

Schroder ISF* Global Convertible Bond

Fund Managers: Dr. Peter Reinmuth & Chris Richards, CFA | Fund update: January 2025

Performance overview

- In January, the convertible bond market commenced the year on a positive note, exhibiting commendable upside participation. Following a pause in equity markets mid-month, convertibles demonstrated robust downside protection.
- The overall performance in January was characterised by a strong equity backdrop, with convertibles exhibiting above-average upside engagement.
- January was a very good month for the Dow Jones, which recorded an outstanding increase of 4.8%. This came after its poorest performance per year end since 2018 and its largest monthly percentage decline since September 2022. The S&P 500 increased by 2.8%, while the tech-heavy Nasdaq index ended the month on a plus of 1.7%.
- All three major indices experienced notable increases in January after Donald Trump took office as the 47th president of the US, indicating that his agenda, albeit controversial, is considered by investors as largely supportive of domestic business activity.
- On the other side of the Atlantic, the picture looks equally upbeat. The Euro Stoxx finished the last month on a plus of 8.2%, mainly driven by positive performance in Germany (Dax 9.2%) and France (CAC 7.8%). The Italian MIB was up 7.0%, while Spain's IBEX reported a gain of 7.1%. The UK's FTSE and Switzerland's SMI both stated positive performance figures for January.
- Asian stock markets, on the other hand, presented more of a mixed bag. The overall MSCI Asia ex Japan finished on a gain of 1.4%.
- The Hang Seng was up 1.2%. China's CSI 300 ended the month with a loss of -2.8%. Singapore stated some gains of 1.8%, while Taiwan was up 2.2%. In Japan, the Nikkei was down by -0.8%.
- The global MSCI equity index gained 3.4% in January and the FTSE Global Focus hedged in USD tracked well with a monthly gain of 2.2%.

Drivers of fund performance

- The fund slightly outperformed its benchmark in January.
- Parsing regional return contributions shows our overweights in Asia and Japan paid off this month. On the other hand, underweighting Europe cost us in terms of contribution to return.
- On a sector level, our overweight to IT and Financials as well as our underweight to consumer names both added to relative performance.
- **Spotify** and **On Semi** were among the largest detractors in January. On the other hand, our overweight in **Snowflake** and overweights in **Alibaba** and **Bill.com** added to relative performance.

Portfolio activity

- The stock market's advance in January resulted in an automatic increase in equity exposure for convertibles. Through rebalancing trades, we very slightly decreased our relative exposure throughout the month.
- We took some profits in positions such as **NextEra Energy**, **Snowflake**, and **SK Hynix**, among others, using the proceeds to add to more balanced names such as **Miniso** and **Core Scientific**.
- In terms of regional positioning, we have begun strategically reducing our equity exposure underweight in the US within pockets of cheapness. We continue to hold overweights in Asian and Japanese convertibles, while remaining underweight in European names.
- At the sector level, we continue with an overweight to IT, materials, financials, and energy.
- The latest market rally in the US has resulted in more expensive valuations for US convertibles. This is the case for Japanese convertibles as well. Other convertible regions continue to trade well below fair value.
- Global convert issuance started the year on a very weak note with only USD 3.4 billion of new paper, well below the historical average for January and for every other month, for that matter.

