

# Schroder ISF\* Global Sustainable Growth

Fund Managers: Scott MacLennan, Charles Somers | Fund update: May 2026

## Performance overview

Global equity markets advanced further in May as investors continued to look through near-term uncertainty with on-going negotiations between the US and Iran while strong corporate earnings provided a further tailwind for investor sentiment. Dispersion of returns was extremely narrow as technology significantly outperformed other sectors, driven by momentum and enthusiasm associated with the AI infrastructure investment narrative.

With greater exposure to the AI supply chain, and semiconductors more specifically, the US and Emerging Markets outperformed during the month. Overall, cyclical sectors (outside of energy) saw the strongest performance and stylistically growth outperformed value as markets rotated away from defensive areas of the market on sustained investor risk appetite.

## Drivers of fund performance

The portfolio outperformed the benchmark over the month. Stock selection in consumer staples, financials and industrials as well as a zero-weight to energy were among the main contributors. Allocations to information technology and healthcare detracted. Regionally, holdings in Japan and Continental Europe added value while allocations to the UK and emerging markets detracted.

**Recruit Holdings** outperformed over the month. The stock has been subject to ongoing AI disruption speculation and underperformance. However, Recruit reported strong results in May with growth largely driven by HR technology segments and core brands such as Indeed seeing strong margin expansion over the quarter. The business has continued to deliver accelerating growth in a weak hiring volume environment through improved monetisation, while simultaneously expanding margins and returning substantial capital via buybacks at opportunistic prices.

**Estée Lauder** outperformed in May following the announcement that the company had ended its merger discussions with Puig. News of the initial proposal had prompted a sharp drawdown in performance against a backdrop of an already weaker consumer environment earlier in the year with

investors questioning the rationale behind the deal and execution risk.

**Arista Networks** underperformed over the month. Despite positive results beating estimates and raising forward guidance, the company saw weaker performance amid ongoing memory supply constraints and expected increases to component costs. We continue to hold a strong view on the company and believe Arista remains well-positioned to benefit from the broadening demand for AI networking infrastructure.

**RELX** underperformed over the month as software companies and information-based analytics providers continue to face selling pressure amidst the fears of AI disruption, despite the company reporting strong operational results in late April. We will continue to monitor the position closely against the backdrop of increased AI disruption narrative; however, we believe there is more nuance in the case of RELX and believe market continued to underestimate the resilience of its business model.

## Portfolio activity

We trimmed our positions in **Keyence** and **FAST Retailing** following recent strong performance and re-allocating to other areas of the portfolio.

## Outlook/positioning

Equity markets have remained resilient despite uncertainty around the Middle East conflict, but increasingly fragile market depth and crowded positioning are amplifying volatility and factor rotations. The key uncertainty is whether energy disruption remains manageable or becomes more prolonged and structural, which would raise inflation risks.

A prolonged period of elevated energy prices would likely expose an already fragile consumer and increase the risk of a broader credit cycle. Against this backdrop, financials look more vulnerable as valuations have re-rated and excess profitability may prove harder to sustain, while healthcare appears better positioned given supportive structural demand, lower economic sensitivity and still-reasonable valuations.

AI remains a powerful but polarising theme. As assumptions around profitability and durability are tested, differentiating long-term winners from losers within the theme will be a key source of alpha.

Amidst the heightened uncertainty, we expect companies with strong balance sheets and solid free cash flow generation will likely demonstrate their resiliency. We believe our portfolios are relatively well-positioned in quality businesses that should be well-placed to navigate the heightened uncertainty and increased volatility.

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
2025	15.3	22.3
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

Source: Schroders, net of fees, bid-bid, with net income reinvested. C Acc USD share class as at 31 December 2025. 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.
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- **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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