

Schroder ISF* Global Corporate Bond

Fund Managers: Chris Eger, Tom Truxillo, Alix Stewart, Cindy Wang | Fund update:
January 2025**Market Overview**

- Global investment grade (IG) corporate bonds posted positive returns over the month.
- January started out with Treasury yields moving higher on fears of inflationary impacts from the policies of the new administration. The trend was reversed mid-month with the release of Core CPI which showed prices rising less than anticipated (+0.2% vs 0.3% prior and 0.3% anticipated). Treasuries rallied further as the market began to interpret a more measured approach to tariffs from the President, after initially signaling as much as 25% tariffs on Canada and Mexico.
- By month-end, Treasuries had recovered completely from the start of the year as a modest flight to quality emerged following news from China regarding AI which rattled equity markets.
- The fund and benchmark posted positive total returns for the month, with the fund performing in line with the benchmark, gross of fees.

Drivers of fund performance

- Issue selection within financials and positive curve impacts aided performance for the month.
- The fund's overweight to the shorter end of the curve contributed as rates bull-steepened.
- Asset allocation was flat for January.
- Over the month, we decreased exposure to communications and electric utilities while adding modestly to sovereign and technology allocations. Overall, positioning has remained largely unchanged.
- The fund's sustainability score as measured by SustainEx remains greater than that of the benchmark.

Outlook/positioning

- We believe IG corporate bonds remain an attractive investment opportunity based on all-in yields. However, historically tight spreads warrant a heightened defensive position.
- Yields for the asset class have risen and remain attractive, which has consistently drawn in both foreign and domestic investors.

- Corporate fundamentals remain solid. The 4th quarter revenue and earnings growth preview has also been strong. Margins remain healthy, and operating leverage is impressive.
- Primary issuance has been robust to begin 2025, and demand remains strong.
- While banks have tightened versus industrials, they remain attractive in the current carry environment.
- We continue to see select opportunities in energy given attractive spreads and strong balance sheets.
- Intermediate maturities on the curve are preferred on expectations for additional curve steepening.
- On the other hand, we view defensive sectors as offering limited value.

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 Net	Target	Comparator
2024	4.5	3.7	3.6
2023	9.3	9.1	7.7
2022	-15.4	-14.1	-13.9
2021	-0.7	-0.8	-1.0
2020	9.6	8.3	8.2
2019	13.4	12.5	11.1
2018	-1.9	-0.5	-1.8
2017	5.5	5.4	6.4
2016	6.5	5.7	5.4
2015	-1.1	-0.1	-1.0

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 Global Aggregate - Corporate USD Hedged index and comparator is Morningstar Global Corporate Bond USD Hedged.

Investment Objective

The Fund aims to provide income and capital growth in excess of the Bloomberg Global Aggregate – Corporate index hedged to USD after fees have been deducted over a three to five year period by investing in fixed and floating rate securities issued by companies worldwide.

Risk considerations

- **Contingent convertible bonds:** The fund may invest in contingent convertible bonds. If the financial strength of the issuer of a contingent convertible bond falls in a prescribed way, the value of the bond may fall significantly and, in the worst case, may result in losses to the fund.
- **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.
- **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.
- **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.
- **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. Therefore, the fund may underperform other funds that do not apply similar criteria. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.
- **Interest rate risk:** The fund may lose value as a direct result of interest rate changes.
- **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.
- **High yield bond risk:** High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk.
- **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.
- **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.

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