Marketing material for professional clients only.

Schroder ISF[1] Emerging Markets Debt Total Return

Fund update

November 2024

SFDR Article 8

Objectives

i. **Preservation of capital:** mitigate losses in falling markets by using a disciplined risk control framework *(e.g. fund stop loss policy, hedging, use of cash)*

ii. **Maximise returns:** participate in rising markets

Investment approach

Total return approach based on comprehensive country research.

The investment process follows four types of analysis: **fundamental, quantitative, technical and sentiment.**

ESG is integrated into our country and corporate scorecards.

Broad investment universe including currencies, local and external debt (sovereign, corporate and convertibles) in more than 50 countries.

Long-only, no leverage, no complicated derivatives.

Risk controlled by liquidity based diversification limits, portfolio stop-loss and use of cash.

Role in clients' portfolios

As a low-risk or entry level EMD exposure or combined with standard EMD beta managers.

As a total return strategy, designed to diversify risk and enhance returns.

As a liquid alternative investment.

Source: Schroders. There is no guarantee that these objectives will be achieved. Diversification cannot ensure profits or protect against the loss of principal.

Current strategy summary:

Dollar debt

- EM dollar debt high yield provides attractive income, notably in selected sovereign frontier markets with strong ability to pay and with spreads that are still at attractive levels.
- EM dollar debt investment grade spread levels are less appealing as they remain close to their record lows.
- **Core exposures to high yield names with improving risk metrics. Active use of US Treasury hedges to manage duration.**

Local debt

- We see limited opportunities in the high-grade low yielding local debt markets. These offer limited protection given our long-term central scenario of entrenched global inflationary pressures.
- There are pockets of value in long-term maturities in Brazil, Mexico, Colombia, Hungary, South Africa, India and Indonesia. These offer attractive nominal and real yields on an absolute basis and when measured as a spread over equivalent US Treasuries.
- **Continued focus on countries with attractive high real yields, good liquidity and credible monetary policy frameworks.**

Currencies

- Tightening US monetary policy and US growth outperforming had provided a strong support for the US dollar. However, this has left the dollar extremely overvalued and susceptible to the continued accumulation of extremely high levels of US twin deficit.
- We expect continued performance differentiation in exchange rates markets. Currencies with reasonable REER valuations, stable balance of payments and high interest rate support should generate attractive returns in the next 12 months.
- **Caution was warrantedd during the recent unwinding of currency carry trades and the US election uncertainty. We stand ready to add to BRL, MXN, COP, IDR, ZAR and HUF as these have seen noticeable cheapening and a major washout in market positioning**

Source: Schroders – December 2024. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Review:

- The month of November was characterised by the volatile market reaction to the outcome of the US presidential election and the renewed concerns about Brazil's fiscal outlook. These uncertainties had a negative impact on EM local debt, notably because of currency weakness. EM local currency debt continued its 2024 underperformance by registering a negative return of -0.57% in November when measured by the GBI-EM GD. EM currency weakness (-1.5% during the month) continued to be the key contributor to this poor local debt performance. EM dollar debt has shown more resilience by registering

[1]Schroder International Selection Fund is referred to as Schroder ISF throughout this document.

a monthly gain of +1.2%, as measured by the EMBI GD. The average dollar debt spread was stable but the 15bps drop in 10-year US treasury bond yield provided some support to this EM sub-sector.

- **Portfolio activity during the month focused on reinvesting some of the cash raised ahead of the US election for precautionary risk control reasons.** The fund's cash balance dropped from 20.9% to 10.8% because of the additions to dollar debt (from 19% to 24% of NAV) and to local debt markets such as Brazil that offered good re-entry opportunities following a significant re-pricing. These additions combined with the closing of US Treasury hedges led to an increase in the fund's overall duration from 3.8 years to a still moderate level of 4.6 years. The portfolio ex-ante beta moved from to 0.6 to 0.8 while the level of overall yield jumped from 8.1% to 8.8%. This high level of yield continues to result from the core high conviction positions that we maintained in very attractively valued local debt markets (e.g. Brazil, Mexico, Indonesia, India and South Africa).
- **Despite the continued pressures on EM local debt**, the fund ended the month of November in positive return territory with a gross US dollar return of +0.21% that resulted from:

  (i) **local debt which contributed -13bps**, of which +11bps was due to local bond price moves, +39bps generated by income and -63bps which was the impact from currency weakness;

  (ii) **hard currency debt contributed +34bps**, notably thanks to the strong performance of Argentina and Sri Lanka.

