

Schroder ISF* Global Equity Yield

Fund Managers: Simon Adler and Liam Nunn | Fund update: October 2025

Performance overview

- Global equities gained in October. The fund underperformed the MSCI World index.

Drivers of fund performance

- The fund posted a flat return, underperforming the benchmark over the month.
- 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 Dieselpgate 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.

Portfolio activity

- 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 exited Continental spin-off Aumovio, and Samsung Electronics following the company reaching our assessment of fair value.

Outlook

- As we move through the final quarter of 2025, global equity markets remain supported by resilient earnings and easing inflation but face growing crosscurrents from policy shifts and valuation concerns. The Federal Reserve's September rate cut has reinforced soft-landing expectations, while the ECB and Bank of England remain cautious amid uneven growth and persistent core inflation. Market leadership continues to be concentrated in mega-cap tech, driven by accelerating AI investment, though signs of fatigue are emerging as valuations stretch and breadth narrows. Geopolitical uncertainty, including trade tensions and fiscal gridlock, remains a key source of volatility, keeping investor focus on quality, defensiveness, and selective exposure to undervalued segments.
- In this environment, value investing—with its emphasis on fundamentals, margin of safety, and long-term discipline—offers a compelling framework. Companies with strong balance sheets, durable cash flows, and pricing power may outperform as markets rotate away from speculative growth and toward quality and valuation. Selectivity and patience will be key, as macro headwinds continue to test investor conviction.
- The future is inherently unpredictable. As such, investors should focus on known fundamentals rather than succumb to fear-driven market behaviour. Although we cannot foresee specific outcomes, our disciplined investment approach grounded in sound valuation principles positions us well to navigate these challenges. Ultimately, markets have historically rebounded from crises, and we remain confident in our strategy to weather this storm and capitalise on potential recovery opportunities.

Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

Calendar year performance (%)

Year	Fund	Target	Comp. 1	Comp. 2
2024	3.2	18.7	11.5	8.3
2023	16.3	23.8	11.5	13.5
2022	-6.4	-18.1	-6.5	-11.8
2021	19.5	21.8	21.9	17.1
2020	-6.1	15.9	-1.2	4.6
2019	16.5	27.7	21.7	21.7
2018	-11.0	-8.7	-10.8	-11.4
2017	22.1	22.4	17.1	18.8
2016	12.1	7.5	5.4	5.6
2015	-6.3	-0.9	-3.0	-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.

The fund's performance should be assessed against its target benchmark, being to exceed the MSCI World (Net TR) index and compared against the MSCI World Value (Net TR) index (comp. 1) and the Morningstar Global Income Equity Category (comp. 2). 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 target benchmark or 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.
- Higher volatility risk: The price of this fund may be more volatile as it may take higher risks in search of higher rewards, meaning the price may go up and down to a greater extent.
- 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.
- 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.

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