

Schroder ISF¹ Emerging Markets Debt Total Return

SFDR
Article 8

Quarterly fund update

Fourth quarter 2024

Objectives

- i. **Preservation of capital:** mitigate losses in falling markets by using a disciplined risk control framework (e.g. *fund stop loss policy, hedging, use of cash*)
- ii. **Maximise returns:** participate in rising markets

Investment approach

Total return approach based on comprehensive country research.

The investment process follows four types of analysis: **fundamental, quantitative, technical and sentiment.**

ESG is integrated into our country and corporate scorecards.

Broad investment universe including currencies, local and external debt (sovereign, corporate and convertibles) in more than 50 countries.

Long-only, no leverage, no complicated derivatives.

Risk controlled by liquidity based diversification limits, portfolio stop-loss and use of cash.

Role in clients' portfolios

As a low-risk or entry level EMD exposure or combined with standard EMD beta managers.

As a total return strategy, designed to diversify risk and enhance returns.

As a liquid alternative investment.

Review:

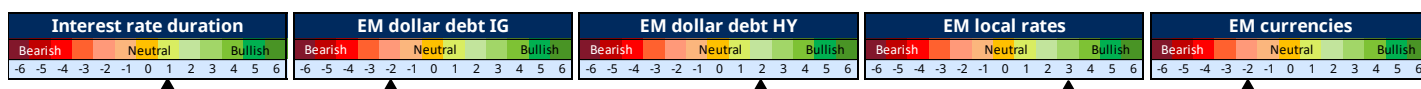
- **EM bonds and currencies ended 2024 on a negative tone.** Asset prices in Q4 faced several headwinds: (i) the resumption of upward pressures on developed market bond yields contaminated various EM bonds; (ii) the outcome of the US presidential election exacerbated the concerns about global trade activity given the threats of the new Trump administration imposing tariffs; and (iii) the renewed concerns about Brazil's fiscal outlook as President Lula's administration has failed to reassure market participants about debt dynamics, which forced the Brazilian central bank to resort to sizeable rate hikes.
- These uncertainties particularly impacted EM local debt, as the GBI EM GD index continued its 2024 underperformance by registering a negative quarterly return of -7%, thus taking its 2024 yearly loss to -2.4%. EM dollar debt, as measured by the EMBI GD index, has shown more resilience by registering a quarterly return of -1.9% but still ending the year with a gain of +6.5%, notably thanks to the strong performance of the high yield sub-sector.
- **Portfolio activity in Q4 was initially focused on reducing risk ahead of the US elections (in October and early November) before we used market weakness to start reinvesting.** Despite these investments, which focused on adding EM dollar high yield in countries such as Argentina, Ecuador, Nigeria and Sri Lanka, the fund still ended the quarter with a relatively defensive positioning. Cash during the quarter increased from 0.4% to 13.6% of NAV, duration dropped from 5.2 to 4.5 years, overall currency exposure dropped from 63.9% to 33.3% of NAV. The fund still managed to achieve an overall yield to maturity of 8.4%. A more detailed presentation of exposures is presented in page 7.
- **Despite the defensive positioning, the fund ended the quarter with a negative return of -3.48%.** The severe underperformance of EM local debt (-7% during the quarter) is behind this negative outcome. The key contributors to this quarterly performance were as follows: (i) US dollar debt had +114bps positive impact; and (ii) local currency debt contributed -462bps, of which -232bps was due to price change given higher local rates, +152bps was generated by income, and -381bps was from currency depreciation. The main negative contributors by country were as follows: Brazil (-100bps), South Africa (-77bps), Mexico (-64bps), Indonesia (-55bps) and Malaysia (-30bps). In contrast, Argentina (+55bps), Sri Lanka (+25bps) and Turkey (+15bps) contributed positively.

¹Schroder International Selection Fund is referred to as Schroder ISF throughout this document.

