

# Schroder ISF\* China Local Currency Bond

Fund Manager: Ang Chow Yang | Fund update: March 2026

## Market Overview

- China growth accelerated in Q1, led by high-tech related manufacturing and services. Trade activities remained solid, while global energy shocks lifted PPI inflation.
- The CNY fell -0.31% against the USD, as the Middle East conflict provided firm support to the greenback. Meanwhile, the China Government Bond was little changed, with the 10-year yield at 1.81%.
- The Fund (CNH C Acc, net of fees) posted -0.06 in March, trailing its benchmark, the Markit iBoxx ALBI China Onshore Index, which delivered +0.35%.

## Drivers of Fund Performance

- Rates positioning and spreads strategies weighed on performance.
- Our underweight at the short-end of the China Government Bond curve and long US duration exposure detracted from active returns.
- Although the allocation to Financials sector contributed positively, these gains were more than offset by detractions from allocations to the Industrial and TMT sectors.

## Outlook and Positioning

- High frequency indicators so far show improving new home sales and still-resilient trade activities. Overall, China's economy has remained relatively resilient despite the ongoing Middle East conflict and disruption risks around the Strait of Hormuz. The deflation trend is expected to continue, although it may introduce additional cost pressures on downstream sectors.
- The RMB will remain well-supported by key domestic structural themes, including RMB internationalization, long-term diversification from USD, and economic rebalancing. The currency is likely to see gradual appreciation, underpinned by the economy's solid footing and China's relatively lower exposure to energy price shocks.
- On rates, we expect CGB yields to range trade. We maintain an underweight at the front end of the curve, as relatively flush liquidity conditions are largely priced in, leaving short-end valuations looking relatively rich.
- We expect China credits to stay well-anchored and resilient, favouring selective exposures in policy banks, Financials, and TMT names.

## Calendar Year Performance (%)

Year	Fund <sup>1</sup>	Index <sup>2</sup>
2025	-0.7	-0.3
2024	7.6	8.4
2023	5.6	4.6
2022	1.1	3.5
2021	4.9	6.1
2020	2.0	2.5
2019	4.2	4.4
2018	7.6	8.5
2017*	0.4	1.7
2016*	2.8	4.1

Source: Schroders, as of 31 December 2025, based on Schroder ISF China Local Currency Bond C Acc CNH share class, net of fees, bid to bid. <sup>1</sup>The fund was renamed Schroder ISF China Local Currency Bond Fund from Schroder ISF RMB Fixed Income Fund effective 1 July 2019. There was no change made to the investment objectives or strategy.

<sup>2</sup>With effect from 1 May 2019, Markit iBoxx China Onshore index began to include Chinese policy bank bonds.

\*The fund changed investment strategy focus from China offshore investment grade bonds to China onshore bonds, effective 1 June 2017.

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.

## Risk Considerations

The capital is not guaranteed.

In order to access restricted markets, the fund may invest in structured products. Should the counterparty default, the value of these structured products may be nil.

Non-investment grade securities will generally pay higher yields than more highly rated securities but will be subject to greater market, credit and default risk.

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A security issuer may not be able to meet its obligations to make timely payments of interest and principal. This will affect the credit rating of those securities.

Investments in money market instruments and deposits with financial institutions may be subject to price fluctuation or default by the issuer. Some of the amounts deposited may not be returned to the fund.

Currency derivative instruments are subject to the default risk of the counterparty. The unrealised gain and some of the desired market exposure may be lost.

Investments denominated in a currency other than that of the share-class may not be hedged. The market movements between those currencies will impact the share-class.

Investment in bonds and other debt instruments including related derivatives is subject to interest rate risk. The value of the fund may go down if interest rate rise and vice versa.

Emerging markets will generally be subject to greater political, legal, counterparty and operational risk.

Emerging equity markets may be more volatile than equity markets of well-established economies. Investments into foreign currencies entail exchange risks.

The fund may hold indirect short exposure in anticipation of a decline of prices of these exposures or increase of interest rate.

The fund may be leveraged, which may increase its volatility. The fund enters into financial derivative transactions. If the counterparty were to default, the unrealised profit on the transaction and the market exposure may be lost.

Changes in China's political, legal, economic or tax policies could cause losses or higher costs for the fund.