



Schroders
capital

May 2022

*DELIVERING IMPACT THROUGH
PRIVATE ASSETS*

Tim Horne

Head of UK Institutional Defined Contribution

Marketing material for professional clients only.



*WHY ARE DC
INVESTORS
INTERESTED IN
PRIVATE MARKETS?*



Multiple portfolio benefits are driving global adoption



Illiquidity/
complexity premium



Impact and Sustainability



Real assets



Diversification



Closer to the assets

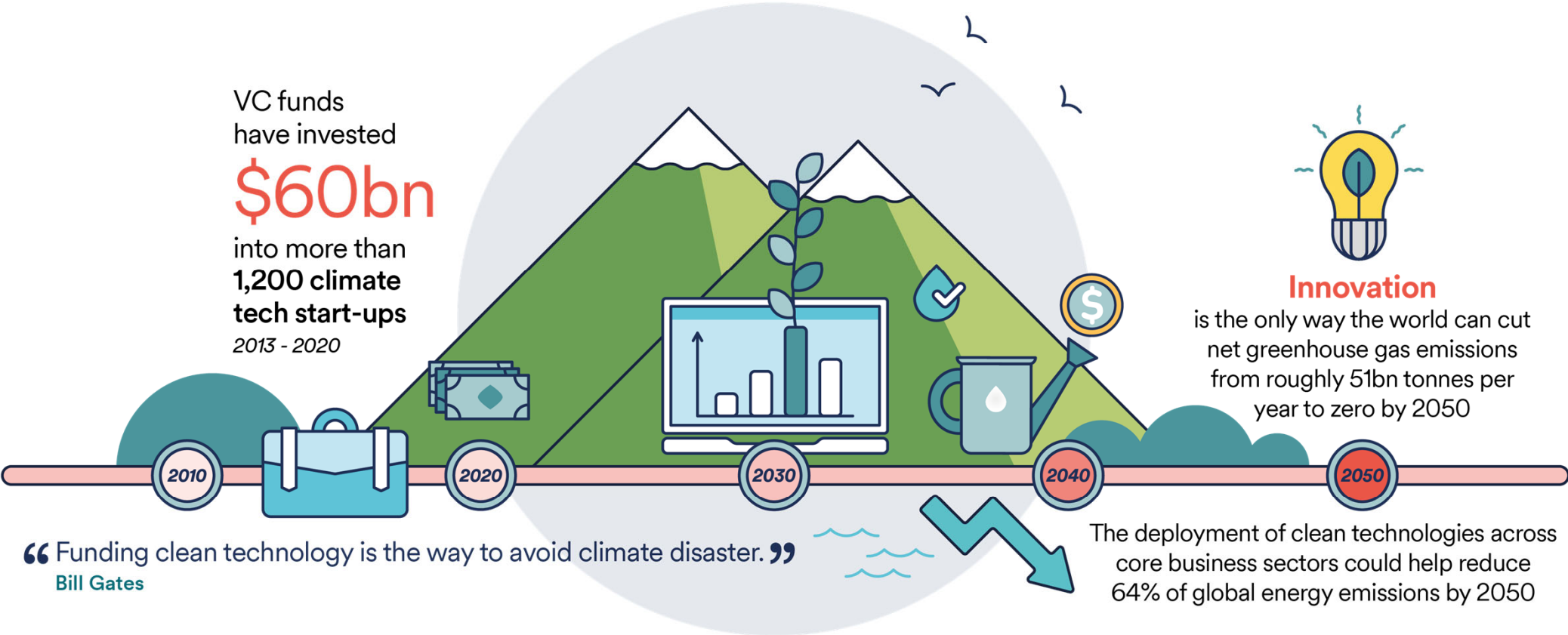


Access to high
growth industries

Past performance is not a guide to future performance.

Source: Schroders Capital, 2021.

