



Commentary:

## Schroder Multi-Asset Income Fund (Wholesale Class)

April 2026

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### Portfolio Review

The Schroder Multi-Asset Income Fund delivered a return of 1.1% (net of fees) for April and 11.0% (net) over the 12 months to April 2026, which is 7.3% (net) over the RBA cash rate for the past year. Over 3 and 5 years, the Fund has returned, net of fees, 9.0% p.a. and 5.7% p.a. which is 4.9% p.a. and 2.7% p.a. over the RBA cash rate, respectively.

#### Largest contributors

The Fund's allocation to equities was the primary contributor to returns over the month as equity markets rebounded strongly on renewed risk appetite, reversing the weakness seen in March. Investment-grade fixed income, higher yielding fixed income and emerging markets debt also performed strongly.

#### Largest detractors

The Fund's interest rate overlays and allocation to alternatives, predominantly to broad commodities, were minor detractors over the period.

### Market Review

Risk assets rebounded sharply in April, as investors looked through the continued geopolitical uncertainty stemming from the Middle East, and focused on a strong US Q1 earnings season, as well as a resilient macroeconomic backdrop in the US (at least for now). While the Strait of Hormuz remains effectively closed, markets were buoyed by the news of a ceasefire between the US and Iran, with many anticipating a relatively quick resolution to the conflict after the announcement of the ceasefire. However, as negotiations dragged out, and a deal failed to be reached, energy prices rebounded, though this was not enough to spook broader equity markets, as a strong US earnings season, where over 80% of companies have beat analyst expectations, and a rebound in investor positioning, supported broad equity market performance. The ongoing increase in AI related capital expenditure resulted in strong performance from the US tech sector, as well as regions that are heavily linked to the thematic such as Taiwan and Korea. Despite the positive price action for equity markets in April, the fundamental issue of an energy shortage remains the most pertinent risk for now, and the longer the Strait of Hormuz remains closed, the more stagflationary the economic outcomes are. Inventory drawdowns in oil, an increase in US oil exports and a decrease in Chinese oil imports, have all helped to keep oil prices range bound for now, but these factors that have helped to alleviate the net shortfall in oil won't last forever.

Global developed equity markets had a very strong month, with a return of 9.6% in local currency terms, while Australian equities underperformed on a relative basis with a return of 2.2% over the month. Emerging markets had a particularly strong month with a return of almost 15% in US dollar terms, being supported by strong performance in the Asian tech sector, as well as a weaker US dollar.

In fixed income, bond yields moved marginally higher across most developed markets, still being impacted by the prospect of higher inflation due to elevated oil prices. The Australian 10 year bond yield moved higher by around 0.1% over the month to finish at 5.06%, while the US 10 year bond yield moved higher by 0.05% during April to end the month at 4.37%. The most notable underperformer was Japan, where 10 year bond yields increased by almost

0.2% in April. Credit markets also rebounded, with spreads tightening across markets, with the most notable move being US high yield where spreads tightened by almost 50 basis points over the month.

In currencies, the U.S. dollar index (DXY) weakened by almost 2% during April, giving back its March gains. The Australian dollar was a standout performer, rallying by more than 4% against the US dollar. In commodities, there was divergent performance with Brent oil prices falling at the margin, while west Texas intermediate (WTI) rallied based on the front dated futures contract. The overall Bloomberg Commodity Index was up by over 4% for the month, with nickel being one of the strongest performers.

## Market Outlook

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Markets rebounded strongly, with global equities up over 9% in local currency terms over the month. Our preferred regions the US and emerging markets rallied the most, up over 10% and over 14% respectively in US dollar terms. Brent crude fell almost 4%, but both Brent and WTI remain over US\$100. Government bonds were mostly flat but saw a moderate increase in yields, whereas corporate credit outperformed as spreads tightened. The trade-weighted US dollar fell almost 2%, but the Australian dollar rallied over 4% as rate hike expectations remained in focus.

