

Schroder ISF* Global Sustainable Growth

Fund Managers: Scott MacLennan, Charles Somers | Fund update: February 2024

Performance overview

- Global equities were broadly higher in February, with emerging markets outperforming developed markets.
- The fund posted a positive return and underperformed the MSCI All Country World Index in the month.

Drivers of fund performance

- Stock selection was negative in February, particularly in consumer discretionary, financials, and industrials. Conversely, selection in information technology and zero-weight allocations to utilities and energy added value in the month.
- By region, our positions in Japan and Pacific ex Japan added value in February, while allocations to North America, Continental Europe, emerging markets, and the UK detracted from gains.
- UK semiconductor and software design company **ARM Holdings** outperformed in February on investor optimism that global demand for processors used in artificial intelligence (AI) applications will continue to accelerate.
- **Schneider Electric**, **Terumo** and **Lowe's Companies** were among the biggest individual contributors in February. Our positions in **Salesforce**, **ASML Holding**, and **Taiwan Semiconductor Manufacturing Company** also added value in the month.
- Danish wind turbine supplier **Vestas Wind Systems** underperformed in February after the company warned of uncertainties facing the industry and said that it would not be paying a dividend for 2023 despite reporting a profit for the fourth quarter.
- **Norsk Hydro**, **Adobe** and **Reckitt Benckiser** were among the biggest individual detractors in February. Our holdings in **Roche Holdings**, **Fin Ecobank**, and **Bunzl** also detracted in the month.

Portfolio activity:

- We initiated a new position in **Emerson Electric** in February.
- We sold our position in **HDFC Bank** and trimmed our holdings in **ARM Holdings** and **AstraZeneca** in February.

Outlook/positioning

- Global markets will likely remain turbulent amidst a busy political calendar, tight financial conditions, and a slowing economic cycle.
- While short term volatility may increase, we believe that investors will be well served by focusing on the longer-term, identifying the areas with structural, under-appreciated growth, and remaining prepared to allocate to those companies with a sustained competitive advantage.
- We continue to monitor the market landscape closely and maintain a well-diversified portfolio reflecting a fluid outlook and an active approach.

Calendar year performance (%)*

	Fund Net	MSCI AC World TR Net
2023	22.4	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
2014	-0.5	4.2

Source: Schroders, net of fees, bid-bid, with net income reinvested. A Acc share class as at 31 December 2023. 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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