Schroders

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Schroder ISF* Global Sustainable Growth

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

Performance overview

- Global equity markets advanced in July, amid greater clarity on trade tariffs, as the US announced deals with several major trading partners in advance of the 1 August deadline. The House of Representatives approved President Trump's flagship tax and spending plans (the 'Big Beautiful Bill) which brought more clarity to the policy backdrop.
- July was a muted month for central bank policy, with the Federal Reserve (Fed) and ECB both leaving interest rates unchanged.US shares ended the month higher, erasing all previous losses from the "Liberation Day" selloff. Alongside easing of tariff and trade tensions, markets were also boosted by a strong start to earnings season, a resilient macro backdrop and a pickup in M&A deal activity.
- European equity markets were higher in July as markets reacted positively to corporate earnings and a US-EU trade agreement.
- Stylistically, growth stocks demonstrated superior performance relative to value stocks, while cyclical names outperformed their defensive counterparts.

Drivers of fund performance

- The portfolio underperformed the benchmark and generated a positive return in July.
- Stock selection was negative over the month, with selection in information technology and consumer discretionary the main detractors. our overweight allocation to healthcare also weighed on returns. Conversely, allocations to communication services, financials and industrials added value over the month.
- By region, holdings in Pacific ex-Japan contributed while allocations to the UK, Japan, North America, Continental Europe and emerging markets detracted.
- **Elevance Health** underperformed in July due to regulatory uncertainty and margin pressure in its healthcare services segment. Elevated costs related to the Affordable Care Act (ACA) and Medicaid led to a downward revision of its full-year EPS outlook, driving shares to new 52-week lows.
- **ASML** underperformed in July due following its Q2 earnings call as investors focused on the company's cautious 2026 outlook which management attributed to increased macroeconomic and geopolitical uncertainty.
- **Arista Networks** outperformed in July as the company reported strong revenue growth and expanded adjusted gross margins, reflecting robust demand for high-performance networking equipment in AI and cloud infrastructure.
- French industrial conglomerate **Legrand** outperformed in July as strong demand for energy efficiency and building automation solutions within data centres drove strong sales growth.

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Portfolio activity:

- There were no new significant buys or sells for the portfolio during the month.

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.

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

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.

Important information