Schroder ISF* Emerging Markets Debt Total Return

Fund update: August 2025

Marketing material for professional clients only.

Objectives

i. **Preservation of capital:** mitigate losses in falling markets by using a disciplined risk control framework *(e.g. portfolio downside protection policy)*

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 downside protection policy 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.

Sector views:

Dollar debt

- EM dollar debt spreads tightened to multi-year lows. However, credit quality has improved, global financial liquidity remains ample and the momentum for tighter spreads remains strong.
- EM dollar debt high yield provides attractive income, notably in selected sovereign frontier markets with improving ability to pay.
- EM dollar debt investment grade spreads are unappealing, and total returns are dependant on the direction of US treasury yields

=> Core exposures to high yield names with improving risk metrics. Active use of US Treasury to manage duration.

Local debt

- Real yields in several EM countries remain close to multi-year highs at a time when EM inflation remains well contained and central banks have ample room to ease monetary policy.
- Local bonds in Brazil, Mexico, Peru, Chile, Hungary, Poland, South Africa, India, Indonesia, the Philippines and Turkey are particularly appealing.

=> Continued focus on countries with high real yields and credible monetary policy frameworks.

Currencies

- The cyclical US dollar downturn initiated earlier in the year is firmly in place. While heavy positioning in EM currencies may lead to a short-term correction, we take comfort from the fact that portfolio flows into EM are recovering from historically low levels.
- Currencies with reasonable REER valuations, stable balance of payments and high-interest rate support should generate attractive returns in the next 12 months.

=> Currencies are resuming their appreciation trend after a brief pause.

Source: Schroders – September 2025. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Schroders

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

Review:

– Despite continued upward pressures on long-dated developed market government bond yields, EM debt keeps posting strong returns. After a brief pause in July, all EM debt sub-sectors have resumed the bullish trends that have defined much of this year. EM local debt, as measured by the GBI-EM GD, registered a gain of +2.15% in August, which has taken its year-to-date return of +13.8%. All countries contributed positively to this performance. Similarly, EM hard currency debt has extended its gains by +1.63% in August, thus taking the year-to-date EMBI GD index return to +8.7%.

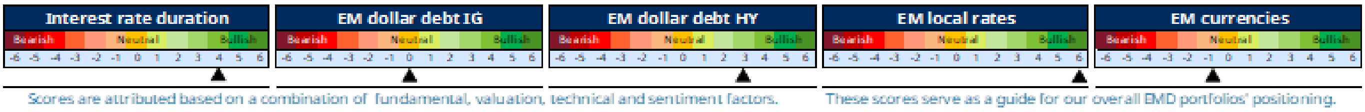
– During the month of August, the fund continued to focus on some of the highest real yielding EM local bond markets in Brazil, Mexico, India, Indonesia, Hungary and South Africa. Some attractive pockets of value in dollar debt high yield were also maintained. Portfolio activity was mostly centred on removing some of the tactical currency hedged implemented in July in expectation of a short-term US dollar rebound. This led to an increase of overall foreign exchange exposure from 52.1% to 59.1% of NAV in August. Interest rate duration remained broadly unchanged at 5.7 years despite overall cash exposure dropping from 8.5% to 3% of NAV. The fund ended the month with a yield to maturity of 8.1%. A more detailed breakdown of portfolio exposures by country and sector can be found in page 7.

– The fund ended the month of July with a return of +1.77% in gross US dollar terms. The key contributors to performance were as follows: (i) US dollar debt had +30bps positive impact; and (ii) local currency debt contributed +147bps, of which +53bps was due to price change given lower local rates, +44bps was generated by income, and +50bps was from currency appreciation. All countries contributed positively apart from India which had a negative -15bps impact on August returns. Indian local debt market (rates and currency) came under some pressures following the announcement of aggressive trade tariffs against India by President Trump.