  Most other countries had small positive contributions except for Brazil, which has severely underperformed in November and had a negative impact of -27bps on performance.

Investment outlook:

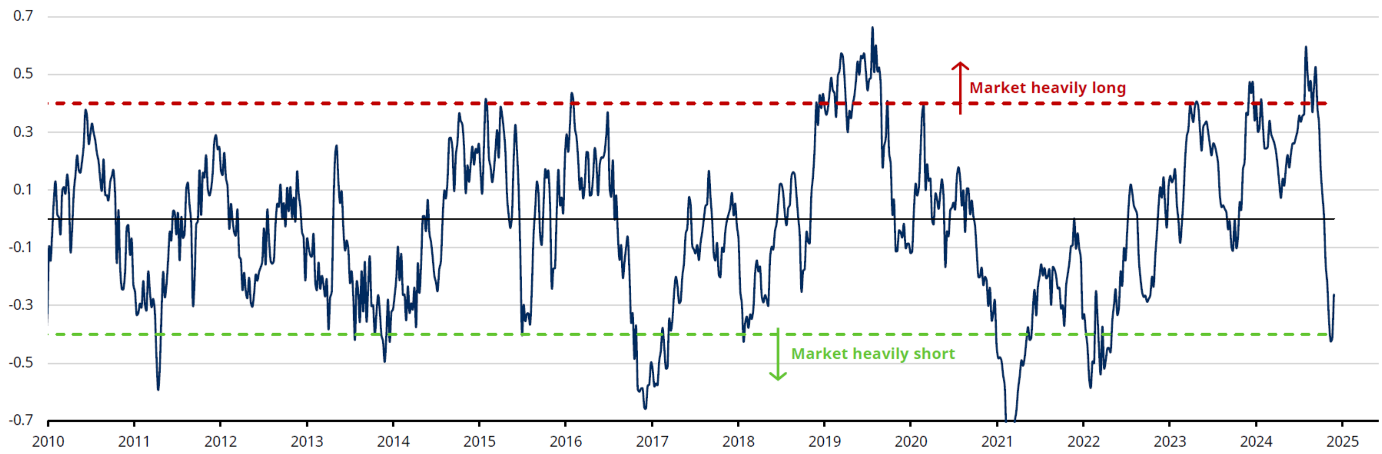
- Our investment strategy remains broadly unchanged despite the recent negative news headlines regarding the possible re-escalation of the global trade war in the aftermath of the US election and the renewed fiscal uncertainties in countries such as Brazil. We take comfort in the fact that EM fixed income, especially the hard currency debt sub-sector, has shown remarkable resilience in the face of these uncertainties. As highlighted in our sectorial scorecard in figure 1, our current portfolio strategy remains guided by the following themes:
  - **While we remain cautious on overall portfolio duration, we have recently taken profits on our US rates hedges** as market participants have increased their short positions to historical extremes, which could make long-dated US Treasury bonds susceptible to a short squeeze (figure 2).
  - **We still see some value in EM dollar debt** despite this year's significant tightening in spreads. However, this value is increasingly concentrated in specific high yielding sovereign and corporate names.
  - **EM local rates cheapened substantially** following this year's deep correction, especially in Latin American local government bonds. However, we are neutral for now as we are still waiting for currencies to show more evidence of stabilisation before we can turn more unequivocally bullish on EM local rates across the board.

Figure 1: Sectorial scorecard

Scores are attributed based on a combination of macro-economic fundamental, valuation, technical and sentimen These scores serve as a guide for our overall EMD portfolios' positioning.

