medium term	Neutral	365	86.7%
Lease extension in return for rent free	Negative short term	Positive	41	9.7%
Remove break in return for rent free	Negative short term	Positive	11	2.6%
Leave in arrears	Neutral	Neutral	4	1.0%
Total			421	100%

¹Source: Schroders, 5 November 2020.

²Source: Schroders, 5 November 2020.

³Includes agreed deals and deals currently in negotiations.

⁴Includes monthly rent agreements.

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