Schroder GAIA
Paulson Merger Arbitrage
A Accumulation Share Class

Fund Launch Date
25 June 2014

Total Fund Size (Million)
USD 67.4

Share Price End of Month (USD)
54.65

Fund Manager
John Paulson (Paulson)

Investment Objective and Policy

The fund aims to provide capital growth.

The fund may take long and short positions in shares, bonds and related derivative instruments in companies worldwide that are involved in mergers and other corporate events. The fund is not constrained by company size or sector.The fund applies a broad definition of what constitutes merger arbitrage – the manager considers all types of merger and acquisition transactions and other types of events such as corporate reorganisations, bankruptcies and liquidation scenarios. For example, the fund will take a long position in a company involved in a merger and acquisition transaction capturing the discount between the offer price and the target company's share price. For deals that appear particularly weak the fund may take a short position in a company involved in the transaction. The fund also participates in potential takeovers by establishing long positions in companies that are strategically attractive in consolidating industries.The fund may invest in less liquid, low or unrated securities or defaulted debt instruments. Investments in distressed securities will not exceed 20% of the Net Asset Value of the Fund. The fund may also invest in other financial instruments (including convertible bonds and warrants) and hold cash on deposit. Derivatives may be used to achieve the investment objective and to reduce risk or manage the fund more efficiently. The fund may use leverage.Recommendation: Investors should seek independent advice and satisfy themselves that they have an understanding of the techniques employed by the manager.

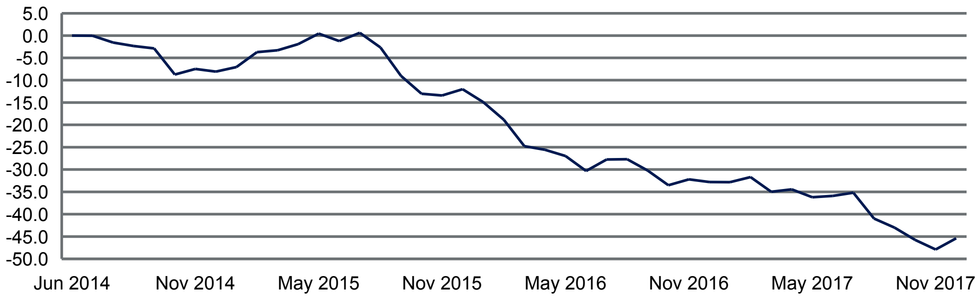
Performance Analysis

Performance (%)	1 month	3 months	YTD	1 year	5 years	Since Launch	Average p.a. since launch
Fund	4.8	-4.2	-18.7	-18.7	---	-45.4	-15.8

Monthly Returns (%)		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year End
2015	Fund	1.1	3.6	0.4	1.4	2.4	-1.7	1.9	-3.3	-6.5	-4.4	-0.4	1.6	-4.3
2016	Fund	-3.3	-4.7	-7.3	-1.1	-1.9	-4.6	3.7	0.1	-3.5	-4.7	2.0	-0.9	-23.6
2017	Fund	-0.0	1.7	-4.8	0.8	-2.7	0.5	1.1	-9.0	-3.4	-4.8	-4.0	4.8	-18.7

Discrete Yearly Performance (%)	Q4/2016 - Q4/2017	Q4/2015 - Q4/2016	Q4/2014 - Q4/2015	Q4/2013 - Q4/2014	Q4/2012 - Q4/2013
Fund	-18.7	-23.6	-4.3	---	---

Performance Since Launch (%)



The return received may rise or fall as a result of currency fluctuations.

Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get back the amount originally invested.
All fund performance data are on a NAV to NAV basis, net income reinvested. Data is not available for the time periods with no % growth stated. In case a share class is created after the fund's launch date, a simulated past performance is used, based upon the performance of an existing share class within the fund, taking into account the difference in the ongoing charges and the portfolio transaction costs, and including the impact of any performance fees if applicable.

Source: Schroders

Prospective investors should consult with their independent financial advisor with respect to their specific investment objectives, financial situation or particular needs to determine the suitability of investment.

