

Schroder ISF* Global Sustainable Growth

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

Performance overview

- Global equity markets advanced in June, overcoming mid-month volatility driven by geopolitical tensions in the Middle East.
- Investor sentiment and risk appetite was supported by a temporary truce in US-China tariff tensions and softer US inflation data, though uncertainty persisted as the 90-day tariff pause nears its July deadline while the One Big Beautiful Bill Act (OBBBA) raised concerns over future US fiscal stability.
- In aggregate, emerging market equities outperformed developed market peers aided by a softer US dollar and optimism over US-China trade talks. Korea, Turkey, and Taiwan posted particularly strong gains.
- Despite uncertainties surrounding tariffs and the reconciliation bill, US equities led developed markets with the S&P 500 reaching a record high by the end of the month, buoyed by strong performance in information technology and communication services. Regionally, eurozone equities declined in euro terms.
- The European Central Bank cut rates by a further 25 basis points, signalling the end of its easing cycle. There was similarly dovish policy in Japan as the BoJ pushed out rate hikes and slowed the tapering of its bond purchase programme. Japan equities advanced during the month.

Drivers of fund performance

- The portfolio underperformed the benchmark and generated a positive return in June.
- Stock selection was negative over the month, with selection in information technology, financials and healthcare among the main detractors. Conversely, allocations to materials and consumer staples contributed over the month. Our zero-weight allocations to utilities and real estate also added value.
- By region, holdings in emerging markets contributed whereas allocations to the UK, Japan, Continental Europe, Pacific ex-Japan and North America weighed on returns.

- **Arista Networks** delivered strong performance in June on the back of continued momentum in AI-driven networking demand. The company's leadership in Ethernet-based solutions for large-scale AI workloads and cloud infrastructure enabled robust revenue and market share gains.
- **Arm Holdings** performed well as the semiconductor sector experienced a bullish trend, lifting the stock. This was fuelled by reduced concerns over tariffs and recession fears, boosting investor confidence in tech stocks. Arm benefited from the market's renewed enthusiasm for artificial intelligence (AI) stocks.
- Consumer goods conglomerate **Unilever** underperformed in June. The company has seen increased uncertainty in recent months with a focus on the spin-off of the company's ice cream division by 2025. The division has seen disappointing performance in 2025, with a continued decline in market share year-on-year, underinvestment and increasing competition from other major peers.

Portfolio activity:

- We added a new position in **NVIDIA**. The company presents a strong fundamental case with its dominant position in the accelerator market and will benefit from wider datacentre market growth. We have seen strong progress on sustainability metrics for the company with particular momentum on environmental metrics following SBTi validation of their emission targets.
- We added a new position in **MercadoLibre**, which has a long track record of customer-centric operation, combining agility and long-term thinking to produce strong outcomes for shareholders. The core end markets for the company do present some elevated risk aspects, but we see large upside for growth in these markets particularly in ecommerce and financial service operations.
- We exited our position in **LAM Research** during the month. We have seen a recovery in the stock over the year to date following a period of

underperformance. The current price level presents an exit opportunity and also mitigates our overall exposure to the AI value chain and concerns over LAM's risk exposure in comparison to peers from increased competition.

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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