Investment outlook

Global economic environment

- **Despite some erosion in global growth expectations, we remain broadly positive on the growth outlook for EM ex-China.** We expect the US to grow at a healthy pace, especially if, as we assume, Trump implements his pro-growth policies with pragmatism. Easing monetary and credit conditions combined with strong household and corporate balance sheets should continue to support global demand in 2025. Geopolitical tensions, the worrying fiscal and debt dynamics in several DM economies and China's lack of a meaningful policy response to its deteriorating growth trajectory continue to represent major downside risks to the global growth outlook in 2025.
- **Some countries are seeing an inflation uptick. However, the global trend of disinflation should remain broadly in place** thanks to cooling labour markets in DM, continued deflationary forces emanating from China and ample supply in global energy and agricultural commodity markets. This favourable inflation outlook could be challenged by: (i) an aggressive Trump policy agenda; and/or (ii) a possible surge in global bank lending activity.
- **The recovery in global financial liquidity has gained traction** judging by our measures of global monetary aggregates. The stock of liquidity remains significantly above trend, which should continue to support global risk assets. Official liquidity flows have been remarkably stable despite continued contraction in the balance sheets of the Fed and ECB. Global private credit impulse indicators are recovering and are turning positive for the first time since the pandemic. Global capital flows continue to recover based on the apparent self-sustaining rebound in EM foreign exchange reserves.
- **We remain neutral on the short-term outlook for commodities.** Oil fundamentals look soft assuming no geopolitical risk premium. However, upside shocks could be violent. The agricultural outlook is split between improving fundamentals for grains and still heavy oversupply for oilseeds. Industrial metals supply/demand dynamics are mixed. Long-term gold fundamentals remain solid with the recent correction leading to a healthy washout in investors' positioning.
- **Geopolitical risks remain high, but some de-escalation is possible in the next quarter.** The new Trump administration attempting initially (an unlikely) peaceful resolution of the Ukrainian conflict may provide some short-term optimism. The ongoing reshaping of the Middle East appears to have led to a significant weakening of Iran and its proxies.
- **While long-term caution towards US interest rate duration remains warranted, we are tactically moving to a neutral position** this quarter given that inflation remains well behaved and that market participants have increased their short positions to historical extremes, which could make long-dated US Treasury bonds susceptible to a short squeeze.
- **We still see some value in EM dollar debt despite the significant tightening in spreads** over the course of the last two years. However, this value is increasingly concentrated in specific high yielding sovereign and corporate names.
- **Following a substantial cheapening in 2024, EM rates offer some of the most attractive investment opportunities for 2025,** especially in Latin American local government bonds. However, we are still waiting for currencies to show more evidence of stabilisation before we can add more aggressively to EM local rates across the board.
- **All these sectorial views are summarised in the scorecard below:**



Scores are attributed based on a combination of macro-economic fundamental, valuation, technical and sentiment. These scores serve as a guide for our overall EMD portfolios' positioning.

Asia:

- **China's policy response to its deteriorating growth trajectory remains underwhelming.** Recent market optimism has quickly faded as policy announcements require more details about their magnitude and implementation and are yet to feed through into the real economy. In the absence of more credible policy initiatives, we remain negative on the currency, especially given the continuously depressed consumer confidence and Trump policies threatening China's export engine.
- **Our long-standing bullish views on Indonesian and Indian local government bonds are maintained.** In Indonesia, some fiscal slippages and institutional deterioration are possible under the new administration. However, inflation expectations remain anchored while 10-year Indonesian bond yield still offer an attractive yield of 7%. Indian 10-year bonds are also still attractive at a yield of 6.8% given the sharp slowdown in credit growth, fiscal and inflationary pressures both contained and the imminent start to the easing cycle following the change of the central bank governor.
- **Other attractive opportunities in Asia are in the newly restructured Sri Lankan dollar debt and in the Philippines local bonds.** Rapidly improving inflation outlook should give the Philippines central bank room to cut rates.

Eastern Europe, Middle East and Africa:

- **We still find value in Central European bond markets,** where the average 10-year rates could drop by a further 45bps to reach fair value. We expect the disinflation trend to resume in 2025 and favour rates in Hungary, Poland and Romania.
- **We remain firmly bullish on South African hard and local currency debt** given their appealing valuations and improving growth outlook, which will help the fiscal consolidation effort. Inflation has surprised to the downside and the central bank has embarked on a cautious easing cycle. There are also initiatives to enhance the monetary and fiscal policy frameworks.

- **The outlook for Turkish and Egyptian local and external bonds remains attractive.** Turkey's return to policy orthodoxy has led to macro-economic stabilisation with inflation declining, external accounts adjusting, growth becoming more balanced and FX reserves buffers starting to be built. In Egypt, despite some slippages, the IMF program remains on track.
- **Nigeria, Ivory Coast and Oman are amongst the most attractive opportunities in EEMEA sovereign dollar debt.** In Nigeria, strong credit metrics will be reinforced by President Tinubu's aggressive reform actions. The currency was devalued, fuel subsidy removed, significant rate hikes implemented, and decent level of FX reserves accumulated.