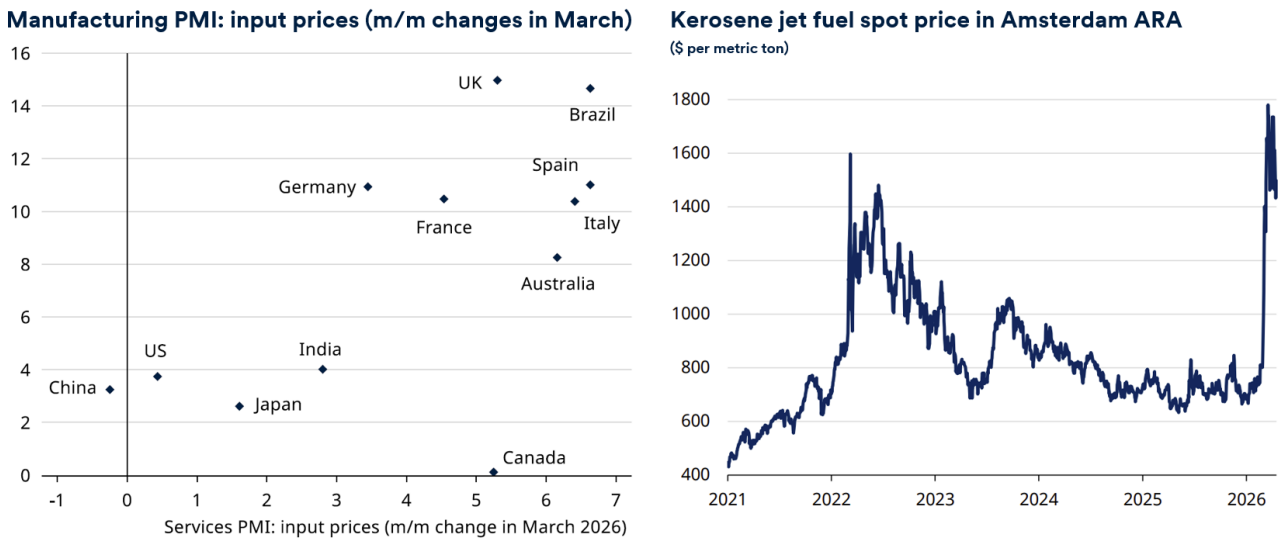
The US-Iran ceasefire helped equities rebound. Financial conditions eased, with the US dollar falling, credit spreads tightening from their peaks and strong earnings results, particularly from the US technology sector. Positioning, which was mostly washed out in March, started to rebuild as momentum trading funds started buying back. But with US equities now up over 14% from the low and from a technical standpoint looking very overbought, the question now becomes if this justifies a medium-to-long term bullish stance or should be viewed more as short covering.

We have no foresight when it comes to ending the conflict in Iran. We have stated from the start of this conflict that all eyes will be on the Strait of Hormuz. We need to see the boats pass and the oil flow for us to put this conflict behind us. Any rhetoric or deal that does not see the Strait reopen is not one that helps the global economy. The longer the Strait remains closed, the more energy shortages the world will face, the higher inflation will go, the more consumer spending will be impacted and the higher the chance of a stagflationary shock that rivals 2022. This is not our base case, but the downside risk remains while the Strait remains closed. The longer it remains closed, the more damage will be done. The clock is ticking.

However, at least now the two sides are talking to each other, supposedly. The ceasefire is a fragile one, but the bombs have stopped falling for now. The two sides continue to play a game of chicken to see who will capitulate first. Iran continues to block the Strait, causing higher energy prices and inflation around the world, damaging Trump's mid-term election odds and putting economic pressure on US allies. But the US is also blocking the Strait, choking off revenue to the regime (US\$500m a day according to Trump) while the US Treasury undertakes Operation Economic Fury, freezing Iranian funds around the world. Reports say that salaries have not been paid in Iran (although hard to verify) showing that the economic pressure is real. Therefore, we believe both are pressured to come to the negotiating table, but time could actually be on Trump's side.

From a regional perspective, the US is the least dirty shirt. Their relative energy independence puts them above their regional peers. In April, the US exported a record of 5.2 million barrels of oil per day and also hit a new high of liquified natural gas (LNG) exports. While the US has not invested in sustained supply to help keep this trend going, it has its resilience and even ability to benefit during this current crisis. While it is incorrect to say the US has no exposure to the Strait of Hormuz (they imported 0.4 million barrels a day through the Strait pre conflict), they will not suffer nearly as much as their European or Asian allies. Even though we have not seen the inflation impact in the data yet, we are seeing input prices rise in both manufacturing and services PMIs, with Europe and Australia being impacted more acutely, whereas the US and China remain somewhat insulated.

