

Schroder ISF* Global Dividend Maximiser

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

Performance overview

- The fund seeks to provide an income of 7%¹ 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.
- Global equities fell in March.
- From a performance perspective, the fund posted solid gains, outperforming the comparators (MSCI World, MSCI World Value and the Morningstar Global Equity Income Category).

Drivers of fund performance

- In the equity portfolio, returns outperformed the wider market. Stock selection in the communication services sector was the main driver of relative returns, along with positive stock selection in financials and the underweight in information technology. Lack of exposure to utilities – which performed well – was a small negative offset.
- In communication services, a number of our broadcaster holdings added value, including **Nippon Television Holdings** and **RTL Group**. Satellite operator **SES** was another positive contributor. Europe's need to be more self-sufficient in areas such as defence and satellite communications helped support the shares. SES has previously announced a pivot to military network provision.
- French bank **Société Générale** added value. We established the position in November 2024, when we felt the market was overly pessimistic on French banks due to headwinds such as regulated deposit bases, punitive loan pricing caps, and an inflexible labour market. However, management has since outlined a credible path to improved profitability, including merging bank networks to reduce costs, scaling up digital banking, disposing of non-core assets, and benefiting from higher interest rates. Our holdings in insurers **Ageas** and **Axa** also added value.
- The main individual detractor was **Swatch** amid rising concerns in the month about potential US tariffs.

- While enhancing the income, the options were flat for performance in mark-to-market terms in March (reflecting both expired trades and those with time still to expiry, USD terms).
- The effect was negative when looking only at those options that expired in March. In net cash terms, the four expiring tranches weighed -0.44% in aggregate, reflecting periods in which the underlying shares were performing well.
- **Société Générale, Intesa Sanpaolo, Axa, Orange** and **SES** 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

- We initiated a new position in car parts supplier **Aptiv**. It has a diversified geographical revenue base, although significant exposure to China has weighed on the shares. Investors are also somewhat wary about the planned spin-off of the legacy electrical distribution systems segment but this should allow Aptiv to focus on higher growth areas. The majority of their products are power-chain agnostic. We think the balance sheet is in good shape.
- Equity markets have seen a marked increase in volatility over the past few weeks, with the often-cited VIX Index reaching levels not seen since the Covid setback.
- We continue to be cautious in the overwriting 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

¹ The gross yield is an estimate and is not guaranteed.

any specific options are not being competitively priced.

- Our caution means that many of the stocks are either partially overwritten, or not overwritten at all. In aggregate, around 50% 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 ~50% overwritten, and the full extent of any upside on the ~50% without options. Through this active approach, we are looking to deliver the

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

enhanced level of income, while positioning the fund to participate strongly in any rebound.

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.

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.

Derivatives risk: Derivatives, which are financial instruments deriving their value from an underlying asset, may be used to manage the portfolio efficiently. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. 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.

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.

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.

Market Risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

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