

Schroder ISF* US Dollar Bond

Fund Manager: Lisa Hornby and Neil Sutherland | Fund Update: July 2025

Market overview

- Concerns surrounding the impact of tariffs were partially alleviated in July, as trade agreements were announced with several significant US trading partners, including Japan, Europe, and South Korea. The increased clarity promoted a strong risk-on sentiment over the month.
- Macroeconomic data proved resilient, providing further support. High-grade issuance remained light, running 23% below forecasts, while July earnings were generally consistent with expectations, further supporting positive sentiment.
- For the month, spreads, as measured by the Bloomberg US Corporate Bond Index tightened by 7 basis points (bps), ending the month at 76 bps.
- Treasury yields (as measured by the 10-year tenor) moved higher by 15 bps, as expectations for rate cuts diminished considering resilient economic data.

Drivers of fund performance

- The portfolio outperformed the benchmark, gross of fees driven mostly by asset allocation in July.
- The strong asset allocation was as a result of overweights to gov-related, consumer-cyclicals, energy and banking sectors mostly.
- Issue selection was flat with contributions in insurance and communications offset by REITs and gov-related positions.
- Duration impacts were negative for the month due to the relative long duration with rates rising.

Outlook/positioning

- Looking forward to July, the market will continue to wait for evidence that tariffs and the resulting volatility have negatively impacted the hard data. To this point the economy is considered healthy enough such that Fed Chair Powell continues his "wait and see" approach before reducing yields. Despite expensive valuations, the portfolio remains overweight risk in a diversified way via the overweight to taxable municipals, out of benchmark allocation to CMOs and the overweight to banking. We remain biased to lower bond yields especially at the short end, given moderating growth and inflation, and expectations of a supportive Fed.

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	Target	Comparator
2024	1.8	1.3	1.8
2023	5.4	5.5	4.7
2022	-16.0	-13.0	-9.8
2021	-1.4	-1.5	-1.5
2020	10.3	7.5	6.9
2019	9.3	8.7	7.7
2018	-1.6	0.0	-1.1
2017	4.4	3.5	3.6
2016	2.8	2.7	2.2
2015	-1.2	0.6	-0.7

Source: Schroders, as at 31 December 2024. Fund performance is net of fees, NAV to NAV with net income reinvested, C Acc shares. Please see factsheet for other share classes. The target benchmark is Bloomberg Barclays US Aggregate Bond Index and comparator is Morningstar USD Diversified Bond. The fund's investment universe is expected to overlap to a limited extent with the components of the target benchmark.

Investment Objective

The Fund aims to provide income and capital growth in excess of the Bloomberg US Aggregate Bond (TR) index after fees have been deducted over a three to five year period by investing in fixed and floating rate securities denominated in USD.

Risk considerations

- **ABS and MBS risk:** The fund may invest in mortgage or asset-backed securities. The underlying borrowers of these securities may not be able to pay back the full amount that they owe, which may result in losses to the fund.
- **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.
- **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.
- **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:** A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.
- **Currency risk:** The fund may lose value as a result of movements in foreign exchange rates.
- **Currency risk / hedged share class:** The 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 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.
- **High yield bond risk:** High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk.
- **IBOR risk:** 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.
- **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.
- **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.
- **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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