Climate investing – Private Equity

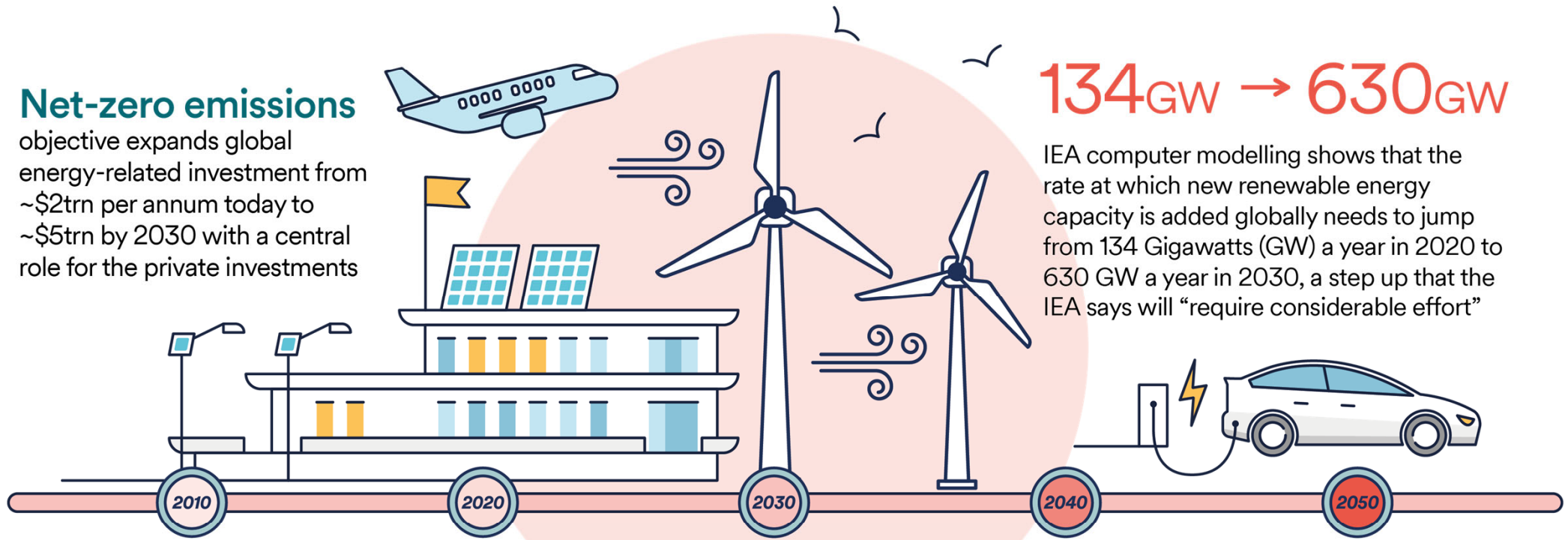


Source: Schroders Capital, 2022. Financial Times, 2021. GatesNotes – The Blog of Bill Gates - Why scaling innovation is key to stopping climate change, 2021. Edie, 2021.

Climate investing - Infrastructure

Net-zero emissions

objective expands global energy-related investment from ~\$2trn per annum today to ~\$5trn by 2030 with a central role for the private investments



