

SCHRODERS CAPITAL
Private Asset Solutions



AGENDA



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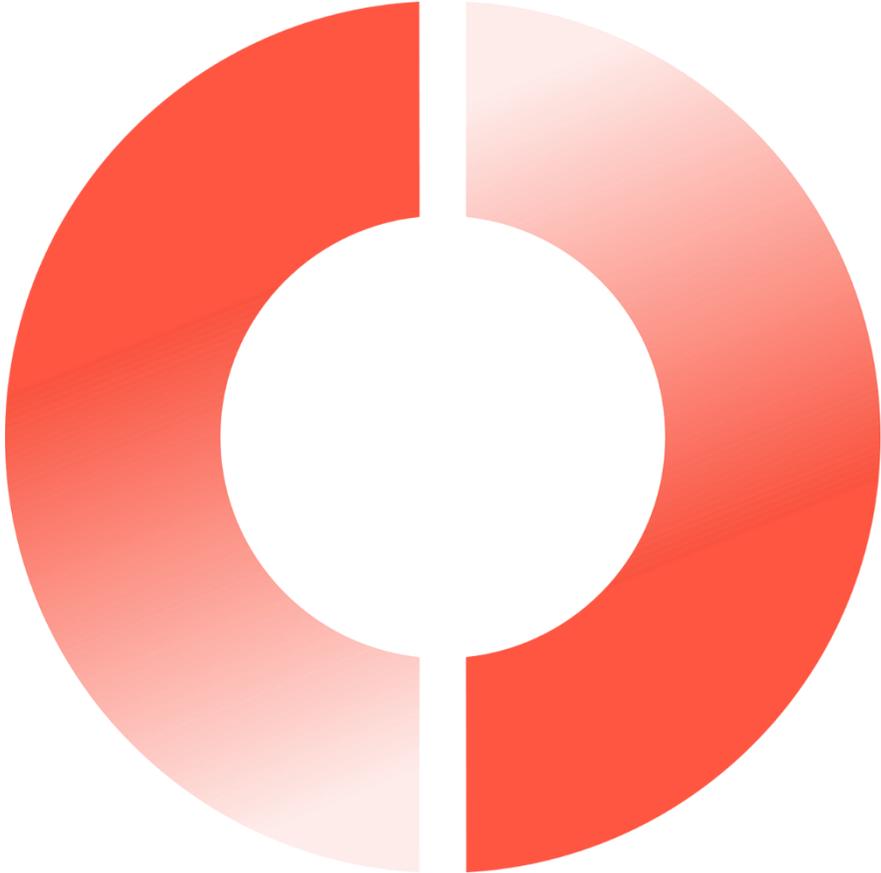
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SCHRODERS CAPITAL OVERVIEW

A business founded on performance, innovation and integrity

Schroders capital

\$86bn

Assets under management

Private Equity \$15.0bn

Small and mid-sized buyout in Europe and US as well as Growth investment in Asia and Global venture capital

Securitised Products¹ \$17.6bn

Full spectrum of securitised assets and asset-related private debt in data-rich credit sectors across the US, Europe and APAC

Real Estate \$29.7bn

Operational excellence, hospitality and sustainability expertise driving performance across the value chain in Europe and Asia

Infrastructure/Renewables \$14.9bn

Essential infrastructure in Europe across the capital structure

Insurance-Linked Securities \$4.5bn

Uncorrelated long-term returns across life and non-life insurance risk globally

Impact \$4.2bn

A global impact investment capability dedicated to generating lasting positive changes and attractive returns

30+

investment capabilities

270+

investment professionals

500+

employees

82%

of assets outperforming over 5 years

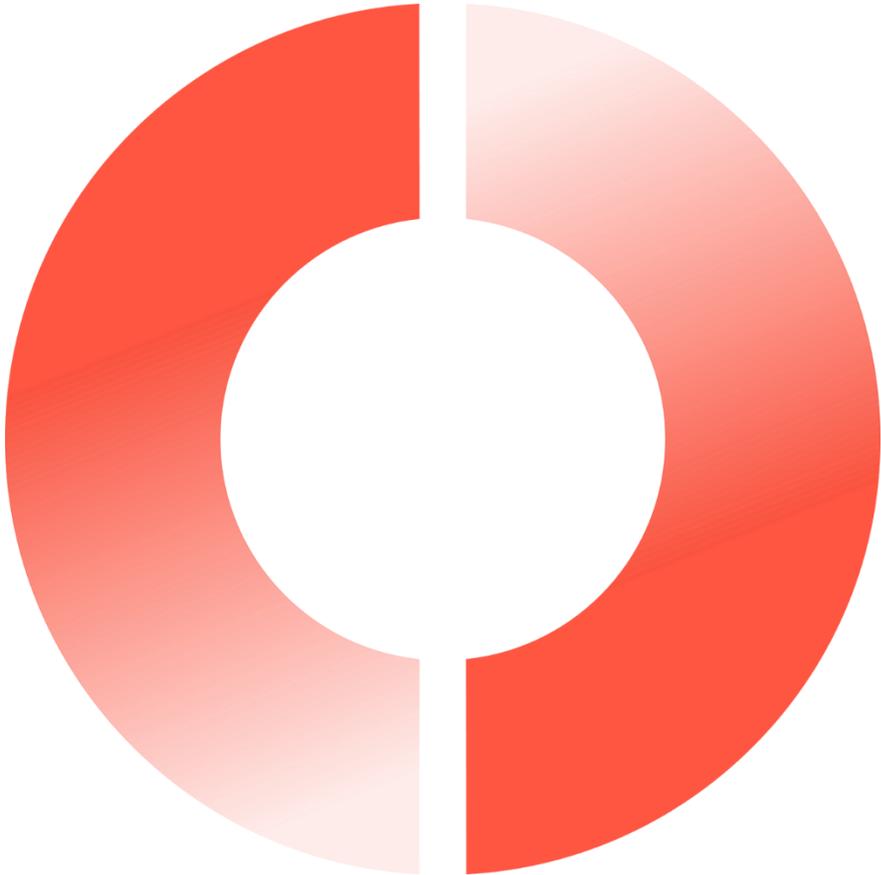
100%

ESG alignment

Past performance is not a guide to future performance.

Source: Schroders Capital, 2022. AuM and performance as of Q1 2022 (includes dry powder).

¹And Asset Based Finance.