Investment outlook:

– The bullish positioning held by our EMD portfolios for much of this year remains broadly unchanged. The tactical currency hedges introduced in July have been gradually unwound in August, reinforcing our long-term constructive stance, particularly towards EM local rates and currencies. We also continue to identify compelling opportunities in EM high-yield dollar debt. By contrast, spreads in the investment-grade segment fell below the 100bps mark in August, a new post-global financial crisis low, leaving limited scope for further compression. This sectoral assessment is reflected in our updated scorecard (Figure 1).

Figure 1: Sectorial Scorecard

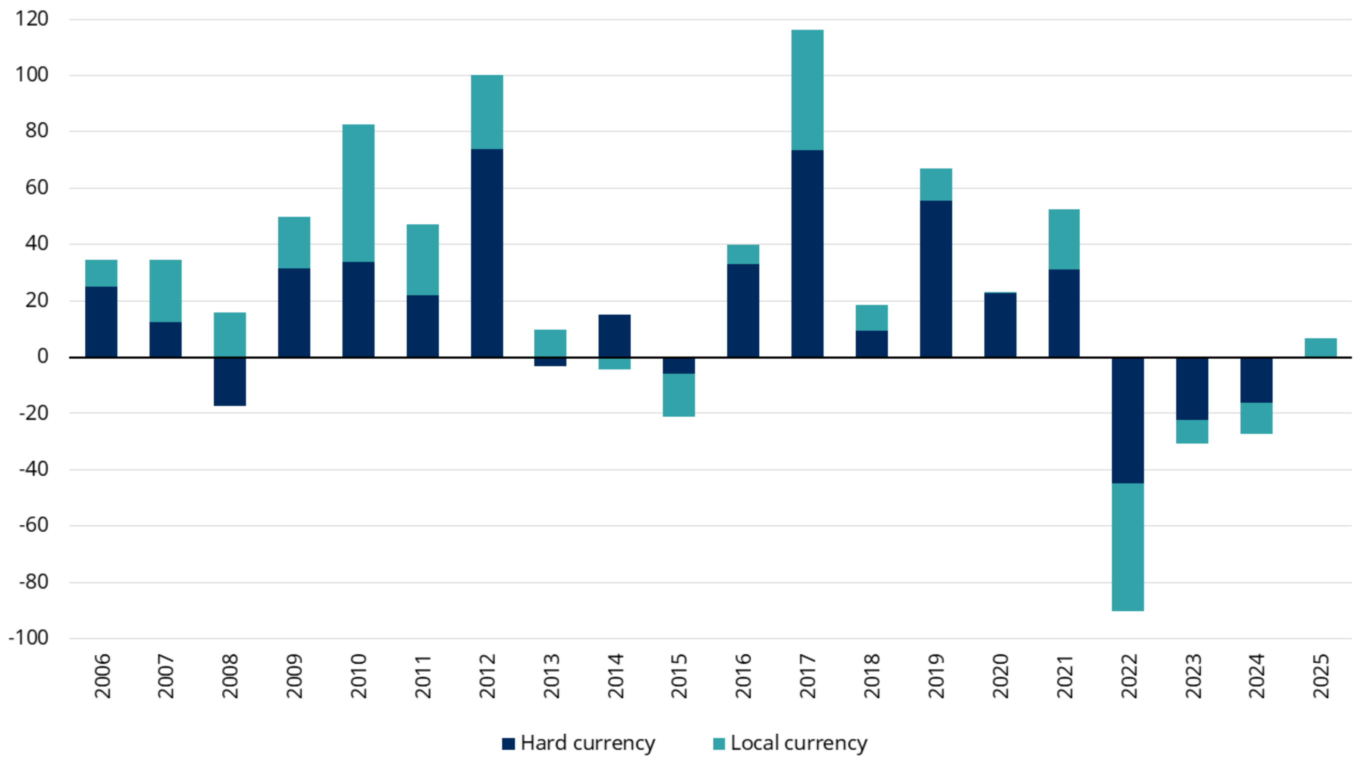


– As highlighted in our recent strategy updates, a combination of cyclical and structural drivers will likely underpin the current incipient reallocation of global capital flows in favour of EM. Increasingly, these factors appear to be gaining wider recognition, as evidenced by the noticeable improvement in investor sentiment towards EM. Recent news and various research headlines (Figure 2), as well as the apparent rebound in EM debt fund flows (Figure 3) further illustrate this positive sentiment shift. As can be seen, these reallocations to EM debt still appear to be in their very early stages as they have only just started to occur after years of significant outflows that left global investors severely underinvested in EM fixed income.