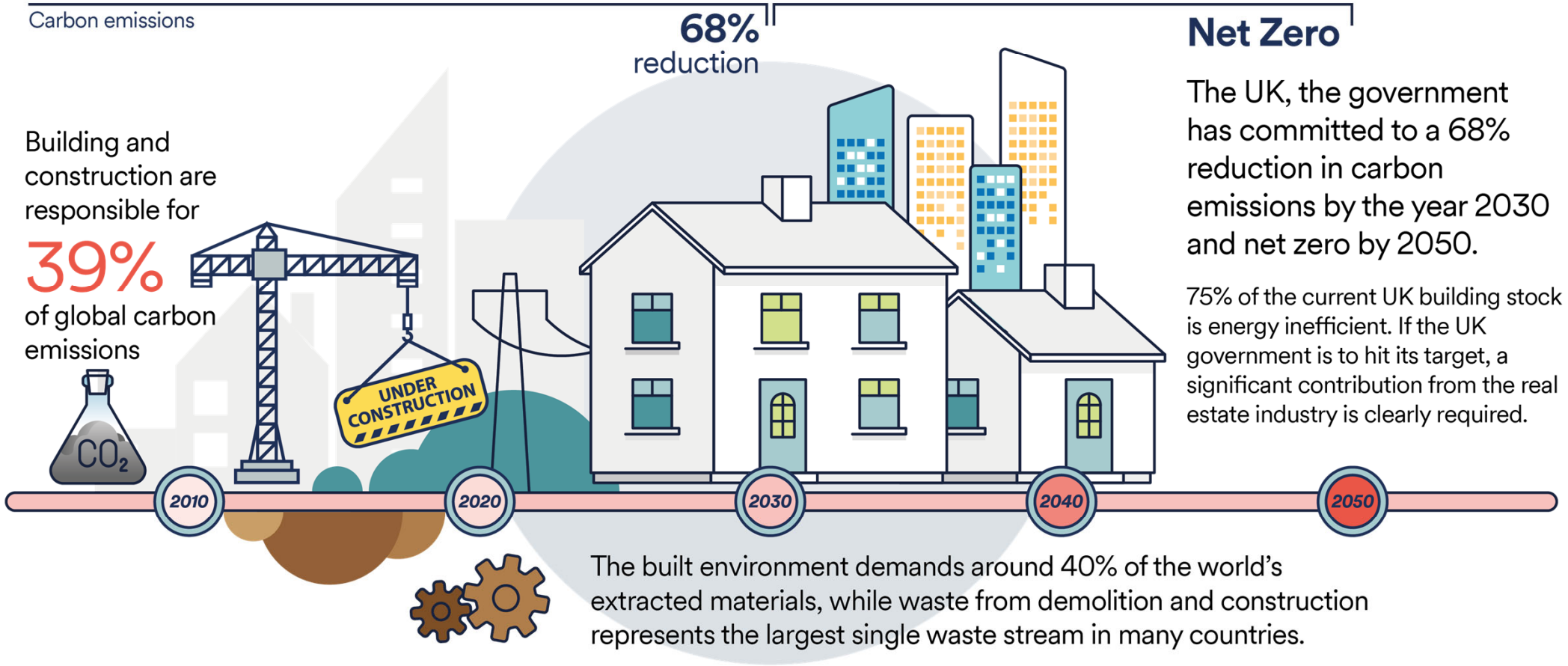
134GW → 630GW

IEA computer modelling shows that the rate at which new renewable energy capacity is added globally needs to jump from 134 Gigawatts (GW) a year in 2020 to 630 GW a year in 2030, a step up that the IEA says will “require considerable effort”

x6 Renewable energy needs to be scaled up at least six times faster for the world to start to meet the goals set out in the Paris Agreement

Climate infrastructure is driving investment flows with additional spend needed to adapt existing infra assets

Climate investing – Real Estate



Source: Schroders Capital, 2022. JLL, 2021. IPCC Report, 2021. Cushman Wakefield, 2021.

Climate investing – Natural Capital

Nature's assets. More than **50%** of global GDP, \$44 trillion of economic value, depends on natural resources

Renewables
(includes living things and non-living things that can regenerate)

...and non-renewable
(fossil fuels, soil and minerals that exist in finite amounts)

Nature's important benefits are called **ecosystem services**.

- They include:
- Food and water
 - Pollination
 - CO₂ capture

\$3 trillion cash value of what oceans will provide us annually from 2030



Source: Schroders Capital, 2022. World Economic Forum, 2020.

Climate change investing

Three pillars of contributing to a positive climate solution



Mitigation

Efforts to reduce or prevent emission of greenhouse gases through the use of new technologies and energy efficient equipment, or changing consumer behaviour.

