Schroders

Marketing material for professional clients only

Schroder ISF* Global Dividend Maximiser

Fund Managers: Value Team & Structured Fund Management Team | Fund update: October 2025

Performance overview

In October, global equity markets rose in USD terms, supported by strong earnings, moderating inflation and expectations of lower interest rates. Developed markets led the gains, with the US and Japan boosted by AI-related technology and promising developments on trade and political fronts, while Eurozone and UK equities advanced more modestly. Emerging markets also continued to rally, led by South Korea and Taiwan's tech and industrial sectors, though Chinese equities saw negative returns for the month.

Drivers of fund performance

The fund seeks to provide an income of 7% p.a. via a covered call option overlay and an actively managed equity portfolio, which is primarily invested in high yielding stocks from around the world.

From a performance perspective, the fund posted a flat return and outperformed the MSCI World Value Index, but underperformed the Morningstar Global Equity Income Category, and MSCI World Index. In the equity portfolio, limited exposure to the Information Technology sector was a driver of relative underperformance, with stock selection within Communication also adversely impacting. Positive contributions came primarily from stock selection in Financials and Energy. Our lack of exposure to some of the largest US tech stocks (and largest benchmark constituents), namely, Alphabet, Nvidia, Amazon, Apple and Broadcom drove the relative underperformance over the month as they all outperformed the benchmark. Of the companies we do own, the largest individual detractor was advertising group WPP. The company reported a worse-than-expected drop in revenue for the third quarter, leading to a cut in its profit outlook. The new CEO, Cindy Rose, acknowledged the challenges ahead and vowed to simplify the group dramatically in response to the poor results. Despite the tough market conditions and competition from rivals like Publicis, Rose remains confident in the company's potential for success and is focusing on utilizing data and AI to turn the business around.

Global workforce solutions company Manpower also detracted. The company reported lower quarterly adjusted earnings compared to the previous year. Despite the tough market conditions and share price decline, Manpower remains focused on increasing market share and reducing structural costs. The company noted stabilisation in North America and Europe, despite facing currency impacts. The CEO emphasized a strategic focus on efficiency and growth amidst the challenging market environment.

Another detractor was German sportswear brand Puma. New to the portfolio earlier this year, the company has been facing significant challenges in the competitive sportswear market. Struggles were further compounded by a warning of an annual loss attributed to shrinking market share and weak demand, particularly in the U.S. market. Despite these difficulties, the company remains determined to overcome current challenges and position itself for future growth through a focus on reducing excess inventory, cutting costs through job cuts, and implementing new marketing strategies.

On the positive side, our position in German car parts maker Continental was positive after third quarter sales exceeded expectations. Despite facing challenges such as the U.S.-China trade war and the Dieselgate scandal, the company continues to demonstrate strong performance and strategic resilience.

Western Union was another positive contributor in October, driven by strong third-quarter earnings and upgraded guidance. The company also unveiled its "Beyond" strategy, including plans for a U.S. Dollar Payment Token and a Digital Asset Network, signalling a pivot toward blockchain-enabled cross-border payments. These announcements, combined with clear medium-term growth targets presented at its Investor Day, positioned Western Union as a credible player in digital financial services and sparked renewed investor confidence.

The Swatch Group also experienced a positive October, largely driven by improving sentiment toward luxury goods

*Schroder International Selection Fund is referred to as Schroder ISF throughout and optimism around demand recovery in key Asian markets, particularly China. Investors responded positively to signs of stabilizing consumer spending and easing currency headwinds.

While enhancing the income, the options were negative for performance in mark-to-market terms in October (-0.44%, reflecting both expired trades and those still to expire, USD terms). Much of this was attributable to the options on Samsung Electronics after a very strong jump in the share price in October. This is one of the reasons why we split the options trading into multiple, overlapping option tranches, to help increase the averaging and keep each exposure small. The effect was slightly negative when looking only at those options that expired in October – four expiring tranches, detracting -0.17% in net cash terms (note that the options are European-style, meaning that it is only the share price on the option expiry date that determines whether there is any settlement to make). Kering, Samsung Electronics, GSK and Panasonic were among those to finish above their strikes, but cautious notional decisions (i.e. reducing the proportion overwritten) helped to improve the degree of upside captured.

Portfolio activity and positioning

New to the portfolio in October is leading U.S. based consumer electronics retailer Best Buy. The company offers a wide range of products, including smartphones, laptops, home appliances, and smart-home devices. This is complemented by services such as technical support through its Geek Squad division, with a strong presence in both physical stores and e-commerce. Its strategy focuses on enhancing customer experience, expanding digital capabilities, and leveraging membership programs to drive loyalty and recurring revenue. The inclusion of Best Buy in the portfolio reflects confidence in its ability to navigate a challenging retail environment through robust omnichannel operations, cost optimization, and technology-driven initiatives. Management's commitment to improving margins, investing in digital transformation, and maintaining shareholder-friendly policies positions the company as a resilient player with long-term growth potential.

