

# Schroder ISF\* Global Sustainable Growth

Fund Managers: Scott MacLennan, Charles Somers | Fund update: August 2025

## Performance overview

Global developed market rose in August, with particularly strong performance in Japan driven by a US-Japan trade deal and robust economic data.

Shares in the US rose, supported by positive earnings while a weaker-than-expected labour report prompted a more dovish tone by Federal Reserve (Fed) Chair Jerome Powell in a speech delivered at the Jackson Hole Economic Symposium.

Resilient eurozone data helped European equities deliver positive returns although French equities underperformed due to political uncertainty. Emerging markets underperformed their developed peers but still made gains, aided by a softer US dollar.

From a sector perspective, materials led performance, benefiting from trade agreement progress and expanding manufacturing activity, while technology stocks underperformed globally due to investor concerns over AI investment returns.

## Drivers of fund performance

The portfolio underperformed the benchmark and generated a positive return in August.

Stock selection in industrials and consumer discretionary and our overweight allocation to information technology detracted. Conversely, holdings in communication services, healthcare and financials contributed to relative returns over the month.

By region, allocations to Pacific ex-Japan and the UK added value whereas holdings in emerging markets, North America, Japan and Continental Europe weighed on returns.

**Alphabet** outperformed after delivering a solid second quarter as revenues exceeded expectations amid broader market volatility. Growth was driven by resilient advertising revenues, expanding cloud services, and strong momentum in Google Services and subscriptions.

**Arista Networks** outperformed August as the company's reported strong revenue growth and expanded adjusted gross margins, reflecting robust demand for high-performance networking equipment in AI and cloud infrastructure.

**RELX** underperformed in August. Wider sector drawdowns from key end clients prompted a sharp sell-off in the company, with concerns of current growth estimates as well as disruption to its core business model from increased AI adoption.

**SAP** underperformed in August. The company has seen disruption in parts of its operations from steep imposition of US tariffs and investor concerns have grown over impacts of possible FX headwinds.

## Portfolio activity:

We added a new position in **Netflix** in August. The extensive reach of the company provides a strong base for future growth in revenues and Netflix's dominant market position provides margin resilience.

We exited our position in UK semiconductor manufacturer **ARM Holdings** in August. We are concerned with the strategic pivot to full chip development by the company which brings potential for near-term volatility and disruption for the current business model.

We exited our position in **Elevance Health** during the month. We have lost confidence in the operating environment for HMOs and are re-allocating to higher conviction areas in the portfolio.

## Outlook/positioning

Global markets will likely remain turbulent with ongoing policy uncertainty and continued international trade tensions remaining dominant themes going forward.

The fluid nature of the current geopolitical trade situation calls for caution before taking immediate action, but we acknowledge that market volatility will present opportunities.

We remain positioned in quality businesses that can navigate the current trade dynamics and market uncertainties, offering greater risk-adjusted returns as conditions normalize.

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 (%)\*

	Fund Net	MSCI AC World TR Net
2024	10.9	17.5
2023	23.4	22.2
2022	-17.3	-18.4
2021	19.3	18.5
2020	27.5	16.3
2019	31.0	26.6
2018	-3.3	-9.4
2017	28.8	24.0
2016	-0.7	7.9
2015	1.5	-2.4

Source: Schroders, net of fees, bid-bid, with net income reinvested. A Acc share class as at 31 December 2024. The fund does not have a target benchmark. The fund's performance should be compared against the MSCI AC World (Net TR) index. The comparator benchmark is only included for performance comparison purposes and does not have any bearing on how the investment manager invests the fund's assets. The fund's investment universe is expected to overlap materially with the components of the comparator benchmark.

## Risk considerations

- **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.
- **Emerging Markets and Frontier Risk:** Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.
- **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 chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.
- **Derivatives Risk – Efficient Portfolio Risk:** Derivatives may be used to manage the portfolio efficiently. 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.
- **Currency Risk:** The fund may lose value as a result of movements in foreign exchange rates.
- **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.
- **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.
- **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.
- **Currency Risk/Hedged Share Class:** The hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.

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