Figure 2: Sentiment Indicator – Long-dated US Treasury Bonds

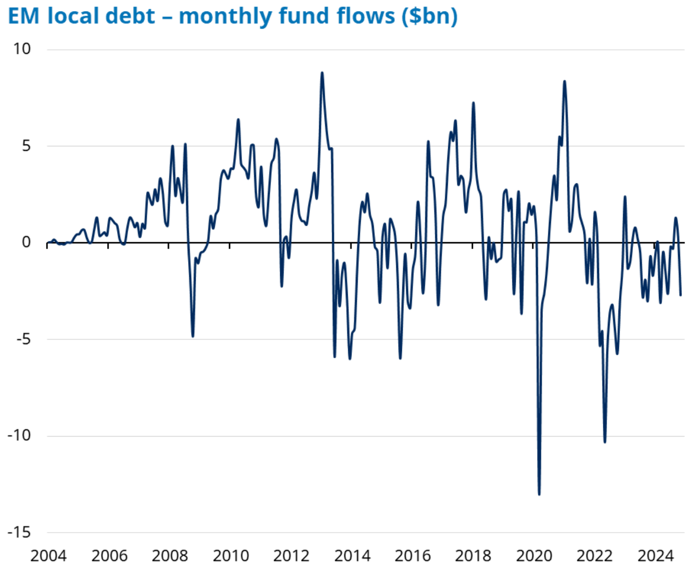
Sentiment Indicator is an aggregate Z-score of various investor surveys

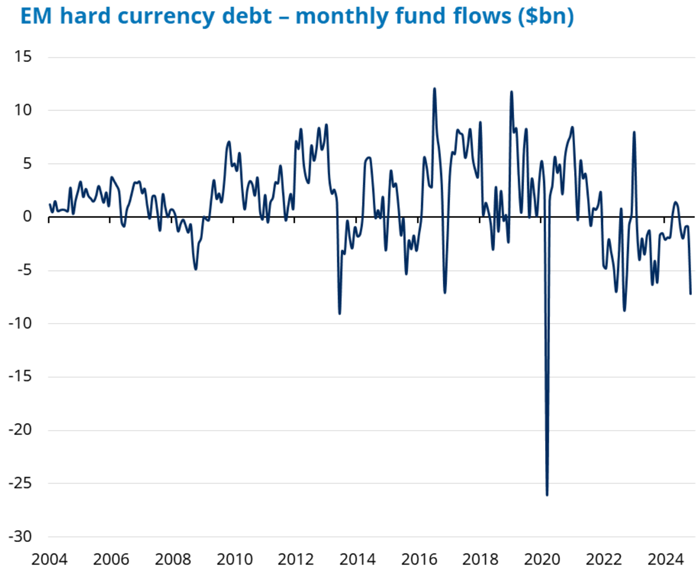


Source: Bloomberg, Schroders – 29 November 2024.

– Global asset allocators remain also severely underinvested in EM fixed income, as the asset class continues to be out of favour judging by the recent evolution of fund flows. Figure 3 shows a reacceleration in outflows from both hard and local currency debt funds during the month of November. This wave of outflows, which should probably be seen as a knee jerk reaction to the outcome of the US presidential election, has been absorbed remarkably well by the asset class given the resilience shown by EM debt performance. The US election has exacerbated investors' concerns about the impact on EM of a possible reescalation of the global trade war. Uncertainties about Brazil's fiscal sustainability have also impacted somewhat EM sentiment in recent weeks.

Figure 3: EM debt fund flows





Source: JP Morgan; Schroders – 29 November 2024.

– We reiterate our view that most EM economies, including Brazil to some extent, are well positioned to absorb these global and domestic uncertainties thanks to resilient economic activity, credible monetary policy frameworks, stable balance of payments and lower reliance on foreign funding. These are the key reasons why our country vulnerability models continue to highlight that the risk of an EM "sudden stop" remains low, including in countries such as Brazil and Mexico, where investors' scrutiny has recently increased.

- This constructive assessment is corroborated by the recent strong total returns achieved by EM dollar debt in the face of increasing global uncertainties. We believe that it is only a matter of time before EM local debt also starts to regain traction following its recent deep correction. Indeed, EM local debt appears to have become oversold with local rates valuations particularly appealing. However, this sub-sector seems to be currently held back by the weakness in some currencies, which are serving as the traditional shock absorber in several EM countries. Based on global investors' positioning in EM local debt markets and the historically extreme low levels of foreign participation in these markets, the re-pricing experienced this year by this sub-sector appears to be in its very late stages.
- The risks associated with Brazil's fiscal dynamics should not be ignored, but these have already been largely reflected in the depressed local government debt valuations (figure 4) and in the short positioning built by investors in the Brazilian Real (figure 5).