Adaptation

Building resilience to climate change for individuals and communities through the process of adjusting to current or expected climate change and its effects.

Capture

Carbon Sequestration is the process of capturing carbon dioxide before it enters the atmosphere, transporting it, and storing it.

Source: Schroders Capital, 2022.

Climate focused investing

Building blocks for a diversified private assets portfolio



Renewable Energy

Wind
Solar
Hydro



Sustainable Transport

Ferries and Port Logistics
Public Transportation
EVs and Charging



Clean Technology

Climate Related Tech
Healthcare



Natural Capital

Forestry
Agriculture



Energy Infrastructure

Grid Infrastructure
Energy Storage
Energy Efficiency



Financial Inclusion

Access to Finance
Re(insurance)
Fintech



Social Real Estate

Town Centres
Workplaces
Homes



Data Infrastructure

Telecommunication Towers
Fibre Networks

Source: Schroders Capital, 2022. For illustrative purposes only and not to be considered a recommendation to buy or sell.

Investment case study

Examples of investment impact

Agricultural technology – ODA countries



Investment overview



Company will ensure **25m poor and vulnerable (income < USD 15 per day) people are to be covered with climate insurance**



Business model with high gross margins, recurring revenues (SAAS) and scalability with an **addressable market of more than USD 750m**



Up to **30% yield uplift for growers** and extension projects served by AgriTask and over 350 new jobs to be created by the company over the investment horizon



Most advanced provider of data-driven decision support tools for growers, ag-buyers and agricultural insurers in emerging markets

Source: Schroders Capital, 2022. For illustrative purposes only and not to be considered a recommendation to buy or sell.

Renewable energy – United Kingdom



Investment overview



The electricity generated from the plant will be **enough to supply 75,000 homes** and is the equivalent to nearly **70 million miles driven by an average car in the UK**



Predictable inflation-linked cash flows are underpinned by the ROC subsidy regime, with a floor within the PPA for the wholesale electricity price and long term operating contracts



The plant will **save over 250,000 tonnes of CO2e every year**, using locally sourced fuels (straw and miscanthus) **supporting jobs in the local agricultural and logistics sectors**



An **operational, subsidised biomass plant** in North Lincolnshire, with a capacity of c. 40.8MW