*AN INTRODUCTION TO PRIVATE
MARKETS*

What are private markets

An explanation and categorisation of private markets

Key points

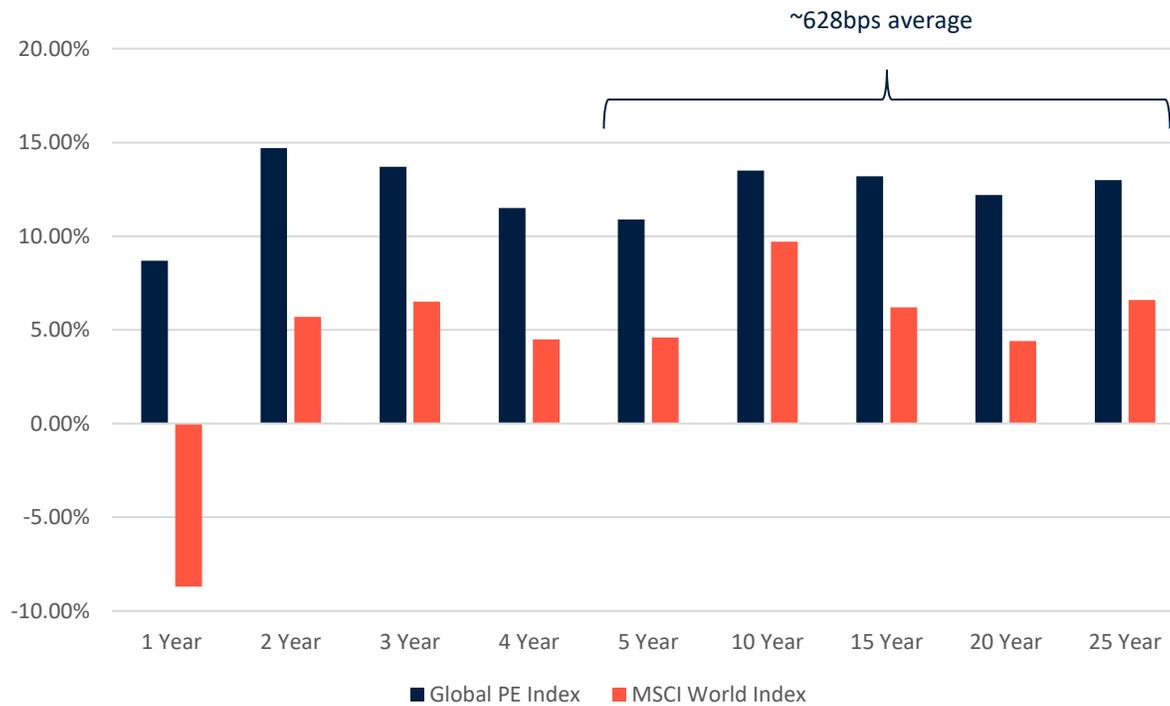
- Private asset investments, in simple terms, are opportunities that are unavailable through public
- Private asset classes offer the potential for a range of return profiles from attractive income, to capital growth and impact
- They enable investors to directly profit from long-term investment themes and can also provide access to specialist sectors or industries that are normally access restricted and capital intensive
- Private asset investments can be broadly categorised into two groups:
 - Private Debt: Providing private companies with financial capital through lending in return for contractual income
 - Private Equity: Taking a share or ownership in private companies (or companies that become private), with the aim of growth or income through dividends