Figure 4: Brazil 10-year local government bond real yield

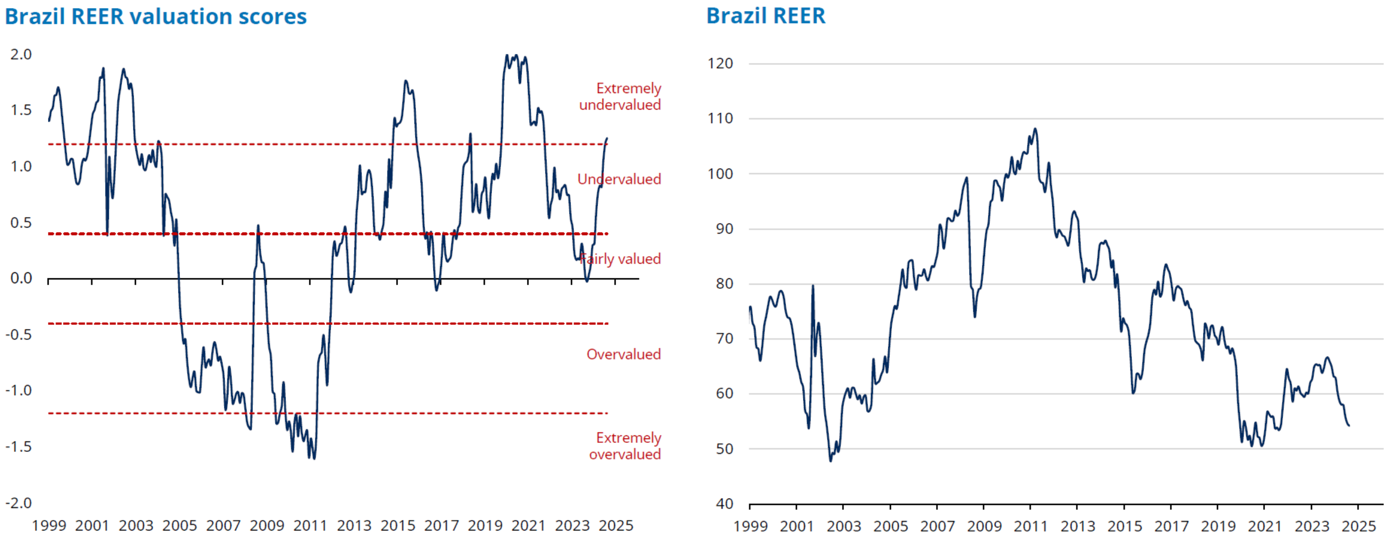
Source: Schroders; Bloomberg; LSEG Data & Analytics – 31 October 2024.

Figure 5: Brazilian Real - Investor consensus positioning (based on Schroders survey)

Source: Schroders; Bloomberg; LSEG Data & Analytics – 31 October 2024.

- These valuation and favourable technical anchors remain the key reason why small exposures to Brazil local debt remain warranted with the aim of turning more aggressively invested when current fiscal concerns start to abate. We reiterate our view that Brazil is currently reaching peak uncertainty and that the country is reasonably well equipped to muddle through thanks to a monetary policy that still provides a long-term credible anchor, resilient economic activity, healthy external accounts (notwithstanding some deterioration in the trade surplus), low reliance on foreign funding, a strong valuation support for local bonds (with 10-year government bonds yielding 13.8%) and a relatively cheap real effective exchange rate (figure 6).

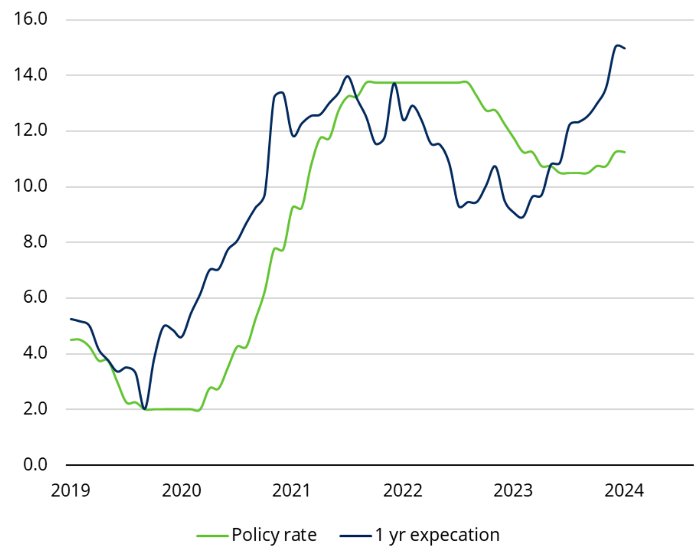
Figure 6: Brazil - Real Effective Exchange Rate (REER)



Source: LSEG Data & Analytics, Macrobond and Bloomberg – 4 December 2024.

