Schroder ISF* Emerging Market Multi-Asset

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

Market Review

- Global equity markets ended December 2024 down 2.3%, but the year overall saw a strong gain of 18.0%, the fifth year out of the last six of double-digit growth. December's decline was led by a sell-off in US stocks following Federal Reserve (Fed) Chair Jerome Powell's comments about inflation expectations, raising concerns about fewer interest rate cuts in 2025.
- In Europe, the health care sector weighed on market returns, with major player Novo Nordisk suffering a significant decline following poor clinical trial results. Conversely, consumer discretionary firms saw gains, as luxury brands experienced robust returns around optimism of renewed Chinese demand. In Asia, China partially recovered from previous losses due to modest manufacturing growth and positive government stimulus announcements. Japan benefited from stimulus plans but faced challenges with currency weakness affecting equity performance in US dollar terms.
- Developed government bond yields rose over the month, leading to falls in investment grade bonds, and although still negative high yield bonds fared slightly better. EM local, hard currency, and corporates all fell over the month.

Drivers of Fund Performance

- Despite weakness in the emerging market complex over the month, fund performance was flat, with the positive contribution from equities and convertible bonds offset by weakness in bonds.
- Across equity and convertible bonds, ongoing enthusiasm for AI and semiconductor names saw strength in our Taiwanese names, while Chinese media names were another notable bright spot, with both areas recovering from weakness the previous month.
- While our fixed income exposure was impacted by weakness across the broader universe, our focus on high-quality USD sovereign and corporate bonds, as well as a highly selective approach to local currency debt, helped to mitigate returns.

Portfolio Activity

- We reallocated part of our South Korean equity exposure to Poland in order to reduce exposure to the aforementioned political risk, and capitalise on potential positive catalysts in Europe next year.
- We also added to selective, attractively valued opportunities within Chinese 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.

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

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	-	-	-

Source: Schroders, Thomson Reuters, 31 December 2024, A Acc and 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

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