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Risk Considerations

• ABS and MBS risk: Mortgage or asset-backed securities may not receive in full the amounts owed to them by underlying borrowers.

• Counterparty risk: The counterparty to a derivative or other contractual agreement or synthetic financial product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund.

• Counterparty risk / money market & deposit: A failure of a deposit institution or an issuer of a money market instrument could create losses.

• Credit risk: A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.

• Currency risk: The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses.

• Derivatives risk: A derivative may not perform as expected, and may create losses greater than the cost of the derivative.

• Emerging markets & frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk.

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

• Event risk: The fund will take significant positions on companies involved in mergers, acquisitions, reorganizations and other corporate events, which may not turn out as expected and thus may cause significant losses.

• High yield bond risk: High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk.

• Interest rate risk: A rise in interest rates generally causes bond prices to fall.

• Leverage risk: The fund uses derivatives for leverage, which makes it more sensitive to certain market or interest rate movements and may cause above-average volatility and risk of loss.

• 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: Failures at service providers could lead to disruptions of fund operations or losses.

• Short selling risk: The fund may take positions that seek to profit if the price of a security falls. A large rise in the price of the security may cause large losses.

• Capital risk / distribution policy: the expenses of this share class are paid out of capital rather than out of investment income. Capital growth will be reduced and in periods of low growth capital erosion may occur.

Fund Manager Comment

We are deeply disappointed with the fund's performance in 2017, which is the second worst year in our history. We want to take this opportunity to once again apologise. We believe December highlights just how quickly performance can turn around with the large imbedded optionality in the portfolio, and we remain optimistic on the fund's outlook entering 2018.

The government-sponsored enterprises (GSEs) were the largest contributor to performance after it was reported that senators Bob Corker and Mark Warner have been working on a reform bill that would preserve Fannie Mae and Freddie Mac. Reportedly, the plan would be positive for preferred shareholders, and our securities rallied 30% on the news. Another good development was the US tax reform bill's passing, which was the prerequisite Treasury Secretary Mnuchin cited before focusing on GSE reform. The Federal Housing Finance Agency and US Treasury Department also reached an agreement to allow the entities to retain capital buffers of $3bn apiece, marking the first changes to their bailout arrangements in five years. We believe restoring the GSEs is in the interest of US tax payers and the housing market, and anticipate a positive outcome this year.

Mylan was a positive contributor in December, appreciating 16%. Mylan's generic Copaxone continues to gain market share, and its generic versions of Estrace and Herceptin recently received approval, all positive developments which increase investor confidence in Mylan's generic pipeline and ability to execute. We still believe Mylan is fundamentally undervalued, trading at less than 10x consensus 2017 earnings.

While the specialty pharma sector has faced several challenges over the past couple of years, we believe these issues are being addressed across the industry and will dissipate over the near-term. Companies are generally keeping price increases to less than 10%, continuing to de-lever, and we are seeing signs of the pricing pressure on US generics bottoming. Furthermore, the lines between 'specialty' and 'large pharma' are more blurred than ever; companies such as Allergan and Shire have enterprise values close to that of 'large pharma's' and are spending significantly on innovative R&D focused on new biotech and other breakthrough drugs. We believe this deep mispricing is unsustainable and that valuations will improve as the market eventually gives credit to company fundamentals, or as companies take advantage of the opportunity for strategic acquisition at attractive prices.

In the announced deals portfolio the spread of Sky/21st Century Fox tightened after Disney's announced $52.4bn purchase of assets from 21st Century Fox in which Disney would assume full ownership of Sky if the deal closes. At month end the annualised spread was 17% with an expected close by 30 June 2018. Moving on to Time Warner Cable/AT&T, we expect a decision from Judge Leon in Q2 2018, and believe the odds favor AT&T prevailing against the Department of Justice. We stand to capture the deal's 34% annualised spread if the deal closes, and given Time Warner's strong business we believe there is good downside protection.