– Strong Brazilian growth, with its remarkable resilience to very high real rates of recent years, combined with current fiscal concerns have impacted inflation expectations, which appear to be in a new upward trajectory. However, policy rates expectations have already adjusted accordingly. 12 months implied rate on swaps has just reached 15% versus current already elevated level of overnight policy rate of 11.25% (figure 7).

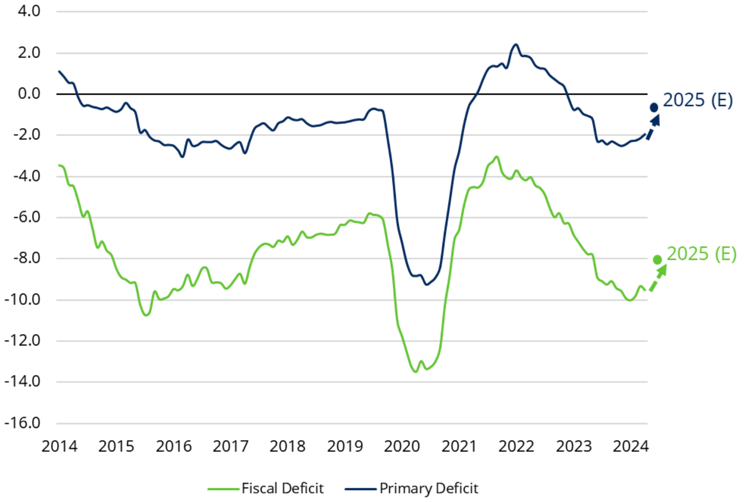
Figure 7: Brazil - policy rate (current vs. expectations)



Source: Schroders, LSEG Data & Analytics – 31 October 2024.

– While Brazil's headline fiscal deficit has reached a worryingly high level of 9.5% of GDP, the deterioration is mostly due to recent extremely high levels of interest rates which have taken government interest payments to 7.5% of GDP. As shown in figure 8, the primary fiscal balance appears to be following a less worrying trajectory and could even improve in the next few months as strong growth and higher inflation should provide some boost to government revenues. The end of some exceptional government spending items (the so-called Precatorios spending) should equally improve the primary deficit to a manageable level of -0.7% of GDP in 2025. Brazil's fiscal dynamics can be improved even more significantly when President Lula's administration decides to focus more convincingly on sending positive and coherent policy signals to the markets to restore confidence and put the central bank in a position where it does not have to hike excessively. It should also be noted that fiscal vulnerabilities could be contained given that the bulk of the government debt is local currency denominated and remains mostly in local investors' hands, which significantly reduces the reliance on foreign financing.

Figure 8: Brazil fiscal balance % GDP



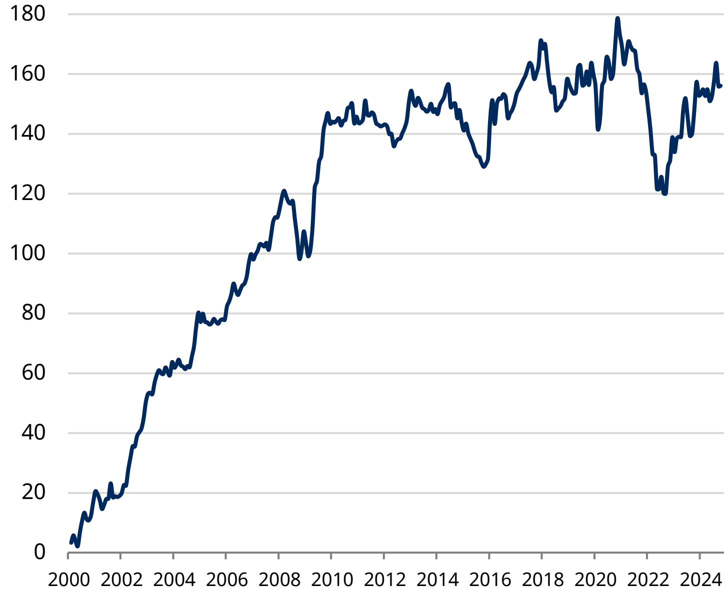
Source: Schroders, LSEG Data & Analytics – 31 October 2024.

