

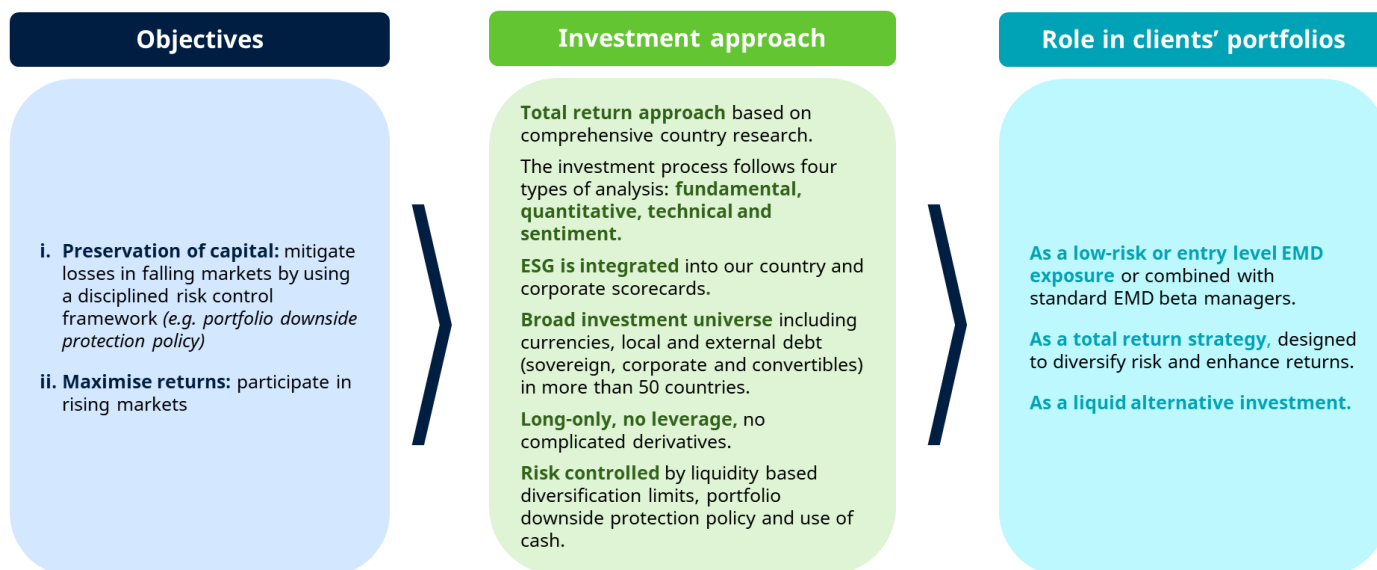
# Schroder ISF\* Emerging Markets Debt Total Return



## Quarterly

### Fund update: Third quarter 2025

Marketing material for professional clients only.



Source: Schroders. There is no guarantee that these objectives will be achieved. Diversification cannot ensure profits or protect against the loss of principal.

## Quarterly review:

- **Emerging markets debt continued to perform strongly over the quarter.** Robust macroeconomic fundamentals across key countries, attractive yield levels, and a gradual recovery in capital inflows into the asset class all contributed to the solid returns. Additionally, growing expectations of monetary easing by the US Federal Reserve further supported renewed investor appetite for EM assets. Despite a temporary pause in US dollar weakness, EM local currency debt delivered another quarter of positive performance, with the GBI-EM Global Diversified Index gaining +2.8% in Q3 2025, bringing the year-to-date return to +15.41%. Meanwhile, EM hard currency debt, which had lagged in the first half of the year, outperformed in the third quarter, posting a +4.75% return for the EMBI Global Diversified Index, increasing its year-to-date performance to +10.66%.
- **The fund ended the quarter with a positive return of +3.96% in gross US dollar terms.** The key performance drivers were as follows: (i) US dollar debt had +120bps positive impact; and (ii) local currency debt contributed +276bps, of which +148bps was due to price change given lower EM local rates, +130bps was generated by income, and -2bps was from a modest currency depreciation. At the country level, Mexico (+100bps) and South Africa (+70bps) were the largest contributors. Most other markets added between +10–20bps, except for India (-24bps) and Argentina (-17bps). India's performance was affected by currency weakness following the unexpected imposition of secondary trade tariffs by President Trump, while Argentina experienced a sharp correction in its sovereign dollar bonds, which later began to stabilise amid renewed expectations of a US-backed support mechanism.
- **During the quarter, portfolio activity was aimed at keeping the fund fully invested** with a continued focus on high yielding local bond markets, consistent with our constructive investment outlook presented below. The main adjustment involved a reduction in exposure to Indonesian local bonds and currency, with the proceeds reallocated to higher-yielding South African government bonds. This shift increased the fund's overall yield from 8.6% to 8.8%.
- **A detailed breakdown of portfolio exposures is provided on page 7.**