Outlook

- US exceptionalism has been a key driver of global financial markets in recent years, and our forecasts imply that the “Trump trade” will deliver even more outperformance in the months ahead. However, with the new Administration comes even greater uncertainty than usual about the global economic outlook, meaning that markets are probably in for a bumpy ride. Against this backdrop, we expect market performance to broaden out from recent winners.
- The S&P 500 is looking expensive but valuations away from the mega caps and outside of the US appear more reasonable. We think there is potential for markets to broaden out further in the US, particularly given Trump’s focus on deregulation and corporate tax cuts.
- Valuations in Europe are more attractive, and sentiment is almost universally negative towards the region. With elections in Germany (which could prompt a shift in fiscal policy) and rate cuts from the ECB, we believe there is potential for the market to do better in 2025.
- In emerging markets, valuations excluding India and Taiwan are broadly cheap. Much of the uncertainty is priced in and market stress may provide opportunities to add to exposures in the coming months.
- Despite short-lived setbacks here and there, global stock markets remain convinced of an ongoing Goldilocks scenario. Inflation has decreased significantly from highs, energy and oil prices remain subdued despite international conflicts, and the US labour market shows limited signs of weakness in line with a soft landing scenario.
- While we continue to rate the global economic picture as non-sustainable in the long-run, it is difficult to spot concrete triggers of a potential reversal.
- Due to their in-built equity exposure, convertibles increase in value as the underlying stock increases. Simultaneously, when the underlying stock drops, the convertible loses some value but still offers protection thanks to their bond floor, the bond part of the convertible.
- Given that a significant part of our convertible universe remains balanced to slightly defensive, we

remain constructive on our asset class and believe that a good degree of protection against equity-market losses is inbuilt into the asset class. We have seen efficient downside protection in the volatile summer months, and we are confident that convertibles will also protect in case of future stock market setbacks.

- In addition, parts of the convertibles market remain cheap and continue to trade under their fair value. Given the performance in global equity markets since 2023, this looks like a historical anomaly.
- Finally, we are looking at a highly convex asset class, with a good 50% equity-loss protection, that has started to pay a handsome running yield and is trading at a discount. Still, our favourite asset class remains overlooked and oversold.

Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise, and investors may not get the amount originally invested. Some performance differences between the fund and the benchmark may arise because the fund performance is calculated at a different valuation point from the benchmark. Please see the respective fund factsheets for the performance of other share classes.

Calendar year performance (%)

Year	Fund (A Acc)	Fund (I Acc)	BM
2024	5.4%	7.0%	8.6%
2023	7.0%	8.7%	9.8%
2022	-18.9%	-17.6%	-16.0%
2021	-3.3%	-1.8%	-1.1%
2020	24.0%	25.0%	22.8%
2019	12.4%	14.1%	13.1%
2018	-5.1%	-3.6%	-3.0%
2017	7.4%	9.0%	6.0%
2016	1.6%	3.2%	1.6%
2015	3.1%	4.8%	3.8%

Source: Schroders, NAV to NAV (bid to bid), net of fees (where applicable), USD, as at 30/12/2024. The fund’s performance should be assessed against its target benchmark, being to exceed the FTSE Global Focus Hedged Convertible Bond Index (USD). The investment manager invests on a discretionary basis, and there are no restrictions on the extent to which the fund’s portfolio and performance may deviate from the target benchmark.

Risk considerations

- **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.
- **Interest-rate risk:** The fund may lose value as a direct result of interest-rate changes.
- **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 macroeconomic environment, investment objectives may become more difficult to achieve.
- **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.

- **Credit risk:** A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.
- **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.
- **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.
- **Market risk:** The value of investments can go up and down, and an investor may not get back the amount initially invested.

Important information

This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the “Company”). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. An investment in the Company entails risks, which are fully described in the prospectus. Subscriptions for shares of the Company can only be made on the basis of its latest Key Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Europe) S.A.

For Austria, these documents may be obtained in German, free of charge, from the following link: www.eifs.lu/schroders and from our Information Agent Schroder Investment Management (Europe) S.A, German Branch, Taunustor 1, D-60310 Frankfurt am Main, Germany.