Fund performance as at 29 November 2024 (%):

Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

USD A accumulation shares net

Since Jan 2000[1]	Fund	GBI-EM GD[2]	EMBI GD
Annual rate of return	**3.86**	5.89	7.23
Volatility	**6.23**	11.33	8.88
Sharpe ratio	**0.35**	0.41	0.65
Sortino ratio	**0.58**	0.58	0.69
Correlation	**1**	0.78	0.68
Positive quarters	**61.22**	63.27	70.41
Maximum drawdown	**-21.02**	-29.32	-25.85
Best month	**6.34**	9.84	7.59
Worst month	**-5.54**	-14.07	-16.03
Max 12m rolling return	**27.66**	38.87	41.56
Min 12m rolling return	**-17.72**	-21.54	-24.28



Source: Schroders. [1]Inception 31 January 2000. [2] JPM EMBI Global Diversified used as a proxy before 31/12/02 at which point GBI-EM Global Diversified launched.

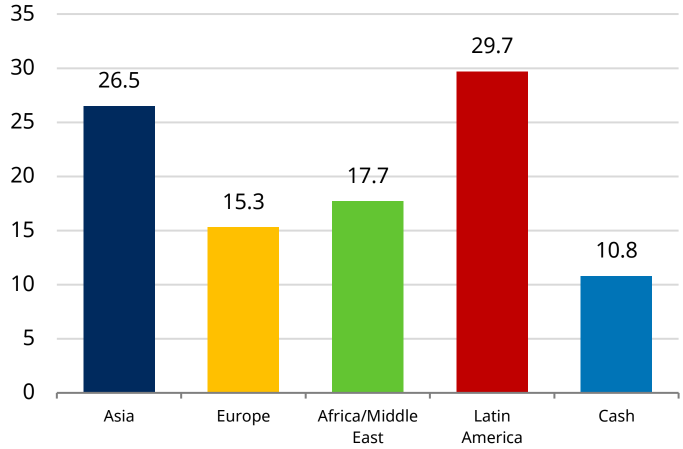
Please note the Fund is an absolute return fund therefore, the EMD indices are for illustrative purposes only.

