Schroders

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Schroder ISF* Global Corporate Bond

Fund Managers: Chris Eger, Tom Truxillo, Cindy Wang | Fund update: May 2025

Market Overview

- Global investment grade (IG) corporate bonds posted positive total returns and outperformed government bonds over the month.
- After April's elevated volatility, trade tensions eased in May which resulted in a risk-on tone.
- The risk-on tone was strong enough to shrug off the Moody's downgrade of US credit, however, concerns regarding the growing US budget deficit pushed US Treasury yields higher and weighed on the demand for USD assets.
- Spreads as measured by the Bloomberg Global Aggregate - Corporate Index were tighter by 17 basis points (bps), ending at 93 bps.
- The fund and benchmark posted positive returns for the month, with the fund outperforming the benchmark, gross of fees.

Drivers of fund performance

- Security selection within industrials, notably within consumer cyclicals, as well as financials (banking and insurance) were the main contributors over the month.
- Curve and duration impacts were muted in May.
- Asset allocation was also flat. Positive contribution from an overweight to energy and communications was offset by the overweight to banking.
- Over the month, we decreased exposure to communications and energy while increasing exposures to insurance and banking. Overall, positioning has remained largely unchanged.
- The fund's sustainability score as measured by SustainEx remains greater than that of the benchmark.

Outlook/positioning

- Technical strength and solid fundamentals are supportive of global IG corporates.
- Valuations have tightened over the month since the wides in April. However, yields remain elevated which is supportive and provide attractive income for investors.
- We believe the return outlook remains mildly constructive and maintain a modest overweight to corporates relative to benchmark.
- Corporate fundamentals remain solid. Earnings and revenue growth remain strong, although it is too early to see the potential negative economic impacts of tariffs on credit metrics.
- We continue to favour sectors with strong fundamentals and supportive secular trends, focusing on those offering compelling value.
- Valuation support has slightly diminished, but selective opportunities remain in US GSIBs and insurance.
- We continue to see additional opportunities in autos, select industrials and energy given attractive spreads and strong balance sheets.
- Intermediate maturities on the curve are preferred due to carry and roll-down potential.
- We continue to view defensive sectors as offering limited value.
- In this evolving policy backdrop, our strategy is to remain patient and prudent. We advise against overreacting to volatility; instead, we stand ready to deploy capital when dislocations create attractive entry points.

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

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

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.

Important information

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