Latin America:

- **Ten-year local bonds in Mexico remain our favourite pick in the region** as the yield is attractive (10.4%), disinflation has recommenced, government balance sheet remains strong despite recent fiscal slippages and external accounts are stable. We are less constructive on the Mexican peso given the possibility of an aggressive Trump trade and immigration agenda.
- **Extremely attractive valuations continue to justify small exposures to Brazilian local debt**, which offers yields of more than 15%. We will turn bullish when current pressures persuade President Lula to return to a more credible and coherent fiscal framework. Brazil is likely to muddle through thanks to a monetary policy that still provides a long-term credible anchor, resilient economic activity, healthy external accounts and low reliance on foreign funding.
- **The Chilean and Peruvian currencies are attractive** as growth is resilient, current accounts are improving, and political trends are supportive in Chile while uncertainties remain contained in Peru. In contrast, caution towards Colombian assets is still warranted as growth momentum is fading and the fiscal deficit (8% of GDP) is on an unsustainable trajectory.
- **In sovereign dollar debt, we have turned bullish on Ecuador and remain positive on El Salvador, Dominican Republic and Paraguay.** In Argentina, with President Milei's economic shock therapy progressing well, we still see some value in Argentina's dollar bonds despite the substantial outperformance in 2024 and current overbought conditions.

EM corporates:

- **EM corporates are starting 2025 from a healthy position** with leverage near decade lows, rating agency assigning more upgrades than downgrades, and 2024 ended with fewer defaults than expected. A mixed outlook for commodity prices is a headwind but resilient growth in the US and continued supportive capital markets should keep credit spreads at tight levels.
- **Mexican and Brazilian banks continue to be fundamentally very strong**, profitable and with leading market share in consolidated markets. In contrast, financials in China, Hong Kong and Korea remain unappealing.
- **We see value in Mexican utilities and in Brazilian oil sector.** Mexican utilities are supported by supply/demand dynamics that should continue to be favourable for merchant market prices and PPAs continuing as usual. Growing oil production in Brazil also offers opportunities within oil services and infrastructure credits.
- **EEMEA credits are relatively more insulated from global trade frictions.** We find opportunities in Turkish financials and within Israel banks and gas sectors given idiosyncratic dynamics and the prospects of the regional conflicts easing.

Quantitative analysis:

- **The average Schroder EM country vulnerability score experienced some erosion** but remains firmly in safe territory. Measures of "Growth Dynamics", "Sovereign External Liquidity" and "Credit Cycles" are still broadly supportive. Latin American countries have particularly improved thanks to solid balance of payments and more appealing real effective exchange rates.
- **The valuation model identifies both EM IG and HY spreads as overvalued but** with still appealing pockets of value in some sovereign frontiers. In contrast, **the severe underperformance of EM local debt in 2024 has significantly improved EM local rates valuations** as inflation remains well behaved while yields spiked, especially in Latin America. **EM FX valuations are less appealing** with the noticeable exceptions of BRL, CLP, ZAR, MYR and CNY.

Chart and Sentiment analysis:

- **The Technical outlook for US rates is neutral** with the 30-year remaining in a range of 4% to 4.85%. A convincing break lower of the 4% yield level is required for the 30-year to confirm the completion of a long-term topping pattern for rates. Market positioning is now constructive as market participants have recently built short exposures to historical extremes.
- **The outlook for EM local debt is more constructive** as the GBI-EM yield maintained the downtrend initiated in late 2022. A break lower of the 6% yield level and the resumption of inflows to the sector are required to confirm this bullish outlook.
- **The technical outlook for EM dollar debt is mixed.** The EMBI GD spread tightening remains firmly in place. However, the sub-sector is approaching overbought territory and there is still no convincing evidence of a sustained recovery in hard currency debt fund flows.

Summary scorecard by sector and country:

The categorisation of the attractiveness of the assets in the tables below is defined by the Schroder EMD team country scorecards. These scorecards are based on an assessment of macro-economic fundamental, valuation, technical and sentiment factors and serve as a guide for our EMD portfolios' positioning.

