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Schroder ISF* Global Sustainable Growth

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

Performance overview

Global equity markets were broadly unchanged in June. Sentiment was dominated by renewed geopolitical developments in the Middle East, uncertainty surrounding US monetary policy and a sharp correction in AI-related equities. However, easing tensions between the US and Iran helped restore investor confidence following a period of elevated volatility.

From a regional perspective, US equity market performance diverged across indices with the technology-heavy NASDAQ lagging after significant weakness across semiconductor and AI-related stocks. European equities recovered into month-end, led by gains in technology, industrials and basic resources as geopolitical concerns eased. Emerging markets declined in June as the AI-led rally that has been the dominant driver of EM returns in H1 2026 lost momentum during the month.

Drivers of fund performance

The portfolio underperformed the benchmark over the month. Stock selection in information technology, financials and materials detracted while allocations to consumer discretionary and communication services as well as our zero weight to energy added value. By region, holdings in Continental Europe, the UK and emerging markets contributed while holdings in North America and Pacific ex-Japan detracted.

ASML outperformed in June as the company continued to benefit from its dominant position in extreme ultraviolet lithography equipment. The fundamental case for the company remains strong, with a market-leading position providing potential for longer-term growth and margin expansion to come from a more favourable product mix and scale efficiencies.

Microsoft underperformed over the month. The company continued to face scrutiny over capex commitments and the monetisation of its AI product range with volatility among AI leaders rising during the month. We continue to view Microsoft as a core name within the strategy, with current capital investments being additive on a multiyear view for future growth as the capex cycle peaks and free cash flow accelerates. The company remains a key facilitator in the generative AI rollout through its central role in datacentre infrastructure.

AIA Group underperformed in June following the announcement by the Chinese government of tighter capital controls and regulatory crackdowns on cross-border financial flows. The exact impact of the announcement remains uncertain which we will continue to monitor closely for AIA. We remain positive on the forward-looking view for the company, with accelerating paths for growth for insurance market demographics and existing market penetration levels for life insurance across its core markets modest compared to more saturated regions. AIA's network of insurance agents provides scale advantage compared to peers with higher levels of new business volume per agent another driver of growth in premiums.

Portfolio activity

We added **Deere** to the portfolio in June. We believe there is strong conditions for a recovery in the agricultural cycle, we expect EPS growth in the company's core divisions to be key drivers for future performance. We exited our position in **Estée Lauder** following its removal from the GSG bench. We had engaged with the company after the proposed merger with Puig and we believed this showed increased governance risk and poor capital allocation which has lowered in our conviction in the outlook for the company.

Outlook/positioning

Equity markets have remained resilient, with easing of geopolitical tensions reducing some uncertainty, but increasingly fragile market depth and crowded positioning are amplifying volatility and factor rotations. The fall in spot prices for oil have made energy disruption more manageable but risks of more prolonged and structural disruption remain, which would raise inflation risks.

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

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

valuations. AI remains a powerful but polarising theme. As assumptions around profitability and durability are tested with continuing scrutiny over elevated capital expenditures, 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 current market environment.

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.
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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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