Figure 2: Improving sentiment towards EM debt

Source: Schroders; Google – August 2025.

Figure 3: EM debt fund flows



Source: Schroders; JP Morgan – 31 July 2025.

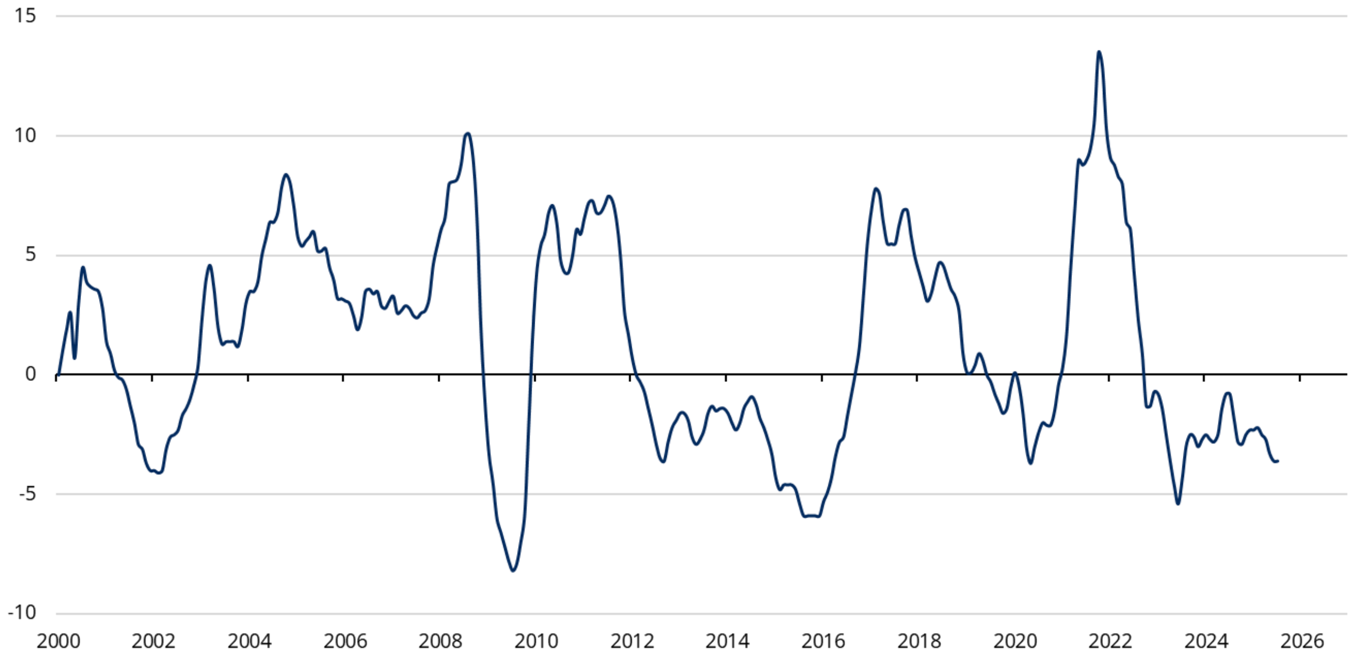
– While further dislocations emanating from developed market government bonds may still require our EMD portfolios to use tactical currency and interest rate duration hedges, we expect the recent positive performance trajectory of EM debt to remain supported by the following dynamics:

(i) Global growth expectations are recovering after the dip experienced during the first half of this year. This global growth resilience is continuing despite the extreme uncertainties generated by US trade tariffs, the persistent concerns about China's long-term growth trajectory and the historically high levels of real rates elsewhere in EM. With strong balance of payments, very manageable external financing needs and still reasonably stable and predictable policy frameworks in key EMs, we expect the asset class to sustain this growth resilience.

