

# Schroder ISF\* Global Equity Alpha

Fund Managers: Frank Thormann | Fund update: February 2026

## Performance overview

- Global equities posted gains in February as investors rotated toward more cyclical parts of the market, which are seen to be less vulnerable to AI disruption as materials, energy and utilities sectors led the market. Alternatively, communications services, technology and consumer discretionary were the weakest performing sectors.
- Investors continued to show concern about the levels of AI capex spending, but equally continued to aggressively sell off software names on fears of disruption, providing some conflicting signals.
- Geopolitical concerns continued to dominate markets as rising tensions in the Middle East put upward pressure on energy prices and gold stocks led the materials sector, as investors continued to bid up the safe-haven commodity.
- Japanese equities also performed solidly as an LDP landslide in the House of Representatives election boosted expectations for political stability and pro-growth policies. Eurozone shares gained, benefitting from signs of an economic pick-up in the region. In the US, the Supreme Court ruled that the administration's use of the International Emergency Economic Powers Act to impose broad-based tariffs was unconstitutional.

## Drivers of fund performance

- The portfolio posted a positive return but underperformed the benchmark in February.
- Holdings in communication services, financials, and materials detracted. Whilst allocations in consumer discretionary, consumer staples, and health care added value.
- By region, allocations to North America, Japan, and Continental Europe detracted, whilst stock selection within the UK and the emerging markets contributed.
- **TSMC** outperformed in February on strong sales momentum, market share gains, and a bullish outlook. As the key manufacturer behind leading AI accelerators and high-performance computing chips, it remains central to the AI ecosystem. We maintain high conviction in the company, with recent major intra-peer partnerships expected to further strengthen future demand as AI adoption accelerates.
- **Alphabet** underperformed in the month. Revenues exceeded expectations, supported by strength in Search and Cloud, but elevated 2026 capex guidance at nearly double 2025 weighed on sentiment and raised

short-term FCF concerns. We have reduced position sizes after recent strong performance but continue to view Alphabet as well placed to benefit from long-term, AI-driven growth in digital advertising, supported by its scale, high-intent user base, and improving conversion economics across Search and Cloud.

## Portfolio Activity

- We initiated a position in **APR Ltd** as an opportunistic holding, seeing its potential for expansion and longevity whilst currently being underappreciated by consensus. With a portfolio of Korean beauty brands, APR has demonstrated rapid innovation cycles and on-trend social media marketing.
- We bought **Roku** in February following a strong turnaround period, with momentum building in its core streaming platform and clear signs of improving profitability. The company reported impressive quarterly results and upbeat guidance, highlighting new growth drivers such as premium subscription expansion, stronger advertising capabilities, and broader platform engagement.
- We exited our position in **Bunzl** due to concerns that its heavy exposure to slower-growth foodservice and traditional retail, rising cost pressures, limited pricing power, and constrained M&A capacity would cap medium-term returns, making better risk-reward opportunities elsewhere more attractive.
- We sold **Eli Lilly** as consensus now fully prices in sustained GLP-1 hyper-growth, leaving limited upside and increasing downside risk. With market share already very high, competition, pricing and payer pressures set to rise from 2026, and the stock trading at a significant valuation premium, we see little scope for further positive revisions and growing risk of estimate downgrades and multiple compression.

## Outlook/positioning

- Global markets in early 2026 are being driven by Middle East tensions, raising volatility, risk premiums and energy prices. The key uncertainty is whether the conflict is short-lived or escalates into prolonged regional disruption, particularly to oil supply.
- Energy markets remain highly sensitive; a sustained spike would weigh on growth and the consumer, while benefiting few areas beyond short-term safe havens. We remain cautious on materials and mining given elevated prices and economic sensitivity.

- With equities at all-time highs and valuations stretched, the risk of correction is elevated. Financials look more vulnerable amid rising credit stress, while healthcare appears better positioned given structural demand and lower economic sensitivity.
- AI remains a powerful but polarising theme. As assumptions around profitability and durability are tested, differentiating long-term winners from losers will be a key source of alpha.
- Amidst the heightened uncertainty, we expect companies with strong balance sheets and solid free cash flow generation will likely demonstrate their resiliency. We believe our portfolios are relatively well-positioned in quality businesses that should be well-placed to navigate the heightened uncertainty and increased volatility.

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 (%)

	Fund	Benchmark***
2025	22.3	21.1
2024	19.8	18.7
2023	21.7	23.8
2022	-17.1	-18.1
2021	22.0	21.8
2020	22.6	15.9
2019	25.3	27.7
2018	-9.4	-8.7
2017	25.3	22.4
2016	1.7	7.5

Source: Schroders, net of fees, NAV to NAV with net income reinvested. C Acc share class, as at 31 December 2025. \*\*\*MSCI World - Net Return. The fund's performance should be assessed against its target benchmark, being to exceed the MSCI World (Net TR) index. The fund's investment universe is expected to overlap materially with the components of the target benchmark.

## Risk considerations

- **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:** Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
- **Currency risk:** The fund may lose value as a result of movements in foreign exchange rates. Concentration risk: The fund may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down.
- **Derivatives risk – Efficient Portfolio Management:** Derivatives may be used 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.
- **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.
- **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.
- **IBOR:** The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.

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