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Schroder ISF* China Local Currency Bond

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

Market Overview

- April macro activity data surprised on the downside, signalling a notable slowdown in overall economic growth momentum following the resilience seen in Q1. Year-to-date fixed asset investment growth turned to a decline, while retail sales and industrial production growth dropped notably.
- At the same time, inflation readings surprised to the upside, with both CPI and PPI inflation rising more than expected. Upward momentum appears to be building, driven by imported energy inflation across products (petro, gas, coal, chemicals), as well as stronger demand for travel services during the spring holiday period in certain regions.
- The CNY appreciated by 1.05% against the USD, supported by a lower USD-CNY trajectory and market repricing toward a reduced likelihood of US rate hikes. Meanwhile, the China Government Bond fell amid ample liquidity conditions, with the 10-year yield at 1.74%.
- The Fund (CNH C Acc, net of fees) posted 0.51% in April, modestly outperforming its benchmark, the Markit iBoxx ALBI China Onshore Index, which delivered 0.47%.

Drivers of Fund Performance

- Spreads strategies were the key contributor to performance, despite a slight drag from rates positioning.
- Positive carry from long US duration aided active returns. However, overall performance was weighed down by losses from our underweight duration stance at the long-end of the curve.
- Security selection within CGBs, together with allocations to the Basic Materials and TMT sectors, further boosted performance.

Outlook and Positioning

- As the Iran conflict continues with little visibility on a recovery in traffic through the Strait of Hormuz and no meaningful easing in global energy prices, we expect stronger headwinds to China's growth and rising inflationary pressures, particularly on the PPI front, in the coming months.
- That said, several offsetting factors are emerging. These include tech-related tailwinds from the AI cycle and potential policy support measures aimed at cushioning shocks. China's trade growth should remain relatively resilient in the near term, supported by ongoing global AI-related capex demand. In addition, incremental policy easing measures could be rolled out to stabilize domestic demand and offset the negative effects of higher energy and raw material costs.
- Nonetheless, we expect policymakers to stay data-dependent and maintain an accommodative stance as they navigate evolving geopolitical developments. Looking ahead, risks from the external backdrop remain elevated, and long-end CGB yields may start to have a higher beta to global rates, especially after its outperformance in April. As such, we maintain an underweight at the long end of the curve.
- The RMB is set to appreciate against the USD, driven by exporters converting their large USD holdings back into RMB, a trend the central bank appears comfortable with. This is further underpinned by several domestic structural themes, including RMB internationalization, long-term diversification from USD, and economic rebalancing.
- Asia credit spreads are now inside the pre-war level for both IG and HY, with IG spreads approaching historical lows. We expect China credit to stay well-anchored, supported by stable credit fundamentals and strong technicals. We keep our allocations within policy banks, Financials and TMT sectors.

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

Calendar Year Performance (%)

Year	Fund[1]	Index[2]
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. [1] 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.

[2] 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.

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.