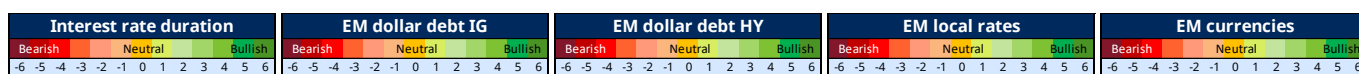
**Schroders**

\*Schroder International Selection Fund is referred to as Schroder ISF throughout.

## Investment outlook:

### Global economic environment:

- **Global growth activity continues to show resilience** despite recent trade and geopolitical uncertainties. With ample financial liquidity and strong private sector balance sheets, upward revisions to growth expectations are occurring across several developed and emerging economies. EM exports have also proved resilient despite US tariffs, helping to maintain EMs slightly above their long-term average growth differential relative to US. The key medium-term risk lies in US growth reaccelerating sharply in 2026, reviving “US exceptionalism” narrative and potentially crowding EM out of investor focus.
- **The global disinflation trend of the past two years remains intact**, though the US may soon be an exception as tariff effects feed through, potentially undermining the credibility of the Federal Reserve’s current easing cycle. By contrast, EM inflation remains more benign, supported by subdued food and energy prices and China’s ongoing export of deflation. Disinflation from China is beneficial to EM economies with lower trade barriers and minimal export overlap with China. With inflation contained, rates across EM remain unnecessarily too high, leaving several EM central banks ample room to ease.
- **Global financial liquidity is ample**, supported by elevated global real broad money growth and positive credit impulse indicators. EM FX reserves are also rebuilding steadily, supporting domestic liquidity in EM. This provides a favourable backdrop for EM debt, which is equally experiencing a recovery in inflows after years of substantial outflows.
- **The US dollar is likely to resume its cyclical downturn after a period of consolidation**. While short-term sentiment indicators suggest the greenback is oversold, structural pressures persist. Expensive real effective exchange rate valuations, weaker interest rate support, large twin deficits and a negative net international investment position still exceeding 80% of GDP all point to sustained dollar weakness. Importantly, the greenback has now broken its long-term 15-year uptrend.
- **The outlook for Commodities remains mixed**. Oil markets are oversupplied into late 2025 and early 2026, with prices likely drifting toward the mid-50s unless OPEC adjusts policy or geopolitical shocks reappear. Gold remains in a remarkably quite yet persistent bullish trend supported by central bank demand, and despite strong multi-year gains, shows no signs of late-cycle euphoria. Geopolitical risks still appear underpriced, leaving financial assets exposed to flare-ups in tensions. While there are prospects for de-escalation in the Middle East, the Ukraine war has evolved into a war of attrition, with Ukrainian strikes increasingly targeting Russian refineries and infrastructure. These actions could impair Russia’s export capacity, while repeated Russian incursions into NATO airspace have substantially increased the risk of accidental escalation.
- **Tactical exposures to US interest rate duration can be justified** by improved valuations in long-dated Treasuries and the apparent softness in US labour market. However, we remain alert to key downside risks, notably persistent fiscal imbalances and the potential for an inflation resurgence driven by trade tariffs, growth reaccelerating and easy monetary conditions. A break above the recent yield range — specifically the 5.1% level on the US 30-year — would serve as an early warning signal.
- **EM Local debt remains our top sectoral pick**. Dollar weakness, high real yields, the prospects of monetary easing in the context of well-behaved EM inflation and an incipient recovery in fund flows should continue to boost returns. We estimate that a diversified EM local debt portfolio should generate an expected 12-month return above 11%, notably thanks to high-yielding government bonds in countries such as Brazil, Mexico, South Africa, Hungary, India, Turkey and Egypt.
- **EM dollar debt should also generate attractive income**. We expect a 12-month return of 7% from this sector, with high-yielding sovereigns like Senegal, Ecuador, Ivory Coast, Egypt, and Argentina still offering attractive upside potential.
- **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 factors. These scores serve as a guide for our overall EMD portfolios' positioning.