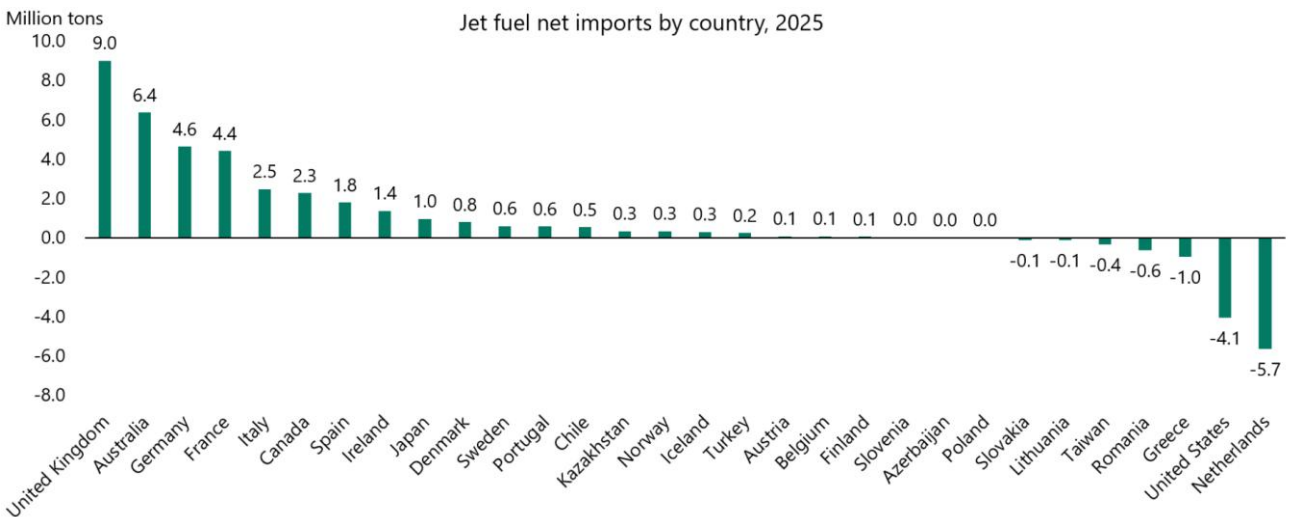
**Chart 1: Input prices already rising in Europe, plus higher jet fuel prices in Europe**



Source: LSEG Workspace, Schroders Economics Group. LHS 10 April 2026, RHS 24 April 2026.

Currently we are seeing a scramble for supply, which is pushing prices higher. But we have yet to see real energy scarcity. For now, rich countries are paying more for supply, but eventually we will see countries not have any oil to buy. Air travel is already feeling the pinch, with jet fuel prices surging. This is most acute in Europe and Australia. These countries rely on net imports of jet fuel, whereas the US is a net exporter. The surprise has been China, but given their strategic rebuilding of their oil reserves, the build out of their renewable and nuclear capacity and the ability to burn coal when push comes to shove, has also kept China insulated. While we prefer the US, select emerging market currencies are expected to hold up as well, either given their preparation (China) or their energy or commodity exposure (Latin America), keeps us relatively neutral on emerging market economies. Asian economies that have a tilt towards technology (Taiwan, Korea and Japan, say) are so far benefitting from the market rally, but if the Strait remains closed, these economies could face severe energy shortages that could up-end the positive narrative. Taiwan, Korea and Japan used to import around 2 million barrels a day through the Strait of Hormuz. The South Korean president has even mentioned that the energy crisis is “worse than you think” and is keeping him “up at night”. The closure of the Strait is also limiting helium supply, which other than party balloons, is a key component of semiconductor manufacturing. The Nikkei, Kospi and Taiex have all hit new all-time highs this month.

**Chart 2: UK, Australia and Europe most at risk from higher jet fuel prices**



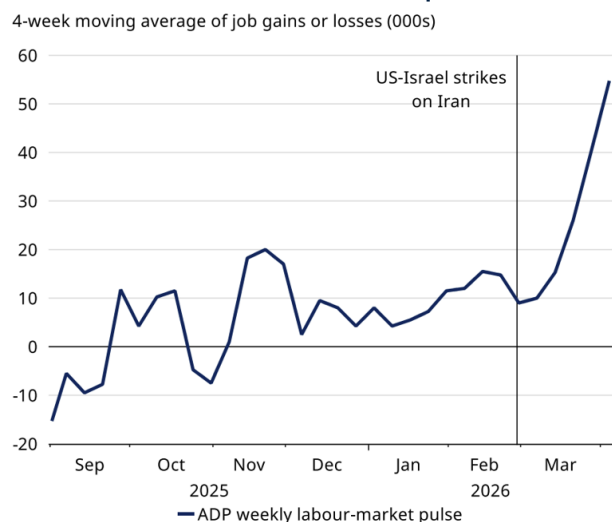
Source: Apollo. 27 April 2026.