(ii) The EM disinflation cycle remains firmly in place with the recent dollar depreciation reinforcing the disinflationary forces in EM. As shown in figure 4, China's industrial overcapacity and weak domestic demand continue to drive its producer price indices into deflation, reinforcing China's ability to export cheap goods globally. With China's property malaise still ongoing, deflationary pressures are expected to persist. However, our Economics team highlights that these effects will not be evenly distributed around the world. Countries with high export overlap with China may shield industries through tariffs. Conversely, commodity-exporting EMs in

Latin America, Africa, and the Middle East, where export overlap with China is low, stand to benefit from cheaper imports, higher real incomes, and stable trade balances. High yielding bonds in these markets should continue to benefit handsomely from these trends, especially given their still depressed valuations (figure 6).

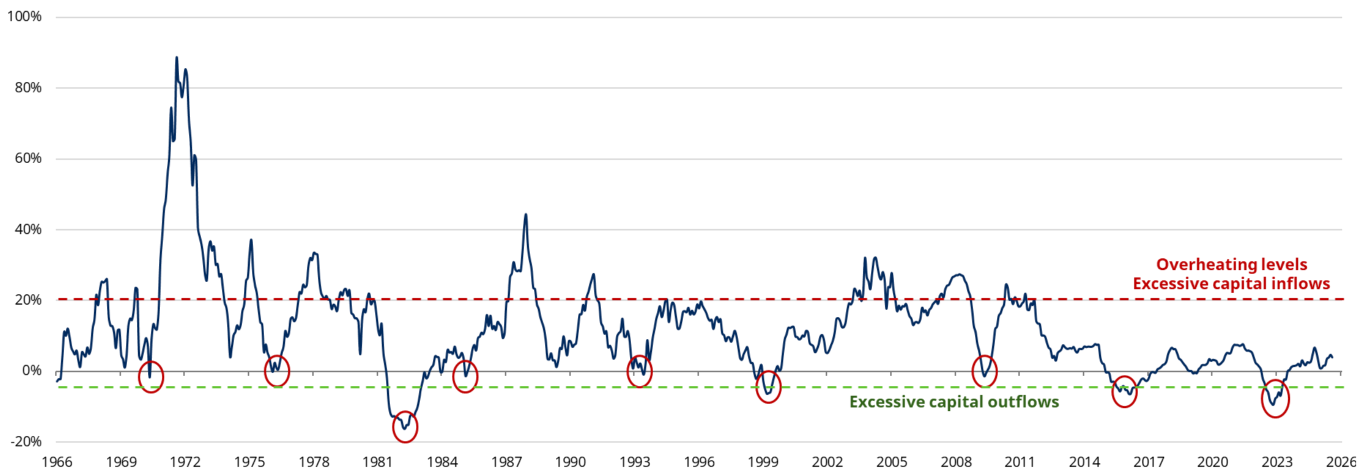
Figure 4: China Producer Price Index (yoy change)



Source: Schroders; Bloomberg – 31 July 2025.

(iii) Global financial liquidity remains ample despite high levels of real rates and the ongoing withdrawal of official dollar liquidity generated by the rapid rebuild of the US Treasury General Account at the Fed. This ample liquidity can still be seen in the strong growth of global real monetary aggregates, the recovery in EM foreign exchange reserves (figure 5) and the apparent rebound of portfolio flows into EM.