### Asia:

- **China’s growth outlook remains clouded** by persistent weakness in the property sector and ongoing trade uncertainties. Although recent activity has fallen short of expectations, abundant liquidity and policy support continue to offer a backstop for growth. The renminbi could face appreciation pressures from high reserves, trade surpluses, and a possible trade deal with the US. This could also help regional currencies despite their lower interest rate support. The Malaysian ringgit remains our top pick given policy credibility, ability to attract FDIs and the potential for FX repatriations.
- **We remain constructive on Indian and Philippines local bonds** but have now turned cautious on Indonesian assets as weaker growth and rising social discontent are escalating fiscal pressures on an administration with populist inclinations.

### Eastern Europe, Middle East and Africa:

- **The outlook for Central European bonds and currencies remains constructive**. Despite fiscal slippages given pre-election spending and possible rating downgrades, Hungary should outperform on tight monetary policy, high real yields, strong external balance and tailwinds from potential political change in 2026. In contrast, Romania faces fragile politics and inflation near 10%, leaving local assets less appealing with negative real yields and an overvalued currency.

- **South African bonds remain attractive in both local and hard currency.** The Government of National Unity (GNU) is likely to hold, while fiscal prudence, lower inflation target and lower rates should stabilise debt dynamics. With policy easing expected to continue, long-dated government bonds above 10% continue to offer compelling real returns. Political risks, particularly around US relations and GNU coalition tensions, remain potential headwinds.
- **We expect Turkish local government bonds to deliver over 20% return** in USD terms over a 12-month horizon, thanks to high nominal bond yields (34%) and manageable currency depreciation. The credible economic team and the enhanced processes of the central bank should contain widely expected flare ups in political tensions.
- **We remain constructive on Nigeria, Egypt, Ivory Coast and Angola sovereign dollar debt** given their attractive sovereign spread and stable or improving credit metrics. Senegal also offers recovery potential with spreads above 800bps, though the content and the timing of the upcoming IMF programme need to be monitored closely.

#### Latin America:

- **The region continues to have the most positive scores** from our fundamental analysis, driven by contained political uncertainties, attractive valuations, stable external accounts, well-anchored inflation, and tailwinds from a weaker US dollar.
- **Long-dated local bonds in Brazil and Mexico remain appealing** with well contained inflation. Both countries' ability to navigate frictions with the US is also reassuring. With 10-year yields at 13.7% and 9% respectively, and assuming modest rate declines and conservative currency appreciation, Brazil and Mexico could deliver returns above 15% over 12 months.
- **Despite lower yields, Chilean and Peruvian bonds should perform well** given strong sovereign balance sheets and improving inflation trends. Tactical exposures to Colombian local debt remain warranted given high yields (10-year at 12%), firm growth, rising reserves and expectations of a possible pro-market administration post-election. However, we remain alert to the populist nature of the current government and the fading impact of recent debt management initiatives.
- **Good income can be generated in dollar bonds of Brazil, Chile, Mexico, Peru, Paraguay and Dominican Republic.** Exposures to Ecuador should also be reinstated given President's Noboa's aggressive reform agenda since his re-election. Tactical exposures to Argentine bonds are warranted given a possible backstop provided by the Trump administration.

