

## Growth GBP

Data as at 31.12.2021

## Investment objective and strategy

For investors who wish to maximise long term investment returns, can tolerate a level of risk approaching that of global equity markets. There is a risk of capital loss as capital markets fluctuate. The Model Portfolio will use a broad range of investments on both a long term and an opportunistic basis and will allocate a high proportion of its assets to equity, or equity-like investments, including non-base currencies in pursuing its aims. Cash, fixed income and other defensive assets will normally account for only a small part of the Model Portfolio. The aim of the Model Portfolio is, in the longer term, to grow the value of the assets in excess of inflation.

Performance (%)<sup>1</sup>

|            | 1 month | 3 month | 6 month         | 1 year          | 3 year          | 5 year          | Since launch <sup>1</sup> |
|------------|---------|---------|-----------------|-----------------|-----------------|-----------------|---------------------------|
| Growth GBP |         |         |                 |                 |                 |                 |                           |
|            |         |         | Dec-20 - Dec-21 | Dec-19 - Dec-20 | Dec-18 - Dec-19 | Dec-17 - Dec-18 | Dec-16 - Dec-17           |
| Growth GBP |         |         |                 |                 |                 |                 |                           |

<sup>1</sup>The inception date of the Model Portfolio is the 1-Jan-2021 and in keeping with regulatory reporting standards, performance returns will be available after a 12-month period.

**Past performance is not a guide to future performance. The value of investments and the income received from them can fall as well as rise. Investors may not get back the amount invested.**

## Top 10 holdings

| Stock                                   | Asset class       | Portfolio Weight |
|-----------------------------------------|-------------------|------------------|
| Vanguard FTSE All-World ETF             | Equities - Global | 11.1%            |
| Vanguard S&P 500 ETF                    | Equities - US     | 9.1%             |
| JP Morgan America Equity                | Equities - US     | 8.9%             |
| Polar UK Value Opportunities            | Equities - UK     | 5.8%             |
| Robeco BP Global Premium Equities       | Equities - Global | 5.4%             |
| Trojan Income                           | Equities - UK     | 4.0%             |
| William Blair U.S. Small Mid Cap Growth | Equities - US     | 3.9%             |
| Schroder Asian Total Return             | Equities - EM     | 3.8%             |
| Lyxor Core US TIPS ETF                  | Bonds - US        | 3.8%             |
| Wellington Global Health Care Equity    | Equities - Global | 3.5%             |
| <b>Total</b>                            |                   | <b>59.3%</b>     |

Data subject to rounding where the holdings do not add up to exactly the figure stated

## Strategy characteristics

- Multi-asset approach, comprising passive and 'best of breed' specialist investments
- Constructed from a central investment process, designed to ensure a robust and repeatable approach to delivering on our core investment beliefs
- Our investment approach has Environmental, Social and Governance (ESG) at its core

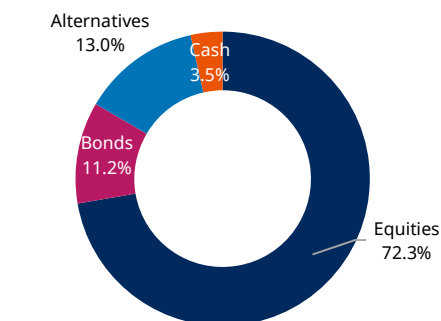
## About us

Schroders plc is the ultimate parent company of Schroders (C.I.) Limited. Schroders plc is a FTSE 100 company with over 750 investment professionals in 37 countries with assets under management of £700 billion as at 30 June 2021.

## Availability



## Current asset allocation



|                  |        |
|------------------|--------|
| Growth assets    | 50-80% |
| Defensive assets | 0-30%  |
| Diversifiers     | 0-30%  |
| Cash             | 0-20%  |

## Q4 Review

The fourth quarter, like much of 2021, was dominated by three key narratives: The resurgence of Covid concerns with the spread of the Omicron variant, central banks' reaction to high inflation figures, and concerns over Chinese growth centring around the growing property sector crisis. Whilst this resulted in heightened volatility during the period, global equity markets proved resilient, rising 6.2% over the quarter, extending 2021 returns to 20%. The US in particular performed well, rising 10% (marking the seventh consecutive quarter of positive returns), however emerging market equities did not fare as well falling 0.7% as the Chinese property sector crisis worsened with developers Evergrande and Kaisa Group both officially defaulting on bond obligations. Volatility was also reflected in sovereign bond markets. Whilst yields initially fell on Omicron uncertainty in November supporting capital values, the Bank of England's decision to raise rates in early December and the Fed's move to double the pace of tapering saw government bonds sell off into the end of the year. Whilst investor uncertainty has offered periodic support for government bonds, an expectation for monetary policy normalisation driven by both the continued economic recovery and elevated inflation data has seen yields trend higher over the year which we expect to continue into 2022.