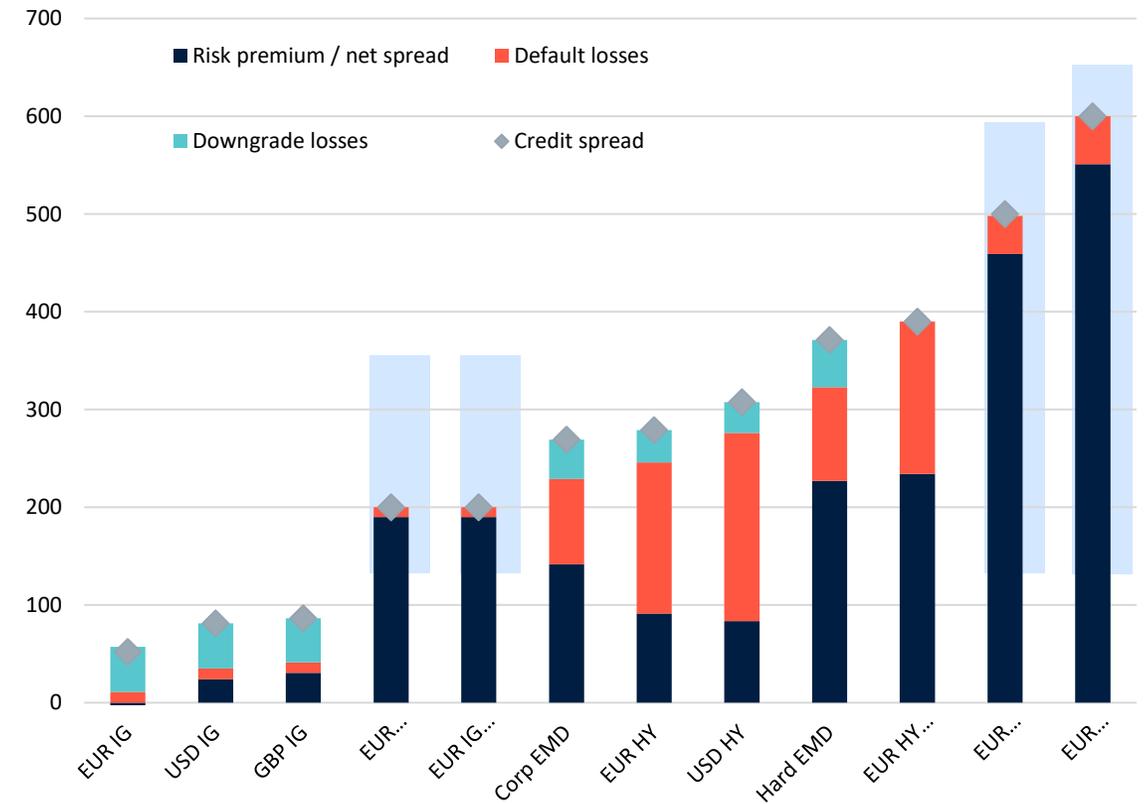
The investment landscape

Performance comparison of private vs public assets

Private vs Public Equity



Private vs Public Debt



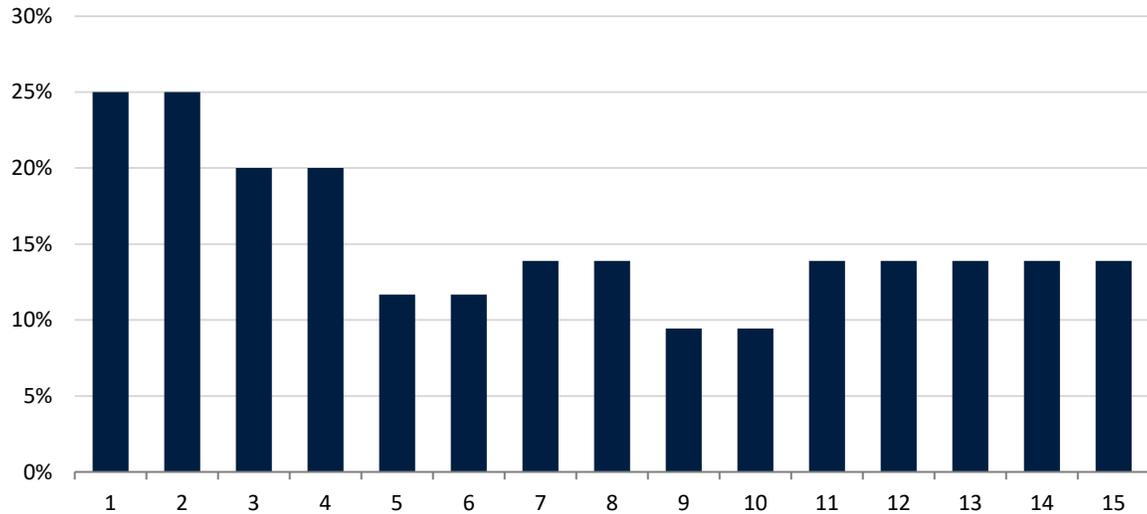
Source: Schroders Capital, 2021. There are no guarantees that the investment objective will be achieved.
 Source: Cambridge Associates LLC. Benchmark Statistics, MSCI. December 2019

Long-term commitment planning in private assets

Reaching and maintaining target allocation and flattening the J-curve

Illustrative commitment profile

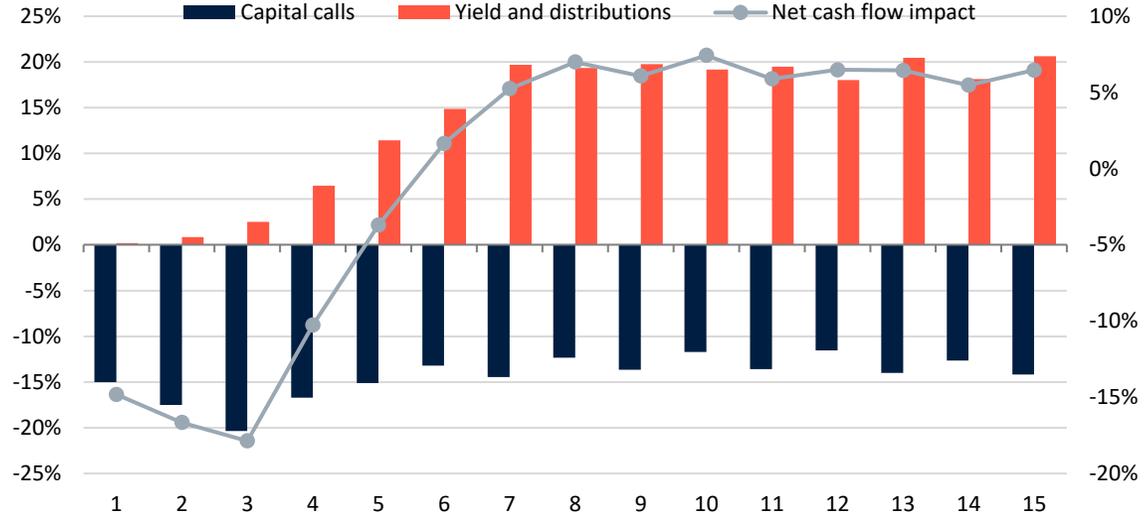
% of target allocation



Consistent deployment across cycle ensures vintage year diversification

Illustrative cash flow profile

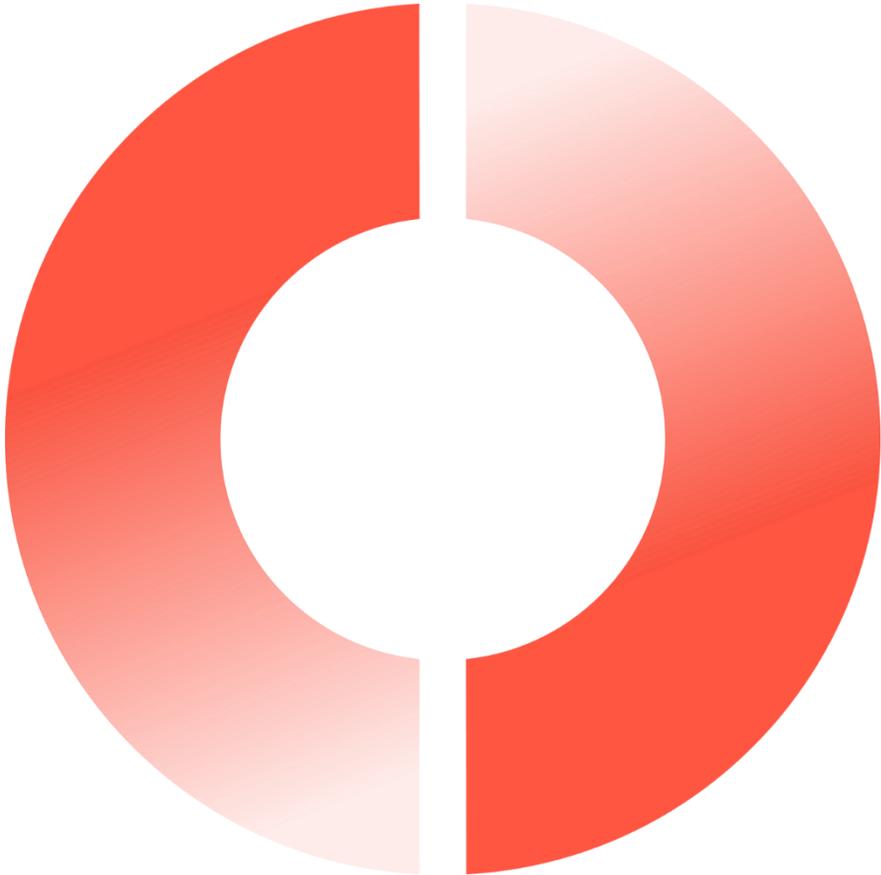
% of target allocation



Integrated portfolio management – cash flows needs and distributions, managed alongside overall portfolio

Continuous process requiring consistent market presence and portfolio feedback loop