For Belgium, these documents may be obtained in French and Dutch, free of charge from the following link: www.eifs.lu/schroders. The Company is a Luxembourg-based Société d'Investissement à Capital Variable (SICAV) with unlimited duration which is coordinated with regard to the European regulations and meets the criteria for Undertakings for Collective Investment in Transferable Securities (UCITS). The total net asset value is published on

the website of the Belgian Asset Managers Association (BEAMA) on www.beama.be. In addition, the tariff schedules

are available from distributors in Belgium. The fee on the stock exchange transactions of 1.32 % (with a maximum of € 4,000 per transaction) is payable on the purchase or conversion of capitalisation shares if they are carried out by the intervention of a professional intermediary in Belgium. Dividends paid by the Company to natural persons who are Belgian tax residents are subject to a Belgian withholding tax at a rate of 30% if they are paid by the intervention of a financial intermediary established in Belgium (this information applies to all distribution shares). If the dividends are received by such natural persons without the intervention of a financial intermediary established in Belgium, they must indicate the amount of the dividends received in their tax return and will be taxed on that amount at a rate of 30%. In the event of the redemption or sale of shares of a sub-fund investing, directly or indirectly, either (i) more than 25% of its assets in receivables with regard to shares acquired by the investor before January 1, 2018, or (ii) more than 10% of its assets in receivables with regard to the shares acquired by the investor from 1 January 2018 (provided, in each of these two cases, that certain additional conditions are met), the interest component of this redemption or sale price is subject to a 30% tax in Belgium.

For Bulgaria, the Key Information Documents may be obtained in Bulgarian and the other documents in English, free of charge from the following link: www.eifs.lu/schroders.

For the Czech Republic, the Key Information Documents may be obtained in Czech and the other documents in English, free of charge from the following link: www.eifs.lu/schroders.

For Denmark, the Key Investor Information Documents may be obtained in Danish and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders

and Schroder Investment Management (Europe) S. A. dansk filial, Bredgade 45C, 2nd floor, DK-1260 Copenhagen K. A decision on a possible investment should be made on the basis of personal advice.

For Finland, the Key Information Documents may be obtained in Finnish, Swedish and English and the other documents in English, free of charge at the following link: www.eifs.lu/schroders.

For France, these documents may be obtained in French, free of charge, from the following link: www.eifs.lu/schroders, Schroder Investment Management (Europe) S.A., Paris Branch, 1, rue Euler, 75008 Paris and the Centralising agent Société Générale, 29 boulevard Haussmann, F-75009 Paris.

For Germany, these documents may be obtained in German, free of charge, at the following link: www.eifs.lu/schroders and Schroder Investment Management (Europe) S.A., German Branch, Taunustor 1, D-60310 Frankfurt am Main.

For Greece, the Key Information Documents may be obtained in Greek and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Hungary, the Key Information Documents may be obtained in Hungarian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Iceland, the Key Information Documents may be obtained in Icelandic and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Ireland, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For Italy, these documents may be obtained in Italian, free of charge, from the following link: www.eifs.lu/schroders, Schroder Investment Management (Europe) S.A. Succursale Italiana, Via Manzoni 5, 20121 Milan and from our distributors. These documents and the list of distributors are available at www.schroders.it

For Latvia, the Key Information Documents may be obtained in Latvian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Liechtenstein, these documents may be obtained in German, free of charge, from the following link: www.eifs.lu/schroders.

For Lithuania, the Key Information Documents may be obtained in Lithuanian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Luxembourg, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For Malta, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For the Netherlands, the Key Information Documents may be obtained in Dutch and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Norway, the Key Information Documents may be obtained in Norwegian and English and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Poland, the Key Information Documents may be obtained in Polish and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders. The company is a Luxembourg registered undertaking for the collective investment in transferable securities and operates in Poland in accordance with the Act of 27 May 2004 on investment funds and the management of alternative investment funds (Journal of Laws of 2004 No. 146, item 1546 as amended). Depending on the applicable tax obligations, the investor may be required to pay tax directly on the income arising from investments in the units of the fund.

For Portugal, the Key Information Documents may be obtained in Portuguese and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders, from the authorised placing entities and on www.schroders.pt.

