

Schroder ISF* Global Corporate Bond

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

Market Overview

- Global corporate bonds posted positive total returns, but underperformed government bonds over the month.
- The US government shutdown resulted in an absence of official economic data for October. However, there were still notable market events, including the escalation of trade tensions between the US and China and modest weakness in small regional banks. Hawkish comments from Fed Chair Powell indicated that a December rate cut is not guaranteed.
- October's sentiment was modestly risk-on for most of the month, with companies reporting earnings generally in line with expectations. However, that reversed during the last week of the month after Powell's comments.
- Global corporate bond spreads widened slightly, ending the month at 80 bps.
- The fund and benchmark posted positive returns over the month, with the fund underperforming the benchmark, gross of fees.

Drivers of fund performance

- The primary source of underperformance was an overweight to USD-denominated debt, which detracted because US IG underperformed EUR IG.
- Asset allocation within corporate sectors was also negative, driven by underweights to consumer non-cyclicals and electric utilities.
- Security selection marginally detracted due to small impacts across industrials.
- Over the month, we decreased exposure to insurance, banking and consumer cyclicals while increasing exposure to consumer non-cyclicals and electric utilities. 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 remain cautiously positioned and underweight risk.
- Resilient fundamentals and robust sponsorship continue to anchor the asset class. Elevated all-in yields sustain strong demand, and technicals are strong.

- However, tight spreads leave minimal room for error. These factors require disciplined, valuation-aware positioning.
- Earnings results are not showing signs of broad margin compression despite tariffs.
- We are favouring sectors with strong fundamentals and supportive secular trends, focusing on those offering compelling value.
- We continue to see opportunities in senior financials, which offer stable carry and relative value, supported by strong balance sheets and capital cushions.
- Select opportunities in autos, industrials, and energy are attractive given strong balance sheets and deleveraging trends in those industries.
- Shorter and intermediate maturities are preferred, given flat credit curves.
- Defensive sectors continue to offer limited value.
- In this evolving policy backdrop, our strategy is to remain patient and prudent rather than overreacting to volatility. Instead, we stand ready to deploy capital when dislocations create attractive entry points.
- The fund is maintaining discipline in credit selection and curve positioning, while trimming excess risk exposure.

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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