Source: Schroders Capital, 2022

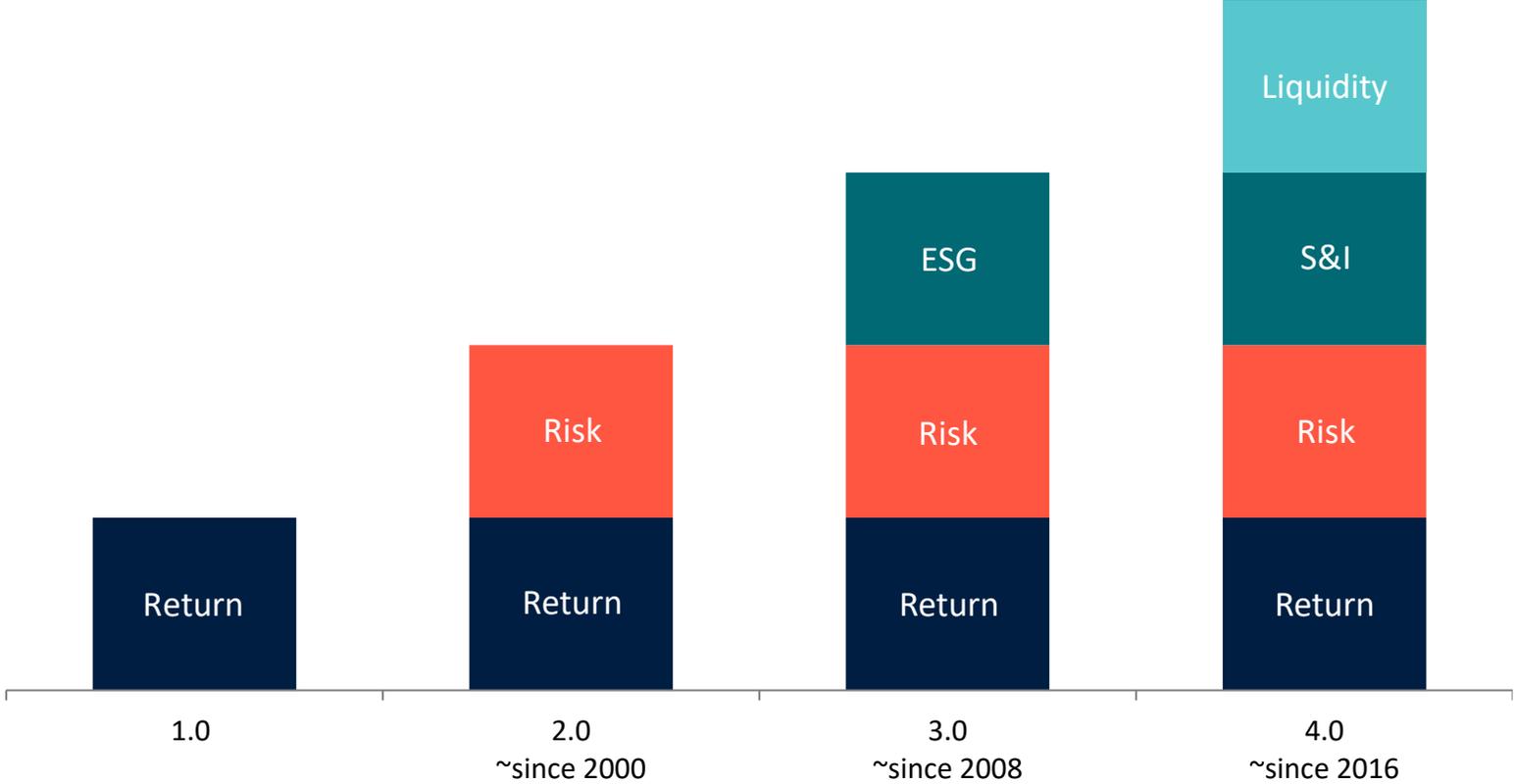


THE GROWTH OF PRIVATE MARKETS

Private markets overview

The evolution and future of private assets

Private Asset industry focus



Recent/Emerging trends

- New liquidity options and democratisation
- From ESG integration to sustainability and impact
- Better diversification within private assets
- From illiquidity premium to complexity premium

Source: Schroders Capital, 2022.

The demand for private assets

The four core pillars driving the private asset market of tomorrow



Returns

- Long term outperformance versus public market investments
- Illiquidity premium - excess returns that can be generated through a lack of liquidity
- Complexity premium – excess returns that can be generated through applying special skills to complex investment situations



Diversification

- Ability to generate a diversified return profile and lower for investors, when compared to public market securities
- Real assets can provide an income less impacted by inflation and are typically less correlated to traditional public bonds and equities



Sustainability & Impact

- Investment management can be more activist in privately held vs publicly held companies, and therefore exert greater influence over ESG factors
- The long-term benefits of building in ESG considerations go hand in hand with the long-term investment horizon



Democratisation

- New liquidity options (including semi-liquid evergreen structures) drive a continued democratisation of private assets, beyond the institution-heavy client base of today
- Providing access to a range of clients who have previously based access complexities

Focus on the complexity premium

The observed outperformance of private assets over comparable listed investments can be explained by these components:

1

An illiquidity premium – compensating investors for the inability to sell their investments

2

A complexity premium – or ‘skill premium’

3

Different risk premia, like a size premium for smaller investments

We believe that the growth of private assets over the last decade has reduced the illiquidity premium. Fund raising is, as discussed, now significantly above its long term trend in some areas. However, while the illiquidity premium is under pressure, the complexity premium and other risk premia are intact.

The complexity premium can be captured in private assets when two factors meet. Firstly, when a situation arises that is particularly complex in terms of access, risks and opportunity. Secondly, when rare skills are deployed to source, select and negotiate, develop and exit the investment. The nature of the complexity premium differs depending on the type of asset but both of these things are needed to it to emerge.



Correlation of private assets

It is important to understand the importance of diversification within private assets

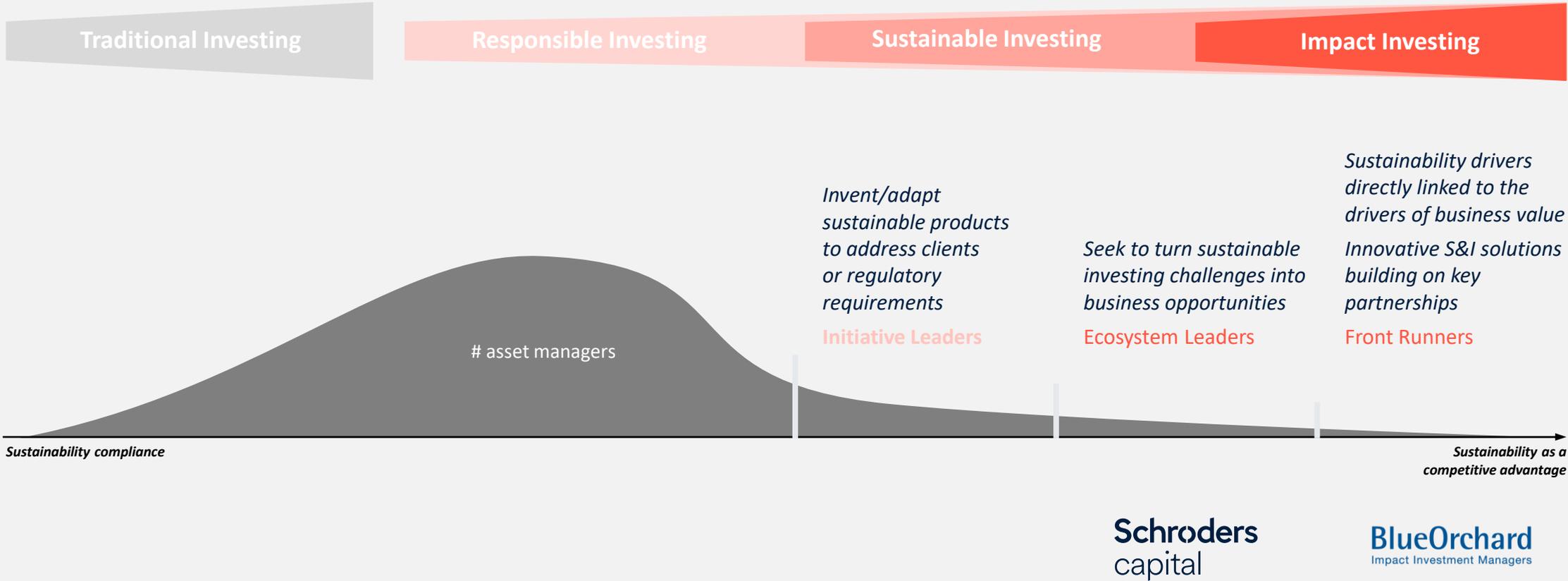
Estimated correlation vs. other comparable credit and equities, September 2008 to September 2020 (in £)