We continue to see healthy M&A activity in both the US and globally across a variety of different sectors, with 2017 M&A volumes largely in line with 2016 at $3.7 trillion. The uncertainty surrounding potential tax reform kept some deals in the pipeline from being announced in 2017, so the successful passing of the bill should be a positive catalyst for M&A activity in 2018.

The fund's overall adjusted net exposure increased from 22% to 28%. Long exposure to announced deals increased from 13% to 16% and event/merger arbitrage net exposure increased from 22% to 29%. The top 10 positions on the long side represent 62% of the portfolio, in-line with historic levels.

Portfolio Structure

These figures are on a delta-adjusted basis.

Cash adjustment is to account for the cash portion of deals (sourced directly from Paulson & Co.).

Source: Schroders

Exposure Analysis (%)	
Gross Equities Long	78.8
Gross Corporate Bonds Long	9.4
Gross Equities Short	-46.7
Fund Gross Exposure	**134.9**
Fund Net Exposure	**41.6**
Fund Gross Exposure (delta-adjusted)	**134.9**
Fund Net Exposure (delta-adjusted)	**41.6**
Cash Adjustment	**13.3**
Fund Net Exposure (delta & cash adjusted)	**28.3**

Number of Positions	
Long	23
Short	4

Strategy Exposure

	Long	Short	Net
Announced Deals	16.4	-3.7	12.7
Offers	0.0	0.0	0.0
Event / Merger Arbitrage	71.8	-43.0	28.8
Market Hedges	0.0	0.0	0.0

Holdings Analysis

Stock names have been suppressed. Investments in single sector market index instruments will be classified in the relevant sector, where relevant.

Source: Schroders

Top 10 Long Holdings

	Sector	Country	% NAV
1.	Health Care	United States	9.8
2.	Health Care	United States	9.5
3.	Consumer Discretionary	United States	7.5
4.	Health Care	United States	7.4
5.	Financials	United States	4.9
6.	Consumer Discretionary	United Kingdom	4.7
7.	Telecommunication services	United States	4.6
8.	Financials	United States	4.5
9.	Information Technology	United States	4.5
10.	Consumer Discretionary	United States	4.4

Top 10 Short Holdings

	Sector	Country	% NAV
1.	Market Index	United States	-23.0
2.	Health Care	United States	-15.9
3.	Information Technology	China	-4.1
4.	Telecommunication services	United States	-3.7

Asset Allocation (%)