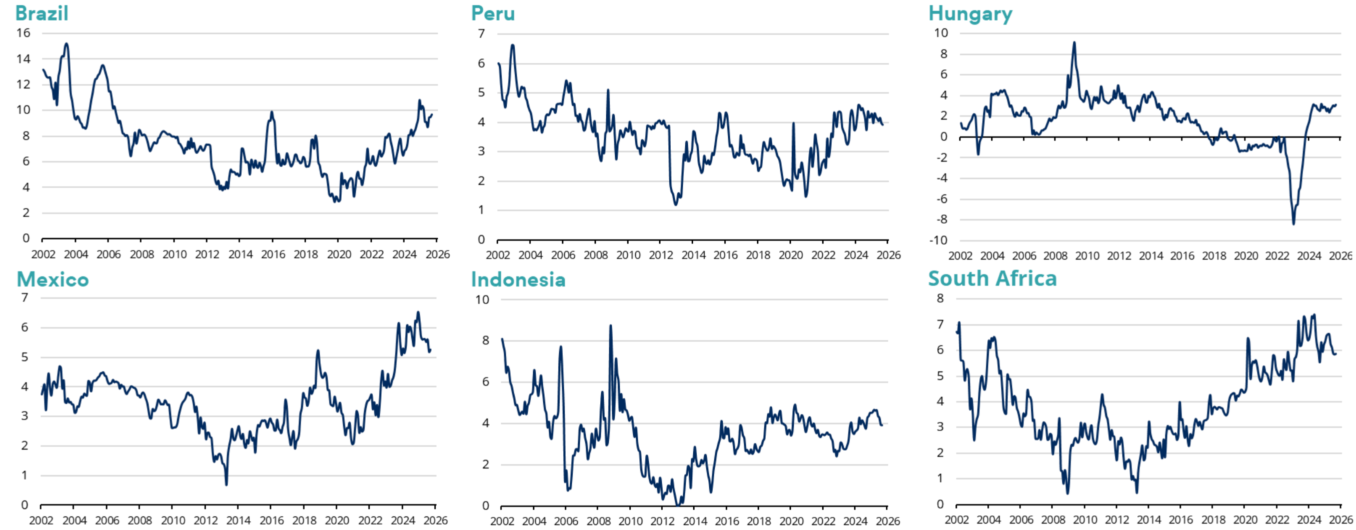
Figure 5: EM foreign exchange reserves growth (yoy)



Source: Schroders; Bloomberg; LSEG Data & Analytics – 29 August 2025.

(iv) EM debt Valuation remains attractive even after the strong returns of the last 3 years. While EM dollar debt Investment Grade has now reached historically tight spread levels, there are still appealing opportunities in dollar debt high yield and even more significantly in EM local rates (figure 6)

Figure 6: 10-year real bond yields in selected EM countries (%)



Source: Schroders; Bloomberg; LSEG Data & Analytics – 29 August 2025. For illustrative purposes only and not a recommendation to buy/sell.

(v) EM technical conditions remain favourable despite some evidence of excessive short-term positioning in EM currencies. With growing evidence of market participants being overwhelmingly bearish the US dollar, we have been recently concerned about a short-term correction in EM. We now take comfort for the fact that inflows to the asset class are recovering from extremely low levels, which has mitigated the risk of this short-term correction.

(**vi) Several "frontier" economies previously at risk of crisis have also now made progress toward** restoring debt and balance of payments sustainability through debt restructurings (e.g. Sri Lanka), IMF programs (e.g. Egypt), or economic shock therapy (e.g. Argentina). In each case, markets have responded positively, rewarding these efforts with strong bond rallies over the past two years. Senegal is the most recent example of a country moving toward an IMF agreement aimed at addressing its still challenging debt burden and persistent twin deficits.

Fund performance as at 29 August 2025 (%):

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	**4.05**	6.16	7.30
Volatility	**6.18**	11.21	8.78
Sharpe ratio	**0.37**	0.43	0.65
Sortino ratio	**0.61**	0.61	0.70
Correlation	**1**	0.78	0.68
Positive quarters	**61.39**	63.37	70.30
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.

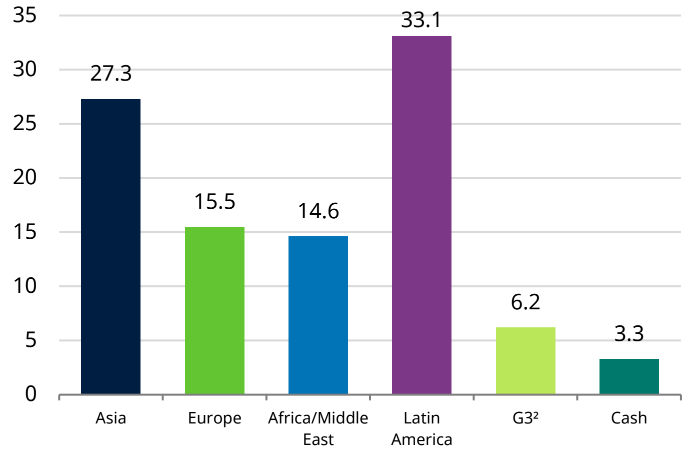
Please note the fund is an total return fund therefore, the EMD indices are for illustrative purposes only.