| | Infrastructure debt | Private debt | Real Estate debt | High yield | Leveraged loans | Equities |
|---------------------|---------------------|--------------|------------------|------------|-----------------|----------|
| Infrastructure debt | 1.0000 | | | | | |
| Private debt | 0.3636 | 1.0000 | | | | |
| Real Estate debt | 0.5960 | 0.7245 | 1.0000 | | | |
| High yield | 0.4428 | 0.4463 | 0.1535 | 1.0000 | | |
| Leveraged loans | 0.2966 | 0.7665 | 0.5602 | 0.5117 | 1.0000 | |
| Equities | 0.2970 | 0.6404 | 0.2240 | 0.7718 | 0.5979 | 1.0000 |

Source: Schroders, 2022.

Indices used for correlation table are as follows: Infrastructure Debt – Investment Grade European Utilities Index. Real Estate Debt – US Commercial Mortgage Backed Securities. Private Debt – Burgiss Private Debt Database. High Yield – Global High Yield. Leveraged Loans – US Leveraged Loans Index. Equities – MSCI ACWI.

Schroders Capital positioning in the S&I market



Source: BCG, Schroders Capital 2022

Robust and systematic approach to building sustainable change



Intent

Ensure that **sustainability and impact are represented** in the investment objectives and go beyond financial ESG risks

Promote **innovative investment solutions** and select like-minded partners



Contribution

Mid/long-term investment horizon

Proximity to the assets and implementation of our principles across the entire value chain of intermediaries we work with

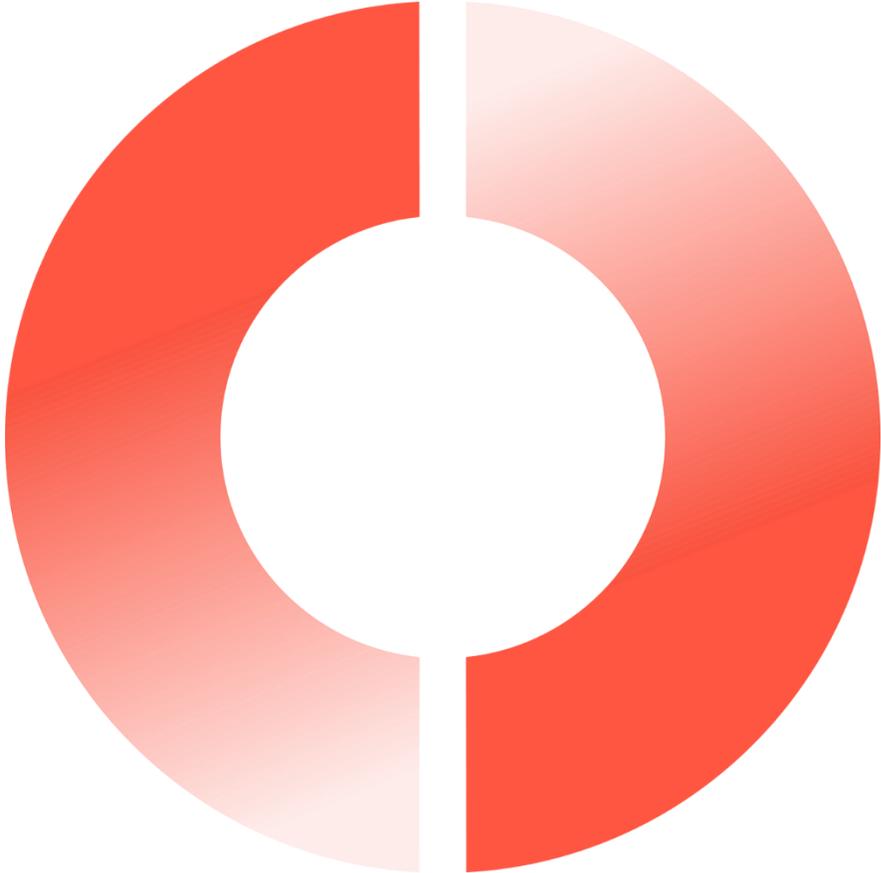
Active ownership and engagement



Measurement

Extensive range of sustainability and impact metrics to measure the effectiveness of our investments in achieving the goals set

Disclosure and transparency in a unified investment framework and reporting system (e.g. Impact Principles for Art. 9)



PRIVATE ASSETS FOR INSURERS

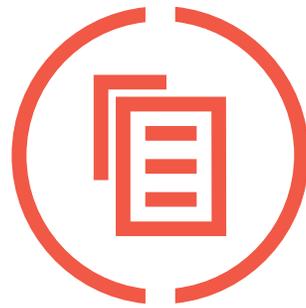
Key Considerations for investing in Private Assets for Insurers



Risk based capital

Capital charge treatment under Solvency II is a key consideration when accessing private assets.