#### EM corporates:

- **EM corporates' credit fundamentals have plateaued, but stronger global growth could help buoy them anew.** Robust capital markets have supported High Yield refinancing, and default rates are expected below average this year.
- **We continue to favour non-commodity exposure in Latin America:** Peru offers a solid macro backdrop for subordinated bank capital; we also like subordinated bank paper in Mexico and Chile, as well as Mexican utilities. In energy, we prefer infrastructure credits benefiting from rising production while resilient to prices. Within Metals and Mining sectors, we favour credits where open capital markets can act as catalysts for bonds.
- **In EEMEA, Middle Eastern credits enjoy solid macro support.** Some opportunities also exist in Ukraine, where corporates have largely priced in a prolonged conflict, and in Turkey, where banks provide above-index yields in an improving sector.
- **In Asia, we see opportunities in new issues of subordinated capital** from Hong Kong, Taiwan and Korea insurers, while remaining cautious on Indonesian corporates given worsening sentiment towards the sovereign.

#### Quantitative analysis:

- **The Schroder country vulnerability model has not identified any major EM economy to have unsustainable imbalances.** China's vulnerabilities have even started to improve thanks to solid external accounts, ample liquidity and stronger competitiveness. Our Sovereign Credit Model also shows that 60% of EM countries are witnessing improving sovereign credit metrics, especially given the renewed accumulation of FX reserves.
- **EM local bond valuation scores are appealing across the board given historically high real yields.** EM FX valuations have deteriorated somewhat with the noticeable exceptions of IDR, KRW, EGP, CNY, CLP and ZAR. Our valuation model maintains both EM IG and HY spreads as overvalued but with pockets of value in several dollar sovereign frontier markets.

#### Chart and Sentiment analysis:

- **The technical outlook for US rates remains challenging.** The 10 and 30-year yields remain range-bound. A break above the top of the range (5.1% for the 30-year) would shift the outlook unequivocally bearish as the long-term uptrend is still firmly in place with no evidence of oversold conditions both from chart patterns and market sentiment standpoints.
- **In contrast, chart patterns and flow momentum remain constructive for EM debt,** with sovereign spreads and local yields resuming their bullish trend after the brief pause in April. Trend and momentum indicators have also maintained their positive readings for EM currencies, especially as the dollar index (DXY) has not broken its 15-year uptrend.