%	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	-1.04	-1.52
2025	**2.02**	**0.75**	**-0.20**	**1.64**	**1.26**	**1.74**	**-0.14**	**1.61**					8.99

Source: Schroders. [1]Inception 31 January 2000. Typical ongoing charges for A shares are 1.84%.

Fund positioning as at 29 August 2025 (%):

	US$ Debt	Local Debt	FX[1]	Total
Latin America				
Brazil	0.7	9.3	-3.9	10.0
Chile		1.7	1.9	3.6
Colombia	1.3	2.0	-0.9	3.3
Dom Rep.		0.9		0.9
Ecuador	2.0			2.0
Mexico	2.3	9.2	-3.3	11.5
Peru		1.8		1.8
Asia				
China	0.5		0.9	1.4
India		9.5	-2.0	9.5
Indonesia		5.4	2.1	7.5
Malaysia		4.1		4.1
Philippines		3.0	-1.8	3.0
Singapore	0.2			0.2
Sri Lanka	1.6			1.6
Central Eastern Europe				
Czech Republic		0.9	1.2	2.1
Hungary	0.2	4.9	-2.4	5.1
Latvia	0.3			0.3
Poland		3.6		3.6
Romania	0.9			0.9
Turkey	0.2	3.2		3.4
Ukraine		0.1		0.1
Africa and Middle East				
Angola	0.1			0.1
Egypt	1.1	1.3		2.4
Ivory Coast	2.1			2.1
Mali	0.3			0.3
Nigeria	1.2	0.5		1.7
Senegal	1.7			1.7
South Africa		5.0	1.0	6.0
Zambia	0.3			0.3
Total EM	**17.0**	**66.4**	**7.1**	**90.5**
G3				
Long-term US Treasuries			6.2	6.2
Cash				**3.3**
Grand Total	**17.0**	**66.4**	**13.2**	**100**



Fund Summary (%)

Yield to maturity	8.1
EM FX exposure	59.1
Duration (years)	5.7
Average credit rating	BBB
Corporate bond exposure	3.5
Current yield	7.3
No. of holdings	103
Credit hedges	-9.2
Fund AUM	US$1,085m
EMD TR strategy AUM	US$1,832m

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.

[2] Can include short and long dated government securities issued in G3 countries. Difference in some numbers due to rounding.

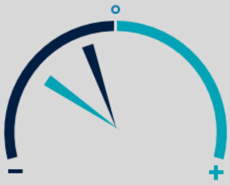
ESG – Proprietary sustainability metrics (SFDR Article 8):

Schroder ISF EMD Total Return ESG – 29 August 2025

Overall impact

Fund coverage: 99%

Reference benchmark coverage: 99%



Impact	Fund	Reference sustainability benchmark
Overall impact	-2.1%	-3.7%
Environmental impact	-1.8%	-2.7%
Social impact	-0.3%	-0.7%
Governance impact	0.0%	-0.3%

Source: Schroders – 29 August 2025. 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

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.

China risk: If the fund invests in the China Interbank Bond Market via the Bond Connect or in China "A" shares via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or in shares listed on the STAR Board or the ChiNext, this may involve clearing and settlement, regulatory, operational and counterparty risks. If the fund invests in onshore renminbi-denominated securities, currency control decisions made by the Chinese government could affect the value of the fund's investments and could cause the fund to defer or suspend redemptions of its shares.

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: If the fund’s investments are denominated in currencies different to the fund’s base currency, the fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. If the investor holds a share class in a different currency to the base currency of the fund, investors may be exposed to losses as a result of movements in 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 for investment purposes and/ or 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.

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.

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