Matching and diversification implications



Evolving regulation

Regulation can make certain features unattractive to insurers

Qualifying infrastructure investments

Treatment of long term equity (LTE)

UK Solvency II under review



Illiquidity & return

Enhanced return potential at the cost of liquidity

Consider which asset classes best suit your objectives and constraints

Summary: Why private assets are well suited for insurers



Well suited for asset liability matching



Yield enhancing and inflation linked characteristics



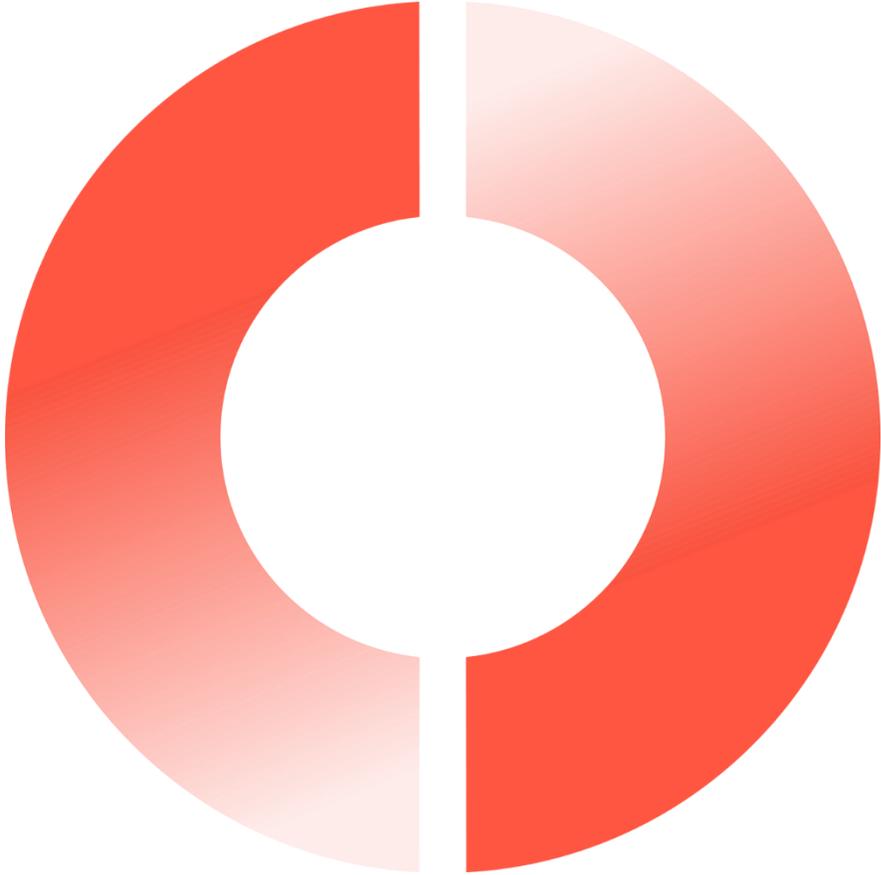
Diversification benefits complements traditional investments



Increased focus on climate and ESG – significantly accessible through private assets

Schroders Capital Private Asset Solutions

| |  Private Equity |  Credit |  Real Estate |  Infrastructure |  Insurance-linked |  Impact |
|----------------|--|--|---|---|--|--|
| Strategy | Small/mid buyouts Venture Capital Growth Capital Turnaround | Securitized Credit Multi-Sector Securitized Tactical Private Credit Multi-Private Credit Australia Loans | Equity Core/Core + Equity Value Add / Opp. IG, Senior & Stretched Debt Mezzanine Debt | Equity Core/Core + Junior Debt Senior Debt Renewables | Non-life risks Life risks All-ILS (Life & non-life) Insurance-linked PE & PD | Micro & SME Credit Infra Debt Private Equity |
| Deal type | Primaries Secondaries Co-investment | Public & private markets Co-investment Indirect | Direct Indirect Solutions | Direct (Brownfield) | Bonds & bond-like assets Securitized insurance & reinsurance contracts Private Debt & Equity | Direct |
| Sector & Theme | Technology Healthcare Diversified | CRE loans CMBS & RMBS CLO ABS | Commercial Hotels Healthcare Residential Diversified Impact | Renewables, Energy, Power Digital Infrastructure Transportation Environment Social Diversified | Property catastrophe Excess mortality & VIF Lloyd's and Run-offs | Financial Inclusion Climate Action Sustainable Infrastructure Gender Empowerment COVID-19 MSME Support |
| Geography | Europe US Asia & QFLP | Global | Europe UK Asia | Europe | Global | EM & Frontier Markets UK |
| Vehicle | SMAs Commingled Funds Co-Investments | SMAs Funds | SMAs Funds Co-investments | SMAs Funds Co-investments | SMAs Funds | SMAs Funds |



PRIVATE ASSET SOLUTIONS

Partnering with Schroders Capital

The three core pillars of our platform

Investment Capabilities

Diverse and exclusive access to worldwide investments, delivering market leading performance



Innovation & Solutions

Robust and innovative manager with a commitment to increase access and sustainability in private assets



Partnership & Collaboration

Expertise and experience in working with clients to provide additional investment services



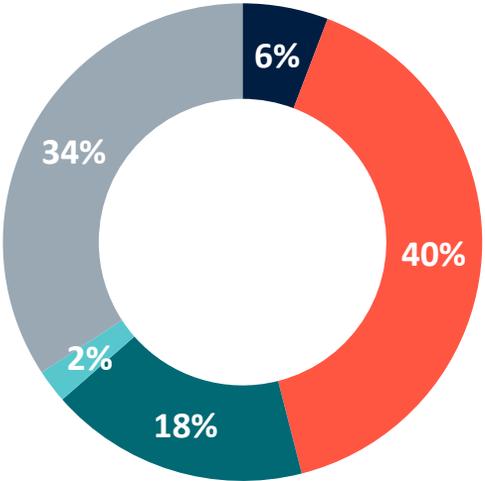
Providing clients access to leading global private market opportunities within a collaborative partnership model

Schroders Private Asset Solutions

Collaborative and tailored private asset solutions for a diverse client base

Deep expertise in mandate implementation

\$31bn
of AUM in single and multi-private asset solutions



■ Infrastructure ■ Real Estate ■ Private Equity ■ ILS ■ Credit

11 person dedicated team



Solutions focused around three core pillars of investment

1 Return Seeking Growth
Generating returns in excess of global equities of between 2–4% p.a. Generally through a 10 year+ closed-end structure.

2 Income – Secured & Enhanced
Providing enhanced income in excess of that available in higher yielding credit or secure, long term inflation-linked cash flows

3 Sustainability and Impact
Target long term S&I through greater control with investments in private companies and projects, whilst also delivering returns to outperform public market impact strategies.