DOLLAR DEBT - SOVEREIGN					
Extremely unattractive	Unattractive	Neutral		Attractive	Extremely attractive
Asia	Latin America	Latin America	Africa & Middle East	Latin America	
China	Argentina	Colombia	Qatar	Chile	
Frontier	Brazil	Mexico	Saudi Arabia	Ecuador	
Tunisia	Venezuela	Uruguay	Frontier	Panama	
	Asia	Asia	Angola	Peru	
	Malaysia	Indonesia	Bahrain	Europe	
	Vietnam	Korea	Bolivia	Poland	
	Europe	Pakistan	Costa Rica	Turkey	
	Bulgaria	Philippines	Dom Rep	Africa & Middle East	
	Kazakhstan	Europe	Egypt	South Africa	
	Russia	Croatia	El Salvador	Frontier	
	Ukraine	Czech Rep	Gabon	Azerbaijan	
	Frontier	Greece	Guatemala	Bahamas	
	Belarus	Hungary	Honduras	Cameroon	
	Ethiopia	Romania	Jamaica	Iraq	
	Ghana	Serbia	Jordan	Ivory Coast	
	Kenya	Slovakia	Mongolia	Nigeria	
	Lebanon		Morocco	Oman	
	Zambia		Mozambique	Sri Lanka	
			Namibia	Suriname	
			Paraguay		
			Senegal		
			TrinTobgao		

DOLLAR DEBT - CORPORATES					
Extremely unattractive	Unattractive	Neutral		Attractive	Extremely attractive
	Asia	Latin America	Europe	Latin America	
	China	Brazil	Russia	Argentina	
		Chile	Turkey	Peru	
		Colombia	Africa & Middle East	Asia	
		Mexico	South Africa	India	
		Asia		Europe	
		Indonesia		Ukraine	
				Africa & Middle East	
				GCC	

LOCAL RATES					
Extremely unattractive	Unattractive	Neutral		Attractive	Extremely attractive
	Latin America	Latin America	Europe	Latin America	
	Argentina	Brazil	Croatia	Mexico	
	Asia	Chile	Czech Republic	Asia	
	China	Colombia	Hungary	India	
	Vietnam	Peru	Poland	Indonesia	
	Europe	Asia	Serbia	Philippines	
	Romania	Hong Kong	Ukraine	Europe	
	Russia	Korea	Africa & Middle East	Turkey	
	Africa & Middle East	Malaysia	Ghana	Africa & Middle East	
	Morocco	Pakistan		Egypt	
	UAE	Singapore		Nigeria	
		Taiwan		South Africa	
		Thailand			

CURRENCIES					
Extremely unattractive	Unattractive	Neutral		Attractive	Extremely attractive
	Latin America	Latin America	Europe	Latin America	
	Argentina	Brazil	Hungary	Chile	
	Asia	Colombia	Kazakhstan	Peru	
	China	Mexico	Poland	Asia	
	India	Uruguay	Romania	Indonesia	
	Europe	Asia	Serbia	Africa & Middle East	
	Croatia	Hong Kong	Turkey	Egypt	
	Czech Republic	Malaysia	Ukraine	South Africa	
	Russia	Pakistan	Africa & Middle East		
		Philippines	Ghana		
		Singapore	Kuwait		
		Taiwan	Morocco		
		Thailand	Nigeria		
		Vietnam	Qatar		
			Saudi Arabia		
			UAE		

Fund performance as at 31 December 2024 (%):

Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

USD A accumulation shares net

Since Jan 2000 ¹	Fund	GBI-EM GD ²	EMBI GD
Annual rate of return	3.80	5.78	7.14
Volatility	6.23	11.33	8.87
Sharpe ratio	0.34	0.40	0.63
Sortino ratio	0.56	0.57	0.68
Correlation	1	0.78	0.68
Positive quarters	60.61	62.63	69.70
Maximum drawdown	-21.02	-29.32	-25.85
Best month	6.34	9.84	7.59
Worst month	-5.54	-14.07	-16.03
Max 12m rolling return	27.66	38.87	41.56
Min 12m rolling return	-17.72	-21.54	-24.28