The US economy also entered this conflict from a position of strength. Looking through the government shutdown distortions, US GDP has been strong. Recent retail sales beat expectations, surging 1.7% in March versus expectations of 1.4%. While higher gasoline prices helped push this number higher, there was broad strength across components even when excluding autos and gas. We’re also seeing an improvement in job numbers, with non-farm payrolls unexpectedly surging 178k versus expectations of 60k. Both initial claims and continuing claims are falling,

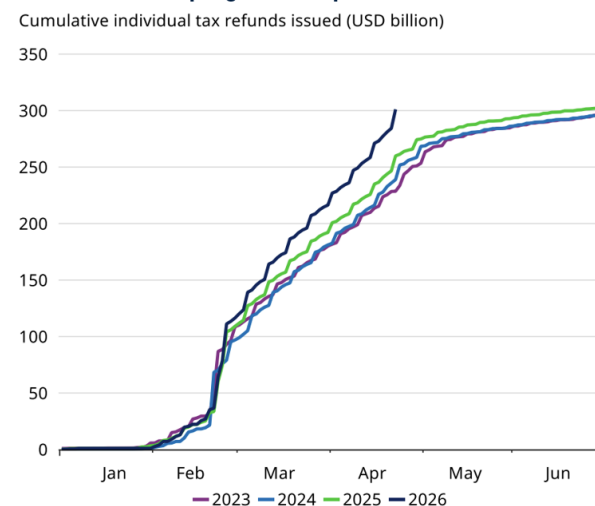
which is a positive sign for the job market. Looking at the ADP weekly labour-market pulse, intentions to hire continue to rise despite the conflict. Trump's One Big Beautiful Bill is providing excessive tax refunds in 2026, which is helping consumers spend despite higher prices. This combination of an improving market and government handouts, coupled with better energy security, all bode well for the US, relatively speaking.

**Chart 3: Higher prices are being offset by an increase in tax refunds and improving job market, allowing US consumers to keep spending**

**Intention to hire continues to rise despite the conflict**



**Tax refunds keeping consumption solid**



Source: Macrobond, Schroders Economics Group. 24 April 2026.

However, we are not complacent. As we keep reiterating, the longer the Strait remains closed, the more damage that will be done to the global economy. For now, we prefer the US and emerging markets, but want to see concrete proof that the Strait has reopened before we start improving our outlook for Europe, Japan and Australia. If the Strait remains closed for an extended period, even the US economy will start to come under pressure. Tick tock.

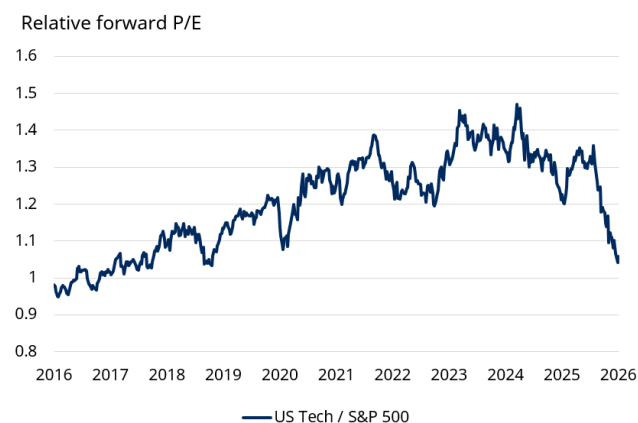
**Portfolio changes**

**Equities**

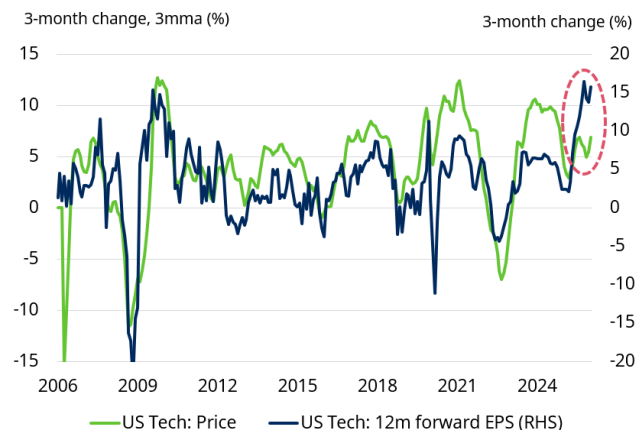
Our regional preferences have not changed. We prefer the US and emerging markets and remain cautious on all other regions. US earnings continue to defy expectations, with aggregate earnings surprising by an astonishing 20%, with 84% of companies delivering beats. Expectations for next year are for 20% earnings per share (EPS) growth. Valuations of US technology companies relative to the S&P 500 have fallen to the lowest level since 2019 so far this year, first from AI fears, then from the conflict and now because earnings are improving. Positioning has mostly washed out, with retail investors capitulating and getting down to very low levels of exposure, along with systematic strategies who sold during the spike in volatility. Momentum traders however, have since bought back strongly. We are seeing positive returns from US tech being outpaced by improvements in forward earnings. We therefore have been adding to US tech during this rebound.