%	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2000[1]		3.30	2.40	-1.90	-1.52	4.66	3.55	2.35	-1.89	-0.39	1.36	3.97	16.75
2001	3.18	-0.77	-1.59	-2.59	1.24	1.67	0.12	4.30	-3.78	0.31	-0.24	0.31	1.90
2002	0.78	2.25	-0.15	4.34	3.14	2.90	-0.07	2.54	0.94	0.86	2.37	3.80	26.31
2003	1.86	0.24	-0.30	2.50	1.66	0.99	-0.64	-0.12	1.34	-0.98	-0.64	2.75	8.93
2004	-1.14	0.63	1.03	-1.19	-0.23	-0.52	0.64	-0.23	2.19	2.14	3.91	2.60	10.13
2005	-1.76	1.58	-1.50	-0.11	-0.42	0.26	0.79	-0.52	-0.37	0.63	0.21	-0.10	-1.34
2006	2.51	0.92	1.32	1.90	-1.18	-0.84	0.85	0.84	0.34	1.23	2.47	1.42	12.36
2007	-0.93	0.85	0.65	1.07	-0.09	-0.28	0.60	-1.14	2.18	2.36	0.80	-0.04	6.11
2008	1.36	1.73	1.07	-0.84	-0.85	-0.26	0.39	-2.91	-2.78	-3.45	1.41	3.15	-2.20
2009	-1.89	-2.15	1.03	3.80	6.34	0.97	2.95	0.85	3.60	1.35	1.07	-1.43	17.39
2010	0.27	-0.11	0.27	0.30	-0.99	0.65	0.15	1.56	0.11	0.52	-2.64	0.92	0.96
2011	-0.87	0.08	0.46	2.55	-1.89	-0.11	0.42	-0.30	-1.17	-0.19	-0.23	0.12	-1.21
2012	0.15	-0.27	-1.08	0.04	-1.71	0.59	0.39	0.12	0.78	0.70	1.08	2.59	3.38
2013	1.37	-1.39	-0.59	1.05	-0.48	-0.82	-0.19	-0.34	0.23	0.83	-1.08	0.38	-1.08
2014	-0.68	1.21	0.56	0.56	1.18	-0.55	-0.59	1.59	-2.94	0.41	0.07	-1.97	-1.24
2015	1.14	-1.77	-1.03	0.97	-1.34	-0.78	-0.74	-1.02	-0.68	-0.12	-0.84	-0.57	-6.61
2016	0.41	0.85	5.75	2.47	-3.16	2.72	0.76	-0.04	0.62	-0.43	-2.72	0.58	7.76
2017	1.36	1.29	0.59	0.57	0.67	0.54	0.90	0.76	-0.46	-1.58	0.70	1.06	6.55
2018	3.14	-0.98	0.54	-2.50	-2.34	-1.23	0.64	-2.98	0.23	0.32	0.62	0.45	-4.17
2019	2.51	-0.70	-0.71	-0.49	0.14	3.26	0.34	-2.56	0.18	1.63	-1.73	2.86	4.66
2020	-1.41	-1.59	-5.54	1.30	4.62	0.66	3.02	-0.56	-2.17	0.69	3.83	3.17	2.44
2021	-1.89	-1.47	-2.28	1.31	1.58	-0.61	-0.49	-0.12	-2.22	-0.92	-2.19	1.16	-7.94
2022	-0.93	-2.34	-2.66	-3.48	-0.15	-4.84	0.00	1.83	-2.42	-0.04	4.09	0.92	-9.88
2023	3.32	-2.08	1.91	0.27	0.00	3.88	1.44	-2.59	-2.47	0.31	3.21	3.85	11.30
2024	**-1.73**	**0.16**	**0.64**	**-0.87**	**0.88**	**-1.54**	**0.59**	**2.06**	**2.37**	**-2.97**	**0.06**		**-0.48**

Source: Source: Schroders. [1]Inception 31 January 2000. Typical ongoing charges for A shares are 1.86%.

Fund positioning as at 29 November 2024 (%)

	US$ Debt	Local Debt	FX[1]	Total
Latin America				
Argentina	2.0			**2.0**
Bahamas	0.3			**0.3**
Brazil	0.9	7.1	-1.2	**8.0**
Chile			2.9	**2.9**
Colombia	0.5	2.5	-1.7	**3.0**
Dom Rep.		1.1		**1.1**
Ecuador	0.9			**0.9**
El Salvador	0.9			**0.9**
Mexico	0.5	8.2	-4.6	**8.7**
Panama	0.7			**0.7**
Peru		1.2	-1.1	**1.2**
Asia				
China	0.6			**0.6**
India	0.3	8.2	-2.7	**8.5**
Indonesia		7.6	-3.8	**7.6**
Malaysia		1.0	0.5	**1.5**
Pakistan	1.5			**1.5**
Philippines		1.9		**1.9**
Singapore	0.2			**0.2**
Sri Lanka	2.5			**2.5**
Thailand		0.6	1.6	**2.2**
Central Eastern Europe				
Czech Republic		1.1	1.0	**2.1**
Hungary	0.3	3.8	-0.9	**4.1**
Latvia	0.3			**0.3**
Poland		2.1	-2.0	**2.1**
Serbia	0.1			**0.1**
Turkey	3.0	1.4	1.5	**5.9**
Ukraine	0.5	0.2		**0.7**
Africa and Middle East				
Burkina Faso	0.6			**0.6**
Egypt	0.2	2.2		**2.4**
Ivory Coast	2.5			**2.5**
Nigeria	0.6			**0.6**
Senegal	1.9			**1.9**
South Africa	1.7	7.5	-2.4	**9.2**
Tanzania	0.1			**0.1**
Zambia	0.4			**0.4**
Total EM	**24.0**	**57.7**	**7.5**	**89.2**
Cash				**10.8**
Grand Total	**24.0**	**57.7**	**7.5**	**100.0**



Fund Summary (%)

Yield to maturity	8.8
FX exposure	46.2
Duration (years)	4.6
Average credit rating	BBB-
Corporate bond exposure	4.84
Current yield	6.51
No. of holdings	109
Credit hedges	-6.1
Fund AUM	US$1,037m
EMD TR strategy AUM	US$1,995m

Source: Schroders.

