

# Schroder ISF\* Emerging Market Multi-Asset

Fund Managers: Remi Olu-Pitan, Dorian Carrell | Fund update: September 2025

## Market Review

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- Emerging Market (EM) equities extended their year-to-date lead over their developed peers, led by index heavyweight China where returns are now over 40% year-to-date (MSCI China, USD). Beijing has been pushing to improve corporate governance at both state-owned enterprises and private companies, a strategy that is supplemented with targeted monetary and fiscal stimulus. Brazil was also a bright spot supported by improving fiscal discipline, positive commodity demand, and a recovery in valuations.
- Turning to bonds, Emerging market debt gained, with hard currency benefiting from moderating treasury yields, where continued weakness in the US dollar boosted local currency performance.

## Drivers of Fund Performance

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- Chinese equities were the largest contributor, led by names in the consumer discretionary and industrials sectors. South Korean equities were another notable contributor with the AI boom driving returns in the technology sector.
- Elsewhere, convertibles caught much of the rally in equities due to their inherent asymmetry - mirroring broader equity markets, Asia was the strongest performer led by China.
- Our bond exposure was positive across the board, with Brazilian corporate bonds and South African sovereign bonds particularly strong.

## Portfolio Activity

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- Asset allocation was broadly stable over the month.

## Outlook/positioning

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- After a short hiatus, political risk is back on investors' radars. Most significantly, US and China trade tensions are flaring up again, as Trump's administration is taking the next steps to decouple the US from China dominated supply chains.
- At the same time, US economy continues to show signs of fraying at the ends. Lower income people have faced some challenges, and latest available data indicate that the labour market remains fragile. In addition, parts of the market that were expected to have the greatest tailwind from Fed rate cuts, mainly housing and companies with floating rate debt, have instead sharply underperformed.
- Outside these pockets of weakness, the AI story has continued to drive markets higher, although volatility is now picking up from summer lows. Here we continue to focus on select names in the technology sector, primarily in Asia.
- Within bonds we retain a broader preference for select high-yielding emerging market local currency bonds.
- Looking forward, we expect the trend of increasing dispersion between countries, regions and companies to accelerate, requiring an ever more selective and active approach to capitalise on a dynamic, exciting and rapidly evolving opportunity set

## Calendar year performance (%)

Year	Fund Net A acc (%)	Fund Net C acc (%)	Comparator (%)
2024	4.2	4.8	5.8
2023	8.4	9.1	10.5
2022	-19.2	-18.7	-16.9
2021	-3.1	-2.6	-2.8
2020	15.6	16.3	11.8
2019	11.1	11.8	16.1
2018	-13.7	-13.2	-9.4
2017	18.8	19.6	23.1
2016	11.0	11.6	10.5
2015	-	-	-
2014	-	-	-

Source: Schroders, Thomson Reuters, 31 December 2024, A Acc & C Acc share class, net of fees. Please see factsheet for other share classes.

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The fund does not have a target benchmark. The Fund's performance and volatility should be compared against 50% MSCI Emerging Market Index (USD), 16.7% JPM EMBI Index EM Hard Currency (USD), 16.7% JPM GBI Emerging Market Index - EM Local (USD), 16.7% JPM CEMB Index (USD).

The comparator benchmark is only included for performance and risk comparison purposes and does not have any bearing on how the Investment Manager invests the Fund's assets.

## Investment Objective

The Fund aims to deliver capital growth and income over a three-to-five-year period after fees have been deducted by investing in a diversified range of assets in emerging markets worldwide.

## Risk considerations

**ABS and MBS risk:** The fund may invest in mortgage or asset-backed securities. The underlying borrowers of these securities may not be able to pay back the full amount that they owe, which may result in losses to the fund.

**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:** A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.

**Currency risk:** The fund may lose value as a result of movements in foreign exchange rates.

**Derivatives risk:** Derivatives 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.

**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.

**Market risk:** The value of investments can go up and down and an investor may not get back the amount initially invested.

**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.

**Stock connect risk:** The fund may be investing in China "A" shares via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect which may involve clearing and settlement, regulatory, operational and counterparty risks.

**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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