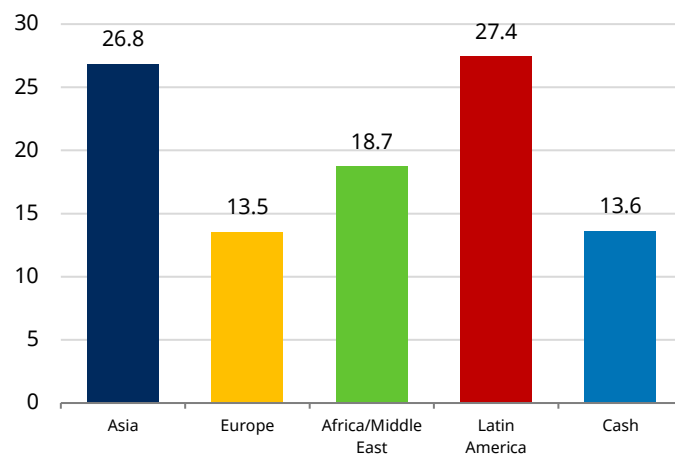
Source: Schroders. ¹Inception 31 January 2000. ²JPM EMBI Global Diversified used as a proxy before 31/12/02 at which point GBI-EM Global Diversified launched. **Please note the fund is a total return fund therefore, the EMD indices are for illustrative purposes only.**

%	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2000 ¹		3.30	2.40	-1.90	-1.52	4.66	3.55	2.35	-1.89	-0.39	1.36	3.97	16.75
2001	3.18	-0.77	-1.59	-2.59	1.24	1.67	0.12	4.30	-3.78	0.31	-0.24	0.31	1.90
2002	0.78	2.25	-0.15	4.34	3.14	2.90	-0.07	2.54	0.94	0.86	2.37	3.80	26.31
2003	1.86	0.24	-0.30	2.50	1.66	0.99	-0.64	-0.12	1.34	-0.98	-0.64	2.75	8.93
2004	-1.14	0.63	1.03	-1.19	-0.23	-0.52	0.64	-0.23	2.19	2.14	3.91	2.60	10.13
2005	-1.76	1.58	-1.50	-0.11	-0.42	0.26	0.79	-0.52	-0.37	0.63	0.21	-0.10	-1.34
2006	2.51	0.92	1.32	1.90	-1.18	-0.84	0.85	0.84	0.34	1.23	2.47	1.42	12.36
2007	-0.93	0.85	0.65	1.07	-0.09	-0.28	0.60	-1.14	2.18	2.36	0.80	-0.04	6.11
2008	1.36	1.73	1.07	-0.84	-0.85	-0.26	0.39	-2.91	-2.78	-3.45	1.41	3.15	-2.20
2009	-1.89	-2.15	1.03	3.80	6.34	0.97	2.95	0.85	3.60	1.35	1.07	-1.43	17.39
2010	0.27	-0.11	0.27	0.30	-0.99	0.65	0.15	1.56	0.11	0.52	-2.64	0.92	0.96
2011	-0.87	0.08	0.46	2.55	-1.89	-0.11	0.42	-0.30	-1.17	-0.19	-0.23	0.12	-1.21
2012	0.15	-0.27	-1.08	0.04	-1.71	0.59	0.39	0.12	0.78	0.70	1.08	2.59	3.38
2013	1.37	-1.39	-0.59	1.05	-0.48	-0.82	-0.19	-0.34	0.23	0.83	-1.08	0.38	-1.08
2014	-0.68	1.21	0.56	0.56	1.18	-0.55	-0.59	1.59	-2.94	0.41	0.07	-1.97	-1.24
2015	1.14	-1.77	-1.03	0.97	-1.34	-0.78	-0.74	-1.02	-0.68	-0.12	-0.84	-0.57	-6.61
2016	0.41	0.85	5.75	2.47	-3.16	2.72	0.76	-0.04	0.62	-0.43	-2.72	0.58	7.76
2017	1.36	1.29	0.59	0.57	0.67	0.54	0.90	0.76	-0.46	-1.58	0.70	1.06	6.55
2018	3.14	-0.98	0.54	-2.50	-2.34	-1.23	0.64	-2.98	0.23	0.32	0.62	0.45	-4.17
2019	2.51	-0.70	-0.71	-0.49	0.14	3.26	0.34	-2.56	0.18	1.63	-1.73	2.86	4.66
2020	-1.41	-1.59	-5.54	1.30	4.62	0.66	3.02	-0.56	-2.17	0.69	3.83	3.17	5.69
2021	-1.89	-1.47	-2.28	1.31	1.58	-0.61	-0.49	-0.12	-2.22	-0.92	-2.19	1.16	-7.94
2022	-0.93	-2.34	-2.66	-3.48	-0.15	-4.84	0.00	1.83	-2.42	-0.04	4.09	0.92	-9.88
2023	3.32	-2.08	1.91	0.27	0.00	3.88	1.44	-2.59	-2.47	0.31	3.21	3.85	11.30
2024	-1.73	0.16	0.64	-0.87	0.88	-1.54	0.59	2.06	2.37	-2.97	0.06	-1.04	-1.52

Source: Schroders. ¹Inception 31 January 2000.