We continue to see the fund as a compelling solution for income-seeking investors. The Global Value Team believe the opportunity for value investors remains as exciting as ever and under the leadership of Simon Adler, the team have renewed their mission statement and overarching vision – to be a world class team who deliver the best returns to clients by focusing on authentic value investing; building upon the deep value heritage that has been nurtured at Schroders for more than 50 years, but sharpening that legacy to deliver exceptional outcomes for decades to come.

Schroders' ongoing commitment to the Value franchise has seen the team strengthened with three high calibre appointments, Graham Shircore and Steve Woolley as UK-focused Investment Analysts and Jon Yow, who has been working with the team for some time, joining full time as a data scientist to take advantage of the team's market-leading data. This underpins the team's commitment to rigorous, high-quality investment analysis.

Regarding the overwriting, we continue to be cautious given the propensity for significant short-term share price swings, but it is worth reiterating that we sell single-stock covered call options. We are continuing to see attractive pricing for the single-stock options that we sell. Through our competitive auction process, we are looking to pinpoint pockets of relative value, and continue to actively manage the overlay. This includes carrying out in-depth stock-by-stock analysis prior to each auction trade, and being active during the auction to remove names, at point of trade, should we feel any specific options are not being competitive.

Our caution means that many of the stocks are either partially overwritten, or not overwritten at all. In aggregate, just under 60% of the fund's NAV is currently overwritten. As such, the fund can capture upside up to the level of the individual strike prices on the ~60% overwritten, and the full extent of any upside on the ~40% without options. Through this active approach, we are looking to deliver the enhanced level of income, while positioning the fund to participate strongly in any periods of rebound.

Past performance does not predict future returns. 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.

Calendar year performance (%)

Year	Fund	Comp.1	Comp. 2	Comp. 3
2024	2.4	18.7	11.5	8.4
2023	15.9	23.8	11.5	13.5
2022	-6.3	-18.1	-6.5	-11.8
2021	17.8	21.8	21.9	17.1
2020	-7.6	15.9	-1.2	4.6
2019	15.2	27.7	21.7	21.7
2018	-11.0	-8.7	-10.8	-11.4
2017	17.7	22.4	17.1	18.8
2016	10.3	7.5	12.3	5.6
2015	-5.9	-0.9	-4.8	-2.8

Source: Schroders, as at 31 December 2024. Fund performance is net of fees, NAV to NAV with net income reinvested, C Acc shares USD. Please see factsheet for other share classes. Comparator 1 is MSCI World, comparator 2 is MSCI World Value, and comparator 3 is Morningstar Global Equity Income sector. The fund's performance should be assessed against the income target of 7% per year and compared against the MSCI World (Net TR) index, MSCI World Value (Net TR) index and Morningstar Global Equity Income Category. The investment manager invests on a discretionary basis and there are no restrictions on the extent to which the fund's portfolio and performance may deviate from the MSCI World (Net TR) index and the MSCI World Value (Net TR) index.

Risk considerations

Capital risk / distribution policy: As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.
China risk: If the fund invests in the China Interbank Bond Market via the Bond Connect or in China "A" shares via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or in shares listed on the STAR Board or the ChiNext, this may involve clearing and settlement, regulatory, operational and counterparty risks. If the fund invests in onshore renminbi-denominated securities, currency control decisions made by the Chinese government could affect the value of the fund's investments and could cause the fund to defer or suspend redemptions of its shares.
Counterparty risk: The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole.
Currency risk: If the fund's investments are denominated in currencies different to the fund's base currency, the fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. If the investor holds a share class in a different currency to the base currency of the fund, investors may be exposed to losses as a result of movements in currency rates.
Currency risk / hedged share class: The currency hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.
Derivatives risk: Derivatives, which are financial instruments deriving their value from an underlying asset, may be used for investment purposes and/ or to manage the portfolio efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund
Emerging Markets & Frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.
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, meaning investors may not be able to have immediate access to their holdings.
Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.
Maximiser funds: Derivatives, which are financial instruments deriving their value from an underlying asset, are used to generate income (which is paid to investors) and to reduce the volatility of returns but they may also reduce fund performance or erode capital value.
Operational risk: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
Performance risk: Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro-economic environment, investment objectives may become more difficult to achieve.

Please refer to the prospectus of the UCITS and to the KID/KIID before making any final investment decisions.

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