

Schroder ISF* Emerging Market Multi-Asset

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

Market Review

- Emerging markets (EM), as measured by the MSCI EM index, rose in US dollar terms in February. China drove the gains as it continued to benefit from optimism about its AI capabilities following the initial release of DeepSeek's lower-cost open-source AI model in January. The EM index outperformed the MSCI World index and S&P 500 Index, both of which declined over the month.
- Poland was notably strong on the back of optimism about a potential end to the Russia-Ukraine war. Mexico gained as US tariffs, which were announced on 1 February were paused until 4 March. South Africa performed rallied helped by strong performance from some financial services companies and index heavyweight Naspers, which owns a stake in Chinese internet company Tencent.
- Korea posted negative returns with foreign equity outflows contributing to the market's underperformance. The Bank of Korea cut the policy rate by 25 basis points to 2.75% and downgraded its GDP growth forecast in response to growth concerns. Saudi Arabia lagged the broader index amid weaker energy prices while Taiwan ended the month in negative territory, led lower by poor performance from some tech stocks.
- Debt markets were positive across the board, despite the "aggressive Trump" scenario starting to materialise notably with regards to global trade. The announcement and subsequent implementation of tariffs against China and Mexico had a limited impact on these markets so far. It is particularly worth noting that Mexican local government bonds generated a return of +7.6% in US dollar terms year-to-date, outperforming handsomely the strong gains of the broader local EMD index.

Drivers of Fund Performance

- The fund continued its 2025 march higher, with returns boosted by a strong rally in convertibles, with strength in Asian technology names driving a positive contribution. In parallel, Chinese equities were also a standout.
- Mirroring markets, our exposure to debt was positive across the board, with hard, local, and corporates all making a useful contribution over the period.

Portfolio Activity

- In terms of asset allocation, we rotated some of our broad EM equity exposure to Eastern Europe, where momentum towards a ceasefire in Ukraine boosted sentiment in the region.
- Elsewhere, we continued to add to the technology sector in China within convertible bonds.

Outlook/positioning

- Overall, we are cautious, but becoming increasingly optimistic on emerging markets, retaining a bias for high-quality securities.
- 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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