[1] FX positions in red are hedges of local debt positions. FX positions in black are outright long FX forward positions. Total includes only active long outright FX forwards and NDFs and excludes hedges of local debt.

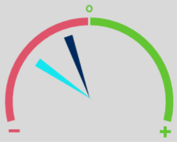
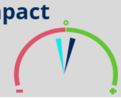
ESG:

Proprietary sustainability metrics (SFDR Article 8)

Schroder ISF EMD Total Return ESG – 29 November 2024

Fund coverage: 100%

Reference benchmark coverage: 99%

	Fund	Reference sustainability benchmark
Overall impact 	**-2.9%**	**-3.6%**
Environmental impact 	**-2.1%**	**-2.5%**
Social impact 	**-0.5%**	**-0.8%**
Governance impact 	**-0.3%**	**-0.3%**

Source: Schroders – 29 November 2024. The Schroders Impact score is based on Schroders' proprietary tool, SustainEx. Overall impact is an indication of the fund's impact compared to its benchmark. All holdings exclude cash and currency holdings. Impact on People indicate the fund's underlying benefits and harms compared to its benchmark. Metrics shown are a sample of the total underlying metrics. See definitions slide for more details. Benchmark data 50% JP Morgan EMBI Global Diversified (USD Unhedged) and 50% JP Morgan GBI EM Global Diversified (USD Unhedged).

Risk considerations:

Bond Connect risk: The fund may be investing in the China Interbank Bond Market via the Bond Connect which may involve clearing and settlement, regulatory, operational and counterparty risks. **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. **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. **Credit risk:** If a borrower of debt provided by the Fund or a bond issuer experiences a decline in financial health, their ability to make payments of interest and principal may be affected, which may cause a decline in the value of the Fund. **Currency risk:** The fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. **Currency risk / hedged share class:** The currency 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. **Derivatives risk:** Derivatives, which are financial instruments deriving their value from an underlying asset, may be used to manage the portfolio efficiently. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. 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. **Emerging markets & frontier risk:** Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets. **High yield bond risk:** High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk meaning greater uncertainty of returns. **Interest rate risk:** The fund may lose value as a direct result of interest rate changes. **Issuer risk:** The fund is permitted to invest more than 35% of its scheme property in transferable securities and money market instruments issued or guaranteed by an EEA State / governments of the following country: United States of America. **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, meaning investors may not be able to have immediate access to their holdings. **Market risk:** The value of investments can go up and down and an investor may not get back the amount initially invested. **No capital guarantee risk:** Positive returns are not guaranteed and no form of capital protection applies. **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. **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.

[1]Schroder International Selection Fund is referred to as Schroder ISF throughout this document.

Important information:

Marketing material for professional clients only.

This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the "Company"). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. An investment in the Company entails risks, which are fully described in the prospectus.

Subscriptions for shares of the Company can only be made on the basis of its latest Key Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Europe) S.A.

For Luxembourg, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For the UK, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For Switzerland, Schroder Investment Management (Switzerland) AG is the Swiss representative («Swiss Representative») and Schroder & Co Bank AG is the paying agent in Switzerland of the Luxembourg domiciled Schroder International Selection Fund. The prospectus for Switzerland, the key information documents, the articles of association and the annual and semi-annual reports may be obtained free of charge from the Swiss Representative.

Schroders may decide to cease the distribution of any fund(s) in any EEA country at any time but we will publish our intention to do so on our website, in line with applicable regulatory requirements.

The fund has environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For information on sustainability-related aspects of this fund please go to www.schroders.comAny reference to regions/ countries/ sectors/ stocks/ securities is for illustrative purposes only and not a recommendation to buy or sell any financial instruments or adopt a specific investment strategy.

Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

Schroders has expressed its own views and opinions in this document and these may change.

Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy.

This document may contain "forward-looking" information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised.

Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy/ or on request should you not have access to this webpage.

A summary of investor rights may be obtained from https://www.schroders.com/en/lu/private-investor/footer/complaints-handling/

For your security, communications may be recorded or monitored.

Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registration No B 37.799.

Distributed in the UK by Schroder Investment Management Ltd, 1 London Wall Place, London EC2Y 5AU. Registration No 1893220 England. Authorised and regulated by the Financial Conduct Authority.