

# Schroder Sterling Corporate Bond

## Sterling Corporate Bond

### Introduction

Schroder Sterling Corporate Bond aims to outperform its peers in the IA Sterling Corporate Bond sector and the ICE BofA Sterling Corporate & Collateralised (Gross Total Return) Index. The investment manager is not in any way constrained by the benchmark index. It is a quality, core, investment grade bond fund, focused on generating alpha. It does not focus heavily on duration or any other macro influences. It is also small enough to be flexible in a sector dominated by a small number of large funds which are more focused on macro calls.



[Click here to read the Schroder approach to ESG investing.](#)

### Why RSMR Rate this Fund

- Schroder has a very large global credit platform and a broader global fixed income capability which the experienced fund management team can draw upon.
- The investment process is designed to deliver consistent alpha through building an actively managed portfolio from multiple diversified investment themes. As with other Schroder fixed income funds, credit themes provide the top-down framework which is a key element of the investment process and an integral part of security selection. It is consistently applied and has been successful.
- The fund is still relatively small which provides it with a degree of dexterity that its larger competitors do not have.

### Fund Process

The investment process is designed to deliver consistent alpha through building an actively managed portfolio within the framework of multiple diversified investment themes. The aim is to deliver the majority of outperformance through credit selection. The managers believe there is more than enough alpha potential in credit to deliver the performance objectives in a well-diversified, risk-controlled manner.

In addition, they identify cross market relative value opportunities and risks to the market over the short to medium term. Cross market (often referred to as off-benchmark) opportunities are implemented through a themes-based security selection process. Risk management is embedded throughout the investment process, through a diversification of themes, in-depth proprietary credit research, and in portfolio construction, pre- and post-trade portfolio risk monitoring systems.

The team of credit analysts conduct in-depth research into the business models of the issuers they cover to understand the structure of the issuer, the supply chains, financing, revenue streams, customer bases, manufacturing process, research and development, governance, and management styles. This understanding puts the analyst in a good position to identify how themes are likely to impact the issuer over time. By working together as a team, analysts also identify the relationships between issuers, and the knock-on effects themes are likely to have across sectors. For example, as internet shopping continues to develop and evolve, consumer related companies with very strong brands and well-developed innovative internet trading models should be well supported, which lends support to specific areas of the real estate sector. They see analysts adding value by making forward looking assessments of companies in an ever-changing environment, identifying areas of the market that are under-researched by their competitors and working closely with the investment team to put high conviction behind strong views.

### Evaluation

Schroder Sterling Corporate Bond is a core investment grade bond fund offering, managed by an experienced team that has the ability to draw on Schroders substantial Global Credit and Global Fixed Income platforms. It is also small enough to give the fund managers the flexibility to exploit opportunities which larger funds cannot take advantage of.

### Application

This is a core investment grade corporate bond fund offering. It would be a good diversifier in a portfolio together with more macro driven options and/or esoteric options.

### Our Opinion

Schroder Sterling Corporate Bond is a quality core investment grade bond holding.

The underlying investment philosophy is based on the view that there are no short cuts to producing exceptional returns and that to deliver such returns the team need to implement a disciplined, iterative process and that the significant resource employed by Schroders enables them to do this on a scale which gives them a distinct advantage over most of their competitors.

Security selection and credit quality decisions within the framework of investment themes are typically more important drivers of excess returns than other factors. The mandate is wide-ranging and there are no positioning constraints relative to the fund's benchmark index.

### Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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