## Chart 4: US Tech has cheapened since the Iran conflict and earnings remain resilient

### Valuations have reset after recent sell-off



### Tech continues to be an earnings-driven market



Source: Schroders, Refinitiv Datastream, 16 April 2026. Past performance is not a guide to future performance and may not be repeated. For illustrative purposes only.

We also remain neutral on emerging market equities. China has seen some improvement in growth from a rebound in fixed asset investment, but overall the economy remains subdued. China is one of the least affected in the region when it comes to oil imports, given they can still access Russian oil, but otherwise rely on coal and their renewable build out. China has also been building their strategic petroleum reserve over the last few years, which should somewhat insulate them for the time being. We like Latin America within emerging markets, given their cheap valuations and link to energy prices.

In portfolios our equity weight increased to 6% over the month. We primarily added to US equities, this was a mix of adding broad S&P 500 futures along with specific allocations to US technology sector futures.

### Credit

Credit spreads remain uninspiring, but they did widen during the month, especially in credit default swaps. At the end of March, US high yield credit default swap spreads hit 400 basis points. We decided that high yield was attractive at this level and either took profit on protection or sold protection to go long across portfolios. Given the risks and the otherwise tight spreads in the cash market, we are not moving positive on credit, but there are still pockets of opportunities. Valuations in Australia and US securitised credit remain relatively attractive in investment grade, whereas absolute carry is attractive in high yield. We have been using high yield to get carry into funds while we were de-risking equities, but through selling US high yield protection, rather than buying cash bonds. We remain negative on European high yield given the potential energy shock from the Iran conflict. We also remain negative on US and European investment grade corporates given tight spreads and lower carry. We downgraded Australian RMBS given tighter spreads and less appealing fundamentals. With higher inflation and higher interest rates, Australian households will come under pressure.

In the portfolio, we modestly added to Australian higher yielding corporates (BBB corporates like infrastructure and utilities, which have inflation protected earnings, along with subordinated debt). We also allowed our commercial real estate private debt allocation to decrease by 0.9% as deals were repaid.

### Duration

The inflation shock from higher energy prices has helped reset rate cut expectations. The US originally had three rate cuts priced for this year, which has now been removed. Europe had no rate hikes priced but now has two hikes priced. We have upgraded most regions to neutral from negative due to this rerating in the terminal rate. We have downgraded Australian duration to negative. Australia had an inflation problem before the recent conflict, with demand and employment remaining strong, causing the RBA to hike rates and have further hikes priced by the market. Now we've entered a supply side problem which will further exacerbate inflation. The government has stepped in to help limit the pain to consumers, but this will add further fuel to the fire. If the conflict continues, this will likely hurt growth and help the long-end of curves in Australia to rally, but for now we think there is more inflation pain before we see growth pain. We prefer to take exposure to Australian inflation linked bonds.

Over the month we reduced our Australian duration position by 0.5 years. We offset this by buying European bonds increasing the European duration exposure by 0.6 years. We continue to hold 2.5% in Australian inflation-linked bonds.

## **Currency**

We remain positive on the US dollar (USD). The USD is one of the few portfolio hedges for the current geopolitical situation, and we like it from a portfolio construction perspective. While the US dollar could move in either direction given the uncertainty surrounding the Iranian war, we believe the risk profile is likely to be more asymmetric in favour of the upside. A risk-on scenario could see some further moderate depreciation in the US dollar, but given how highly uncertain negotiations are, there is also a material prospect of further risk-off, which could see outsized gains in the US dollar. We remain negative the Euro (EUR) and British pound (GBP) given the stagflationary direction of these economies, with the Euro facing more pressure from higher energy prices and the UK is vulnerable from its restrictive fiscal policy and benign growth. We remain neutral on the Japanese yen (JPY) and the Australian dollar (AUD). We continue to like select high yielding emerging market currencies, which also happen to be energy exporters.

During the month our foreign currency position remained mostly unchanged at 10.4%. We reduced our USD position by almost 3% and added 2% back to emerging market currencies. In commodities, we took profit on our broad commodity exposure, reducing it by 2.5%. We now have 4.5% in commodities, split 3% in broad commodities and 1.5% specifically in gold.

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