Fund positioning as at 31 December 2024 (%):

	US\$ Debt	Local Debt	FX ¹	Total
Latin America				
Argentina	2.2			2.2
Bahamas	0.4			0.4
Brazil	0.8	6.7	-6.9	7.5
Chile			2.0	2.0
Colombia	0.5	1.6	-0.6	2.1
Dominican Republic		1.2		1.2
Ecuador	1.3			1.3
El Salvador	1.0			1.0
Mexico	0.5	7.3	-4.7	7.8
Panama	0.7			0.7
Peru		1.2	-1.2	1.2
Asia				
China	0.7			0.7
India	0.3	8.6	-5.4	8.9
Indonesia		6.9	-4.7	6.9
Malaysia		1.1	0.5	1.6
Pakistan	1.6			1.6
Philippines		2.0		2.0
Singapore	0.2			0.2
Sri Lanka	2.6			2.6
Thailand		0.6	1.7	2.3
Central Eastern Europe				
Czech Republic		1.1		1.1
Hungary	0.4	2.8	-0.9	3.2
Latvia	0.3			0.3
Poland		1.8	-1.5	1.8
Serbia	0.1			0.1
Turkey	3.1	1.5	1.6	6.2
Ukraine	0.6	0.2		0.8
Africa and Middle East				
Burkina Faso	0.6			0.6
Egypt	0.2	2.3		2.5
Ivory Coast	2.3			2.3
Nigeria	2.0			2.0
Senegal	1.4			1.4
South Africa	1.8	7.6	-2.4	9.4
Tanzania	0.1			0.1
Zambia	0.4			0.4
Total EM	26.1	54.5	5.8	86.4
Cash				13.6
Grand Total	26.1	54.5	5.8	100.0



Fund Summary (%)

Yield to maturity	7.9
FX exposure	33.3
Duration (years)	4.5
Average credit rating	BBB-
Corporate bond exposure	4.94
Current yield	6.69
No. of holdings	112
Credit hedges	-15.4
Fund AUM	US\$ 981m
EMD TR strategy AUM	US\$ 1,878m

Source: Schroders.

¹ FX positions in red are hedges of local debt positions. FX positions in black are outright long FX forward positions. Total includes only active long outright FX forwards and NDFs and excludes hedges of local debt.

Proprietary sustainability metrics (SFDR Article 8)

Schroder ISF EMD Total Return ESG – 31 December 2024

	Fund coverage: 100%	Reference benchmark coverage: 99%
Overall impact	Fund -3.2%	Reference sustainability benchmark -5.0%
Environmental impact	Fund -1.4%	Reference sustainability benchmark -3.4%
Social impact	Fund -1.5%	Reference sustainability benchmark -1.1%
Governance impact	Fund -0.3%	Reference sustainability benchmark -0.4%

Source: Schroders – 31 December 2024. The Schroders Impact score is based on Schroders' proprietary tool, SustainEx. Overall impact is an indication of the fund's impact compared to its benchmark. All holdings exclude cash and currency holdings. Impact on People indicate the fund's underlying benefits and harms compared to its benchmark. Metrics shown are a sample of the total underlying metrics. See definitions slide for more details. Benchmark data 50% JP Morgan EMBI Global Diversified (USD Unhedged) and 50% JP Morgan GBI EM Global Diversified (USD Unhedged).

Risk considerations:

Bond Connect risk: The fund may be investing in the China Interbank Bond Market via the Bond Connect which may involve clearing and settlement, regulatory, operational and counterparty risks. **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. **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. **Credit risk:** If a borrower of debt provided by the Fund or a bond issuer experiences a decline in financial health, their ability to make payments of interest and principal may be affected, which may cause a decline in the value of the Fund. **Currency risk:** The fund may lose value as a result of movements in foreign exchange rates, otherwise known as 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 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. **High yield bond risk:** High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk meaning greater uncertainty of returns. **Interest rate risk:** The fund may lose value as a direct result of interest rate changes. **Issuer risk:** The fund is permitted to invest more than 35% of its scheme property in transferable securities and money market instruments issued or guaranteed by an EEA State / governments of the following country: United States of America. **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. **No capital guarantee risk:** Positive returns are not guaranteed and no form of capital protection applies. **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. **Sustainability risk:** The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

¹Schroder International Selection Fund is referred to as Schroder ISF throughout this document.

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