Source: Schroders Capital, 2022

Building PA solutions

Collaborative and tailored solutions for each individual clients and group



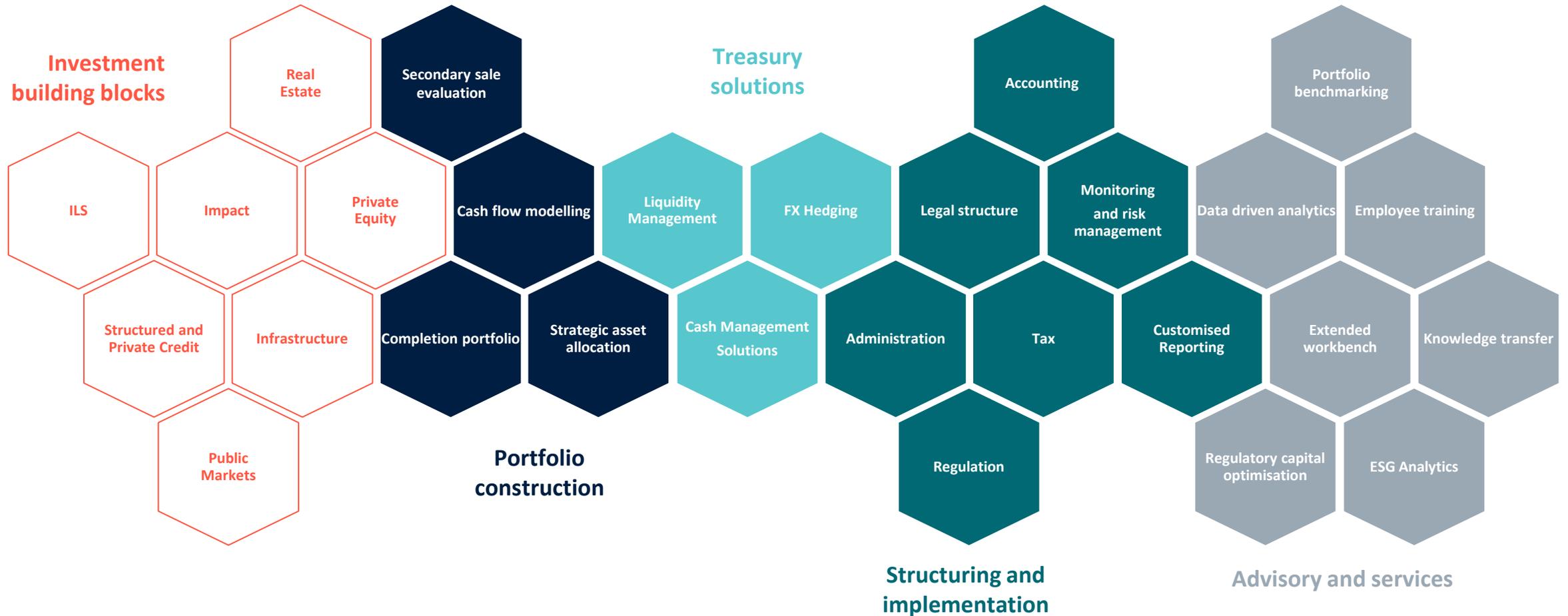
Our approach:

- Focus on outcomes not asset classes
- Broad investment perspective leveraging in-house investment teams income-oriented solutions,
- Depth of technical capabilities
- Strength in execution

Our Focus:

- Multi-private asset portfolios
 - income-oriented solutions,
 - sustainability and impact solutions
 - investors with complex operational and structuring challenges
-

The private assets solutions toolkit



Source: Schroders Capital, 2022.

How we design and implement bespoke solutions for our clients

1. Setting parameters based on client objectives:

- Target returns
- Risk budget
- Liquidity requirements
- Cash flows
- ESG objectives

2. Identify and assess investments compliant with objectives:

- Income-oriented assets
- Diversifying assets
- Return enhancement assets
- ESG

3. Design optimal target portfolio

- Robust modelling tools
- Iterative portfolio construction

4. Create relevant structure:

- Tax
- Regulatory and legal
- Administration and controls

5. Investment process

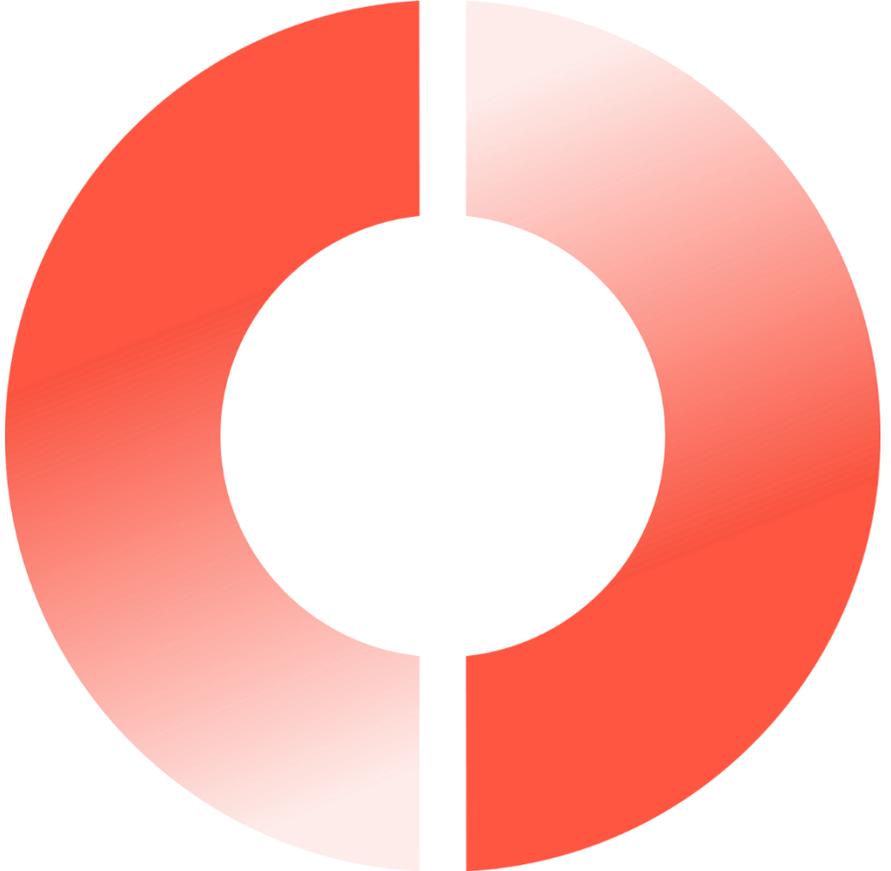
- DD and Investment Committee process
- Deployment/Commitment planning

6. Oversight and risk monitoring

- Reporting
- Ongoing monitoring
- ESG impact measurement

Solution design

Implementation and monitoring



APPENDIX

6

Dedicated Data Scientists embedded within Schroders Capital and supported by the Group data science team

100+

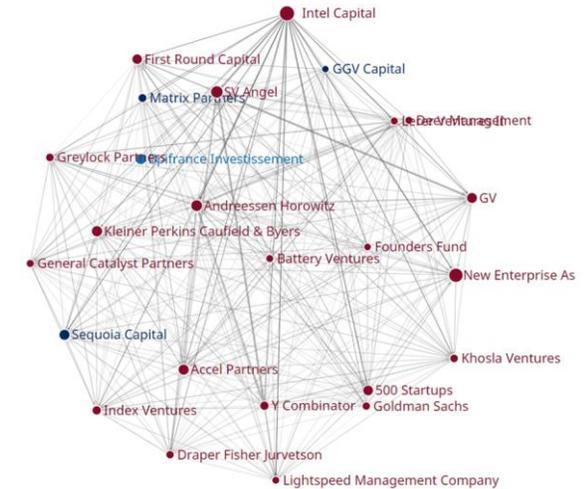
Data science insights completed in 2021 in collaboration with domain experts across the investment teams