Measuring impact

Delivering climate impact through private assets

Strategy targets set per £10m invested¹



Mitigate
12,500
 tonnes of CO2 equivalent
 avoided



Adapt
300,000
 people with increased resilience
 to climate risks

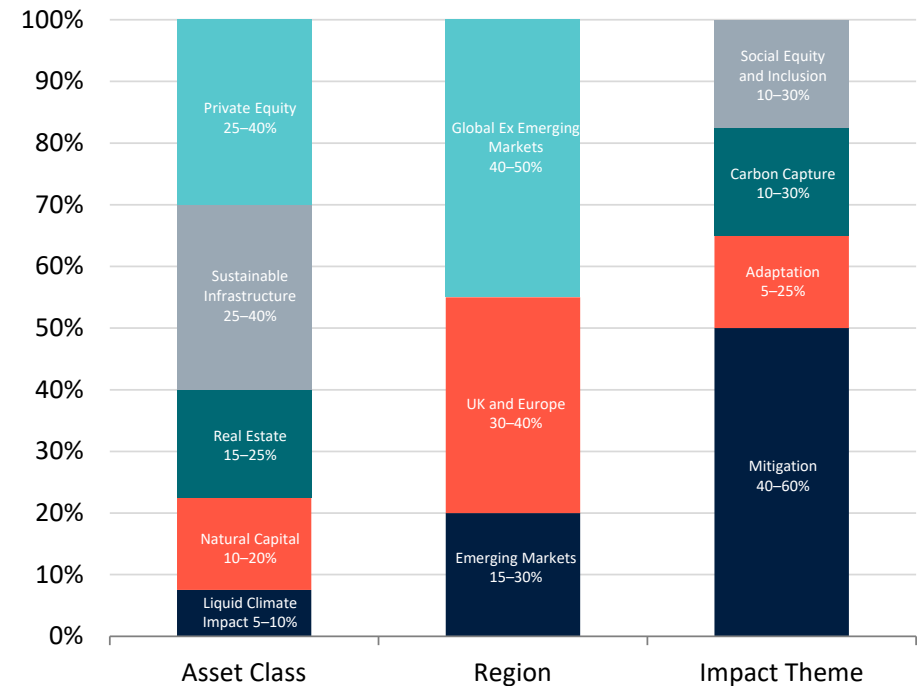


Capture
11,000
 tonnes of CO2 equivalent
 captured



Generated
<17,500
 tonnes of CO2 equivalent
 generated

How we currently think about asset allocation²



Source: Schroders Capital, 2022. ¹Estimated based on per £10 million of capital invested off of a fully year 5 invested portfolio and ranges used. Carbon footprint has been calculated using MSCI scope 1, 2 and 3 relevant industry data. Avoided emissions and captured carbon have been calculated using project based data. ²Chart is for illustrative purposes and may be subject to change.

Why private assets for climate investing?



Why Private Assets?

- Long-term outperformance versus public market investments
- Illiquidity premium - compensating investors for the inability to sell their investments
- Complexity premium – excess returns generated through applying special skills to complex investment situations



Diversification

- Ability to generate a diversified return profile and lower correlation for investors, when compared to public market securities
- Wider range of investment opportunities compared public markets



Sustainability and Impact

- Direct capital to asset classes that have a direct positive impact on climate change and other social issues
- The long-term benefits of building in ESG considerations go hand in hand with the long-term investment horizon

Source: Schroders Capital, 2021. For illustrative purposes only and should not be viewed as a recommendation to buy or sell. Long-term outperformance and excess returns are not guaranteed.



APPENDIX



BIOGRAPHY

Tim Horne

Tim.Horne@schroders.com



Tim Horne

Head of UK Institutional Defined Contribution

Responsibilities at Schroders Capital

Tim Horne is a Head of UK Institutional Defined Contribution at Schroders, responsible for sales and marketing of Schroders' DC Solutions to UK defined contribution pension schemes and their consultants. He joined Schroders in 2011 and is based in London.

Background

Previously Tim was a Senior Investment Consultant at Towers Watson from 2009 to 2011. Before this he a Client Director, Defined Contributions at Fidelity International from 2008 to 2009.

Education

Tim is a CFA Charterholder

Source: Schroders, 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.

Schroders has expressed its own views and opinions in this presentation and these may change.

This information is not an offer, solicitation or recommendation to buy or sell any financial instrument or to adopt any investment strategy. Nothing in this material should be construed as advice or a recommendation to buy or sell. Information herein is believed to be reliable but we do not warrant its completeness or accuracy.

Any data has been sourced by us and is provided without any warranties of any kind. It should be independently verified before further publication or use. Third party data is owned or licenced by the data provider and may not be reproduced, extracted or used for any other purpose without the data provider's consent. Neither we, nor the data provider, will have any liability in connection with the third party data.

The material is not intended to provide, and should not be relied on for accounting, legal or tax advice. Reliance should not be placed on any views or information in the material when taking individual investment and/or strategic decisions. No responsibility can be accepted for error of fact or opinion.

The forecasts included in this presentation should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

Any references to securities, sectors, regions and/or countries are for illustrative purposes only.

Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy or on request should you not have access to this webpage.

For your security, communications may be recorded or monitored.

Issued in May 2022 by Schroder Investment Management Limited, 1 London Wall Place, London EC2Y 5AU. Registered in England, No. 4191730. Authorised and regulated by the Financial Conduct Authority. UK003017 / UK004355

For readers/viewers in the European Union/European Economic Area: Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799. UK004425