## 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
	<b>Latin America</b>	<b>Latin America</b>	<b>Africa &amp; Middle East</b>	<b>Latin America</b>	<b>Latin America</b>
	Venezuela	Argentina	Qatar	Brazil	Mexico
	<b>Asia</b>	Panama	Saudi Arabia	Chile	<b>Frontier</b>
	China	Uruguay	<b>Frontier</b>	Colombia	Ivory Coast
	Indonesia	<b>Asia</b>	Bahrain	Ecuador	Senegal
	<b>Europe</b>	Korea	Costa Rica	Peru	
	Bulgaria	Malaysia	El Salvador	<b>Europe</b>	Egypt
	Russia	Pakistan	Gabon	Hungary	Iraq
	Ukraine	Philippines	Guatemala	Poland	Lebanon
	<b>Frontier</b>	Vietnam	Honduras	Romania	Morocco
	Belarus	<b>Europe</b>	Jamaica	<b>Africa &amp; Middle East</b>	Mozambique
	Bolivia	Croatia	Jordan	South Africa	Nigeria
	Ethiopia	Czech Rep	Mongolia		Oman
	Ghana	Greece	Namibia		Paraguay
	Kenya	Kazakhstan	Sri Lanka		
	Tunisia	Serbia	Suriname		
		Slovakia	TrinTobago		
		Turkey	Zambia		
DOLLAR DEBT - CORPORATES					
Extremely unattractive	Unattractive	Neutral		Attractive	Extremely attractive
	<b>Latin America</b>	<b>Latin America</b>	<b>Europe</b>	<b>Latin America</b>	
	Argentina	Brazil	Russia	Mexico	
	<b>Asia</b>	Chile	Turkey	Peru	
	Indonesia	Colombia	Ukraine	<b>Africa &amp; Middle East</b>	
		<b>Asia</b>	<b>Africa &amp; Middle East</b>	GCC	
		China	South Africa		
		India			
LOCAL RATES					
Extremely unattractive	Unattractive	Neutral		Attractive	Extremely attractive
	<b>Asia</b>	<b>Latin America</b>	<b>Europe</b>	<b>Latin America</b>	<b>Latin America</b>
	China	Argentina	Croatia	Colombia	Brazil
	Thailand	<b>Asia</b>	Czech Republic	Peru	Chile
	Vietnam	Hong Kong	Romania	<b>Asia</b>	Mexico
	<b>Europe</b>	Indonesia	Serbia	India	<b>Asia</b>
	Russia	Korea	<b>Africa &amp; Middle East</b>	Taiwan	Philippines
	Ukraine	Malaysia	Ghana	<b>Europe</b>	<b>Europe</b>
	<b>Africa &amp; Middle East</b>	Pakistan		Poland	Hungary
	Morocco	Singapore		Turkey	<b>Africa &amp; Middle East</b>
	UAE			<b>Africa &amp; Middle East</b>	Nigeria
				Egypt	
				South Africa	
CURRENCIES					
Extremely unattractive	Unattractive	Neutral		Attractive	Extremely attractive
	<b>Latin America</b>	<b>Latin America</b>	<b>Europe</b>	<b>Latin America</b>	<b>Latin America</b>
	Peru	Argentina	Kazakhstan	Colombia	Brazil
	<b>Asia</b>	<b>Asia</b>	Poland	Mexico	Chile
	Indonesia	Hong Kong	Serbia	Uruguay	<b>Asia</b>
	Thailand	India	Ukraine	<b>Asia</b>	China
	<b>Europe</b>	Philippines	<b>Africa &amp; Middle East</b>	Korea	<b>Europe</b>
	Croatia	Singapore	Ghana	Malaysia	Turkey
	Romania	Taiwan	Kuwait	Pakistan	
	Russia	Vietnam	Morocco	<b>Europe</b>	
			Qatar	Czech Republic	
			Saudi Arabia	Hungary	
			UAE	<b>Africa &amp; Middle East</b>	
				Egypt	
				Nigeria	
				South Africa	

## Fund performance as at 30 September 2025 (%):

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 <sup>1</sup>	Fund	GBI-EM GD <sup>2</sup>	EMBI GD
Annual rate of return	<b>4.11</b>	6.20	7.35
Volatility	<b>6.18</b>	11.20	8.76
Sharpe ratio	<b>0.38</b>	0.44	0.66
Sortino ratio	<b>0.63</b>	0.61	0.70
Correlation	<b>1</b>	0.78	0.68
Positive quarters	<b>61.76</b>	63.73	70.59
Maximum drawdown	<b>-21.02</b>	-29.32	-25.85
Best month	<b>6.34</b>	9.84	7.59
Worst month	<b>-5.54</b>	-14.07	-16.03
Max 12m rolling return	<b>27.66</b>	38.87	41.56
Min 12m rolling return	<b>-17.72</b>	-21.54	-24.28



Source: Schroders. <sup>1</sup>Inception 31 January 2000. <sup>2</sup>JPM EMBI Global Diversified used as a proxy before 31/12/02 at which point GBI-EM Global Diversified launched.

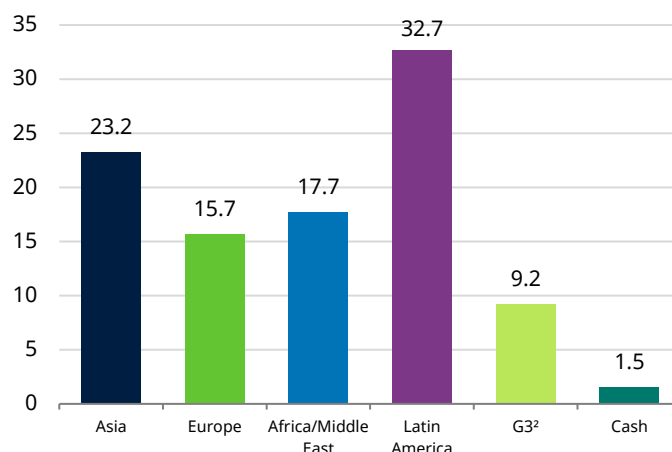
Please note the fund is an total return fund therefore, the EMD indices are for illustrative purposes only.