Developing proprietary tools to add rigour and efficiency to investment processes

Going beyond what is currently available by providing new information and supplementing existing data sources through use of modern AI and Machine Learning algorithms

Advanced analytics, researching new and innovative ways to support the investment process through building tools to help investors visualise data and make investment decisions

Working in partnership with investment teams, surfacing critical insights in a scalable way to help our investors act with more information and greater conviction

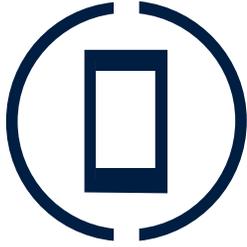


Examples:

- Develop a visualisation tool (above) to easily identify Venture Capital firms with similar characteristics based on 100K+ investments and deal syndication patterns
- Combine human assessments and machine learning to automatically create intelligent long-shortlist of potential PE investments globally
- Geospatial mapping tools created for securitised credit platform to assess population density and migration to ensure we align capital with winning cities

Technology is driving change

Technology is accelerating the growth and access of private assets to HNWI



Crowd funding and investment platforms through new devices

- New technology making it easier to access private investments and opening up to new entrants
- Popularisation of Dragons Den and Shark Tank, plus similar entertainment. Raising interest in private company investing



Automation of registration and subscription

- **KYC and AML** checks increasingly made easier using smart phones and video calls
- Private investors can open a new account in 5 minutes



Digitalisation of information

- Information flow to investors increasingly digitalised
- Virtual datarooms for online due diligence

We are bringing together extensive Sustainability and Impact (S&I) investing expertise

Extensive
Group-level resources

20 years+
of ESG integration

32
dedicated ESG specialists

A+
UN PRI annual assessment¹

Schroders

In-house expertise across
private asset classes

300+
Asset class specific ESG metrics

10
Dedicated private assets S&I
specialists

Impact Principles
A best-in-class sustainability and
impact investment
framework²

Schroders
capital

Market leading Impact Investing
know-how

20
years pioneering impact investing

7
Impact investment managers

90+
countries invested in

 BlueOrchard
Impact Investment Managers

(1) PRI, 2015, 2016, 2017, 2018, 2019 and 2020 Schroders Group Assessment Reports.

(2) Operating Principles for Impact Management see: www.impactprinciples.org

Fund structures

Characteristics of available private asset structures

| | Investment company | Mutual fund | Limited partnership |
|--------------------------------------|--|--|---|
| Common Form (Jurisdiction) | Investment trust (UK) | SICAV (Luxembourg) | SCS / SCSp (Luxembourg) Limited partnership (UK / Channel Is. / Delaware / Cayman Is.) |
| Liquidity | Closed-end (no redemptions) Liquidity via stock exchange listing | Open-ended; redemptions at intervals (typically no more frequently than monthly for funds investing in illiquid assets) | Generally closed-ended, although can also be open-ended Self-liquidating fixed term structures |
| Applicable Regulatory Regimes | <i>Manager regulation</i> – AIFMD <i>Product regulation</i> – none, except that as listed company subject to, e.g., Prospectus rules; Market Abuse Regulation | <i>Manager regulation</i> – AIFMD <i>Product regulation</i> – Part II, RAIF, SIF (Luxembourg); NURS, LTAF, QIS (UK) | <i>Manager regulation</i> – AIFMD <i>Product regulation</i> – generally unregulated but if established in Luxembourg may use RAIF or SIF regime |
| Governance | Independent board of directors Will constitute an AIF and therefore requires authorised AIFM (unless below size threshold) | Managed by authorised management company | Responsibility for management sits with general partner (usually an SPV) who will appoint an authorised management company |
| Subscription / Capital Calls | New shares subscribed at IPO or follow-on offering; otherwise investors acquire shares in secondary market | Shares / units subscribed at NAV on regular dealing day | Investors commit during 12-24m subscription period; commitments are paid into the fund when required for underlying investments during 3-4y investment period |
| Distributions | Subject to normal rules on payment of dividends | May make regular distributions or retain cash for reinvestment | Typically cash received from underlying investments is paid out to investors |
| Principal Benefits | No requirement for manager to manage assets to satisfy investor liquidity | Regulated mutual funds can be more attractive for certain categories of investor | Typically tax transparent Contractual structure facilitates flexibility around features such as capital calls, distributions, allocation of carried interest to managers |
| Other Considerations | Relatively high cost of establishment and onerous process for raising additional capital Incremental costs of satisfying Listing Rule requirements Shares may trade at discount (or premium) to NAV of underlying assets | Depending on applicable regulatory regime, may be more or less restrictive investment or borrowing powers (eg NURS limits % of assets that may be illiquid) Manager must operate fund in order to manage potential investor liquidity demands which may limit ability to invest in longer term more illiquid assets | Tax transparency can create issues for certain categories of investor which can be managed by feeder or parallel structures but all of which adds complexity |

Source: Schroders Capital, 2022

Risk Considerations

- While private assets investments offer potentially significant capital returns, funds and companies may face business and financial uncertainties. There can be no assurance that their use of the financing will be profitable to them or to any Fund. Investing in private asset funds and unlisted companies entails a higher risk than investing in companies listed on a recognised stock exchange or on other regulated markets. This is in particular because of the following major risk factors:
- **Investment risk:** Private asset investments typically display uncertainties which do not exist to the same extent in other investments (e.g. listed securities). Private asset investments may be in entities which have only existed for a short time, which have little business experience, whose products do not have an established market, or which are faced with restructuring etc. Any forecast of future growth in value may therefore often be encumbered with greater uncertainties than is the case with many other investments.
- **Capital loss risk:** 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.
- **Market risk:** Market risk is the risk of investment losses due to negative effects of the capital markets on the overall performance of the fund.
- **Credit risk:** The fund will have an investor commitment/draw-down funding model which exposes the investment vehicle to the credit risk of its investors. If an investor fails to comply with a drawdown notice, the investment vehicle may be unable to pay its obligations when due.
- **Liquidity risk:** Given the illiquid nature of private asset investments, investing in private assets are subject to asset liquidity risk. This liquidity risk is a result of the likelihood that a loss from current net asset value would be realised if an asset in the fund needed to be sold quickly in the secondary market to meet the obligations of the fund.
- **Currency risk:** Investments in companies or instruments which are denominated in currencies other than the fund's respective currency expose the fund to the risk of losses in case foreign currencies depreciate.
- **Operational risk:** Operational risks are risks of loss resulting from inadequate or failed internal processes, people and systems, or from external events conducted by Schroder Adveq and the managers the fund will invest alongside.
- **Valuation risk:** It may be difficult to find appropriate pricing references in respect of unlisted investments. This difficulty may have an impact on the valuation of the portfolio of investments of a Sub-Fund. Certain investments are valued on the basis of estimated prices and therefore subject to potentially greater pricing uncertainties than listed securities.

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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