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Schroder ISF* Emerging Market Multi-Asset

Fund Managers: Dorian Carrell, Remi Olu-Pitan | Fund update: March 2024

Performance overview

- Emerging market (EM) equities advanced in March, although the MSCI EM index lagged the MSCI World. Technology stocks in Taiwan and Korea delivered strong returns due to optimism about the semiconductor cycle and AI enthusiasm.
- The Latin American markets of Peru, Colombia and Mexico were among the top performers in the month with the former two driven by copper price strength. Peru and Mexico also benefited from ongoing monetary policy loosening. South Africa also performed well as the market rebounded from the poor performance seen in the first two months of the year.
- China underperformed as geopolitical tension with the US resurfaced as members of the US Congress House of Representatives proposed four bipartisan bills aimed at discouraging US investment exposure to China. India also lagged broader EMs.
- Despite energy price strength, some of the energy-related markets, including Kuwait, Saudi Arabia and Qatar all declined in US dollar terms. Brazil also underperformed even as the central bank cut its policy rate again given the market's sensitivity to US interest rates. Greece and Hungary were behind the MSCI EM index too while Egypt was the weakest performer owing to its c. 35% currency devaluation.

Drivers of fund performance

- March consolidated February's gains, with the fund's returns year-to-date in line with EM equities, and ahead of EM debt markets.
- Technology stocks in Taiwan and Korea delivered the bulk of returns due to optimism surrounding the semiconductor cycle and AI.
- Convertibles also made a modest contribution, with Korea again leading the charge, while EMD was positive across both corporate and sovereign paper.

Portfolio activity

- Asset allocation was broadly unchanged over the month. We continued to take profits on EM local, rotating into selective convertible names primarily in Asia.

Outlook/positioning

- We are cautiously optimistic on the outlook for emerging markets.
- We retain a cautious view on China. Current valuations reflect very depressed sentiment, which could see a short term reversal, but we believe the medium term outlook remains challenged.
- Still in Asia, we continue to favour Korea and Taiwan given their sensitivity to the growth areas of the technology value chain. We also retain a bias toward attractively valued companies in Eastern Europe, particularly Greece where the outlook appears to be improving.
- Overall, we are moving towards a more positive view on emerging markets but retain a bias for high-quality issues. 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.

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

Calendar year performance (%)

Year	Fund Net A acc	Fund Net C acc	Comparator
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 2023, A Acc & C Acc share class, net of fees. Please see factsheet for other share classes.

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 amount originally invested. Please see the respective fund factsheets for the performance of other share classes.

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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