%	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2000 <sup>1</sup>		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	2.44
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
2025	2.02	0.75	-0.20	1.64	1.26	1.74	-0.14	1.61	1.98				11.14

Source: Schroders. <sup>1</sup>Inception 31 January 2000. Typical ongoing charges for A shares are 1.84%.

## Fund positioning as at 30 September 2025 (%):

	US\$ Debt	Local Debt	FX <sup>1</sup>	Total
<b>Latin America</b>				
Argentina	0.9			0.9
Brazil	0.6	9.5	-1.0	10.1
Chile		1.7	1.9	3.6
Colombia	1.1	2.0	-0.9	3.1
Dom Rep.		0.9		0.9
Ecuador	1.2			1.2
Jamaica	0.2			0.2
Mexico	1.7	9.5	-2.3	11.2
Peru		1.5		1.5
<b>Asia</b>				
China	0.5		0.5	1.0
India		9.0	-1.6	9.0
Indonesia		3.0		3.0
Malaysia		4.0	1.0	5.0
Philippines		3.3	-0.7	3.3
Singapore	0.2			0.2
Sri Lanka	1.7			1.7
<b>Central Eastern Europe</b>				
Czech Republic		0.9	1.2	2.1
Hungary	0.1	5.1		5.2
Latvia	0.3			0.3
Poland		3.5		3.5
Romania	0.9			0.9
Turkey	0.4	3.2		3.6
Ukraine		0.1		0.1
<b>Africa and Middle East</b>				
Angola	1.1			1.1
Egypt		2.6		2.6
Ivory Coast	2.2			2.2
Mali	0.3			0.3
Nigeria	1.1	0.5		1.6
Senegal	2.3			2.3
South Africa		7.3		7.3
Zambia	0.3			0.3
<b>Total EM</b>	<b>17.1</b>	<b>67.6</b>	<b>4.6</b>	<b>89.3</b>
<b>G3</b>				
Long-term US Treasuries			9.2	9.2
<b>Cash</b>				<b>1.5</b>
<b>Grand Total</b>	<b>17.1</b>	<b>67.6</b>	<b>13.8</b>	<b>100</b>



### Fund Summary (%)

Yield to maturity	8.8
EM FX exposure	65.8
Duration (years)	5.9
Average credit rating	BBB
Corporate bond exposure	3.5
Current yield	7.6
No. of holdings	102
Credit hedges	-9.0
Fund AUM	US\$1,099m
EMD TR strategy AUM	US\$1,858m





Source: Schroders.

<sup>1</sup> 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.

<sup>2</sup> Can include short and long dated government securities issued in G3 countries. Difference in some numbers due to rounding.

ESG – Proprietary sustainability metrics (SFDR Article 8):

Schroder ISF EMD Total Return ESG – 30 September 2025

<b>Overall impact</b> 	Fund coverage: 99%	Reference benchmark coverage: 99%
<b>Fund</b> <b>-2.2%</b>	<b>Reference sustainability benchmark</b> <b>-3.7%</b>	
<b>Environmental impact</b> 	<b>Fund</b> <b>-1.9%</b>	<b>Reference sustainability benchmark</b> <b>-2.7%</b>
<b>Social impact</b> 	<b>Fund</b> <b>-0.2%</b>	<b>Reference sustainability benchmark</b> <b>-0.7%</b>
<b>Governance impact</b> 	<b>Fund</b> <b>-0.1%</b>	<b>Reference sustainability benchmark</b> <b>-0.3%</b>

Source: Schroders – 30 September 2025. 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

**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.

**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:** 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.

**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.



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