For Spain, these documents may be obtained in Spanish, free of charge, from the following link: www.eifs.lu/schroders, the CNMV, the distributors and on www.schroders.es. The Company is registered in the Administrative Register of Foreign Collective Investment Institutions marketed in Spain of the National Securities Market Commission (CNMV), with the number 135. Its depository is JP Morgan SE and its management company is Schroder Investment Management (Europe) S.A.. The Company is a UCITS registered in Luxembourg.

For Sweden, the Key Information Documents may be obtained in Swedish and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Switzerland, Schroder Investment Management (Switzerland) AG is the Swiss representative ("Swiss Representative") and Schroder & Co Bank AG is the paying agent in Switzerland of the Luxembourg domiciled Schroder International Selection Fund. The prospectus for Switzerland, the key information documents, the articles of association and the annual and semi-annual reports may be obtained free of charge from the Swiss Representative.

For the UK, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For Israel: Note regarding the Marketing material for Qualified Clients or Sophisticated Investors only: This communication has been prepared by certain personnel of Schroder Investment Management (Europe) S.A (Registered No. B 37.799) or its subsidiaries or affiliates (collectively, "SIM"). Such personnel are not licensed by the Israeli Securities Authority. Such personnel may provide investment marketing, to the extent permitted and in accordance with the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995 (the "Investment Advice Law"). This communication is directed at

persons (i) who are Sophisticated Investors (ii) Qualified Clients ("Lakoach Kashir") as such term is defined in the Investment Advice Law; and (iii) other persons to whom it may otherwise lawfully be communicated. No other person should act on the contents or access the products or transactions discussed in this communication. In particular, this communication is not intended for retail clients and SIM will not make such products or transactions available to retail clients

Schroders may decide to cease the distribution of any fund(s) in any EEA country at any time but we will publish our intention to do so on our website, in line with applicable regulatory requirements. Schroders has expressed its own views and opinions in this document and these may change.

This fund does not have the objective of sustainable investment or binding environmental or social characteristics as defined by Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). Any references to the integration of sustainability considerations are made in relation to the processes of the investment manager or the Schroders Group and are not specific to the fund. For the UK only: This product is based overseas and is not subject to UK sustainable investment labelling and disclosure requirements.

Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

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.

Performance data does not take into account any commissions and costs, if any, charged when units or shares of any fund, as applicable, are issued and redeemed.

Schroders has expressed its own views and opinions in this document and these may change.

Third party data is owned or licensed by the data provider and may not be reproduced or extracted and used for any other purpose without the data provider's consent. Third party data is provided without any warranties of any kind. The data provider and issuer of the document shall have no liability in connection with the third party data. The Prospectus and/or www.schroders.com contains additional disclaimers which apply to the third party data.

Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy/ or on request should you not have access to this webpage.

A summary of investor rights may be obtained from <https://www.schroders.com/en/lu/private-investor/footer/complaints-handling/>.

For your security, communications may be recorded or monitored.

Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registration No B 37.799.

Distributed in the UK by Schroder Investment Management Ltd, 1 London Wall Place, London EC2Y 5AU. Registration No 1893220 England. Authorised and regulated by the Financial Conduct Authority.

Authorized by the Comissão do Mercado de Valores Mobiliários (CMVM) to operate in Portugal under the free provision of services regime, and with a branch in Spain, authorized and registered with the CNMV under number 20.

Distributed by Schroder Investment Management (Europe) S.A., Spanish branch, registered in the EEA investment firm register with the National Market Commission of Securities (CNMV) with the number 20.

Distributed in Switzerland by Schroder Investment Management (Switzerland) AG, Talstrasse 11, CH-8001 Zurich, Switzerland, a fund management company authorised and supervised by the Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Bern.

Third Party Data Disclaimer: Third party data is owned or licensed by the data provider and may not be reproduced or extracted and used for any other purpose without the data provider's consent. Third party data is provided without any warranties of any kind. The data provider and issuer of the document shall have no liability in connection with the third party data. The Prospectus and/or www.schroders.com contains additional disclaimers which apply to the third party data.