Long

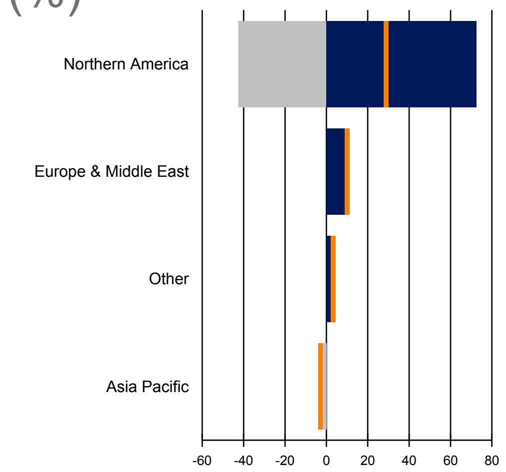
Short

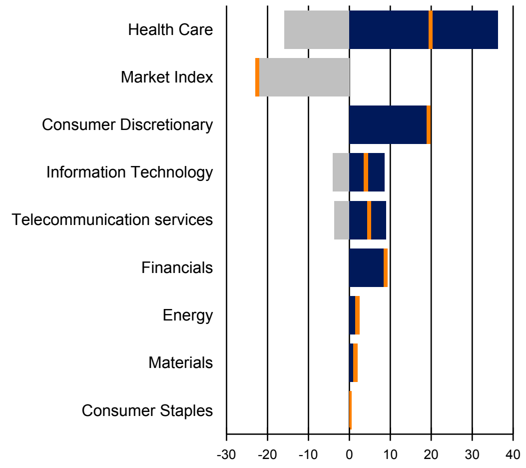
Net position

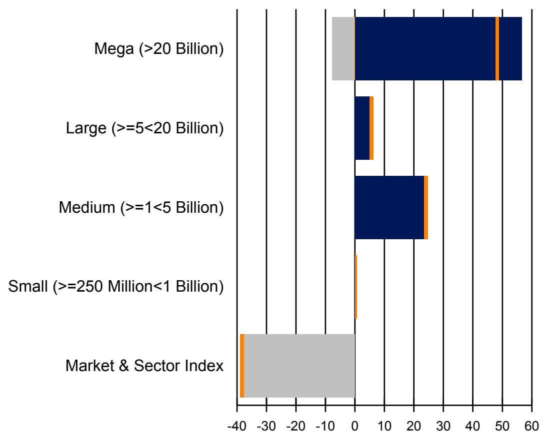
Country/Sector/Market Capitalisation: Analysis based on market exposure as a percentage of Total Fund Size excluding currency forward contracts.

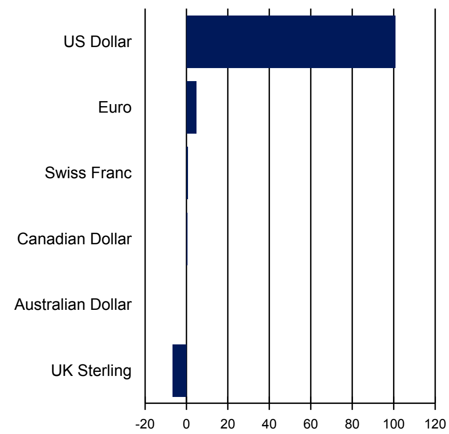
Currency: Analysis based on market exposure as a percentage of Total Fund Size including currency forward contracts.

Source: Schroders









Performance Contribution

Analysis expressed is month to date contribution on a gross of fees basis using a total return methodology. The impact of any currency movement at a position level is reflected within each position's return. Stock names have been suppressed.

Source: Schroders

Summary	(%)
Long Equity	5.2
Short Equity	-0.4
Corporate Bonds	0.0
Index Options	0.0
Currency	0.1
Other	0.0

Top 5

	Contributors	Sector	(%)
1.	Undisclosed	Financials	1.5
2.	Undisclosed	Healthcare	1.4
3.	Undisclosed	Financials	1.2
4.	Undisclosed	Consumer Discretionary	0.4
5.	Undisclosed	Consumer Discretionary	0.4

Bottom 5

	Contributors	Sector	(%)
1.	Undisclosed	Healthcare	-0.5
2.	Undisclosed	Energy	-0.3
3.	Undisclosed	Other	-0.3
4.	Undisclosed	Telecommunication Services	-0.3
5.	Undisclosed	Consumer Discretionary	-0.2

ASC 820 (FAS 157)

Source: Schroders

Summary	% NAV
Level 1	0.0
Level 2	18.9
Level 3	0.0
Non-Trading Balance/Cash	81.1

Liquidity Breakdown

Historic data based on 20% participation rate in average traded volumes over last 20 days assuming 100% redemption. This data is a representation only and should not be viewed as an indication of ongoing/future liquidity. Percentages for liquidity assessment are subject to change.
Source: Schroders

Summary		% NAV
1.	1 to 3 days	100.0
2.	4 to 5 days	0.0
3.	6 to 10 days	0.0
4.	>10 days	0.0

Information

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	Accumulation
SEDOL	BLY1R93
Bloomberg	SGPAUSD:LX
Reuters	LU1062022659.LUF
ISIN	LU1062022659
CEDEL	106202265
Fund Domicile	Luxembourg
Fund Base Currency	USD
Dealing Frequency	Weekly on Wednesdays and Month End (3 days notice)
Entry Charge	3.00 % of gross investment amount
Ongoing Charges (latest available)	2.42 %
Performance Fee	20% of the outperformance over BBA Libor 3 Month subject to a High Water Mark
Distribution Fee	0.00 %
Settlement Timing	T+3 days