## 2022 Outlook

Our base case is for strong, but slower growth in the year ahead. Whilst the fiscal impulse is likely to moderate, other factors including pent-up consumer demand and inventory rebuild, as well as lifting of restrictions in certain regions should keep growth at above trend levels in major economies. Inflation data could continue to rise in the first quarter, but is set to normalise thereafter. A combination of elevated consumer demand and ongoing supply side constraints could see pricing pressures persist in the near term. Supply bottlenecks should ease as the year progresses. Whilst demand could remain elevated, we expect inflation to fall from current levels. We anticipate that in the near term UK inflation data could continue to rise, peaking at 5.4% in April 2022, before normalising thereafter. 'Stagflation' remains a risk, but it is not our base case. We are moving past peak liquidity. As monetary and fiscal policy support is gradually withdrawn, a focus on fundamentals, valuations and earnings will matter more. Interest rates are likely to move higher in the UK and US, we do not however expect interest rates to return to long term average levels and to continue to live in a relatively low interest rate environment. Financial conditions are likely to remain supportive in 2022. Interest rates are rising from historically low levels whilst credit spreads remain tight and both corporate and household cash balances remain elevated. This should provide some support for risk assets. The expectation is for earnings growth to remain positive, although growth rates will be lower than they have been for the past 18 months. Profit margins may come under pressure if input costs remain elevated. Risks to the outlook remain. Along with the potential for a period of stagflation, covid-related risks remain, as well as the potential for a less benign geopolitical environment which may have implications for global growth.



## Investment Implications

Equities continue to look attractive. An outlook for above trend economic growth and a positive earnings backdrop should be supportive for equities despite slowing liquidity provision by central banks. Whilst valuation levels are elevated in the context of history, equities still provide more compelling value than bonds in general and are more able to generate positive real returns. We could see greater volatility in markets. Tightening monetary policy alongside other known risks could result in more uncertainty and volatility. Corrections are however less likely to be deep or prolonged in an expanding economy and may present opportunities. Higher quality companies look attractive in an environment of potential margin pressure from rising input costs. Companies with strong franchises and pricing power with the ability to pass costs on to consumers may be able to better defend profit margins.

The environment for government bonds could be more challenging. Nominal and real (inflation adjusted) yields could move higher from exceptionally low levels as monetary policy normalisation continues. This could pose significant headwinds to both nominal and inflation linked government bonds. Allocating to alternative assets could help better protect portfolios against inflation and market drawdowns in the current environment. Defensive assets such as gold and absolute return funds can help mitigate the risk of a market correction, whilst commodities can hedge against sharp rises in inflation.

Performance data is sourced from Lipper. Data in total return and GBP denominated unless otherwise stated. Yield data is sourced from Bloomberg.

To provide further insight into the Model Portfolio, we include an overall assessment of the impact of the Model's equity investments on people and the planet, and a comparison against 20% FTSE All Share and 80% MSCI AC WORLD ex UK GBP composite benchmark. We provide two metrics:

|                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                           |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Planet</b></p> | <p><b>Carbon emissions:</b> an aggregate of the annual scope 1 and 2 carbon emissions (in tonnes) that can be attributed to your holdings of the companies in which you are invested. For comparison, an average passenger vehicle emits 5 tonnes of CO2 each year, an average home emits 9 tonnes of CO2 each year and a flight from London to New York is equivalent to 1 tonne of CO2 emissions.</p>                                     | <p><b>Carbon footprint</b><br/><b>645 tonnes of CO2</b></p> <hr/> <p><b>vs benchmark</b><br/><b>836 tonnes of CO2</b></p> |
|  <p><b>People</b></p> | <p><b>Social dividend:</b> the overall social contribution of the companies in which you are invested, expressed as a percentage of sales. For example, a score of +2% means that the portfolio adds \$2 of benefits to society for every \$100 of sales. The social contribution of business that we value as part of this score includes aspects such as fair work, tax, medicine provision, financial inclusion and access to water.</p> | <p><b>Social dividend</b><br/><b>0.3% p.a.</b></p> <hr/> <p><b>vs benchmark</b><br/><b>-3.3% p.a.</b></p>                 |

Source: Schroders SustainEx. Equivalency data sources: EPA, UK Government. Flight emissions are based on a single passenger flying economy class. We are reliant on external providers for the underlying data for these metrics. Whilst we make every effort to ensure the accuracy of this data, it cannot be guaranteed. There may be some holdings where we do not have the underlying data, therefore we will only present these metrics to you when we have access to them for 80% or greater of the total value of your equity portfolio.

## Risk considerations

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**Interest Rate Risk:** For models investing in fixed income, changes in interest rates are likely to affect the asset's value. In general, as interest rates rise, the price of a fixed bond will fall and vice versa.

**Credit Risk:** The value of a fixed income security may fall, if the companies and governments who have issued the bonds, deteriorate in quality, or in the worst case scenario become insolvent.

**Liquidity Risk:** It may be difficult to sell some investments (or sell them without making a loss) due to an insufficient number of buyers in the market.

**Currency Risk:** The model will hold international investments, which may be affected by changes in currency exchange rates over time.

**Emerging Market Risk:** The model invests in markets where economic, political and regulatory factors can be significant. This may affect the liquidity, settlement and asset values. Any such event can have a negative effect on the value of your investment.

**Negative Yields Risk:** If interest rates are very low or negative, this may have a negative impact on the performance of the model.

**Equity Risk:** Equity prices fluctuate daily, based on many factors including general, economic, industry or company news.

**Counterparty Risk:** There is a risk that a counterparty may default or not comply with its contractual obligations resulting in financial loss.

**Capital Risk:** All capital invested is at risk. You may not get back some or all of your investment.

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

## Technical information

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**Portfolio launch date** 01-Jan-21

**Model portfolio fee** 0.25%

### Suitable for

General Investment Accounts

QROPS\QNUPS

RTS\RATS

**Estimated annual yield<sup>2</sup>** 0.89%

<sup>2</sup>Estimated annual yield is not guaranteed and is for illustrative purposes only. Forecasts are not a reliable indicator of future performance.

## Find out more

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Visit: <https://www.cazenovecapital.com/channel-islands/wealth-management>

## Disclaimer

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