

# Schroder ISF\* Global Convertible Bond

Fund Managers: Dorian Carrell and Dominique Braeuninger | Fund update: July 2025

## Market review

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- Global equities advanced in July, driven by greater clarity on trade policies and strong earnings from US technology companies. US shares outperformed, led by information technology, while eurozone and UK equities also posted gains, and Japanese markets were supported by favourable political developments.
- US equities saw robust performance, particularly in technology, despite weaker showings from healthcare and consumer staples. Eurozone and UK shares rose, with healthcare and financials outperforming in the eurozone and energy, healthcare, and telecoms sectors leading in the UK. Japanese equities gained as investors welcomed trade progress with the US and positive election outcomes.
- Global government bonds declined as yields rose on fiscal concerns and steeper yield curves, with longer-dated bonds underperforming. Corporate bonds outpaced government bonds, supported by strong company earnings and a broadly constructive outlook across both investment grade and high yield credit.

## Drivers of Fund Performance

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- The fund underperformed its benchmark in July.
- Regionally, gains from overweight positions in Asia and underweight positions in Europe were offset by underweight exposure to the Americas. Underweighting Japan helped to limit the overall losses.
- In terms of sectors, overweight allocations to industrials and materials contributed positively to monthly performance. However, overweight positions in financials and information technology, combined with an underweight stance in the communications sector, detracted from returns.
- At the security level, the top contributors were **MP Materials Corp**, **Wuxi Aptec Hong Kong**, and **Gamestop Corp**. The largest detractors were **Echostar Corp**, **Coinbase Global**, and **Lucid Group Inc**.

## Portfolio Activity

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- We participated in a highly active primary convertible bond market, including issuances from **Zscaler**, **AeroVironment**, and **Alibaba Health** — all attractive due to strong growth narratives, defensive positioning, and appealing conversion structures in a period of moderate volatility.
- In the U.S., we added to our position in **Coinbase** following its recent consolidation, capitalising on stronger cash flows, attractive secular growth tailwinds, and rising investor demand for exposure to the theme. We also increased exposure to **select areas of the U.S. technology sector**, seeking to benefit from continued innovation-driven momentum despite ongoing macroeconomic uncertainties.
- Over in Europe, we continued our theme of increasing exposure to **Vonovia**, the German real estate market leader, funded by selective profit-taking across other continental holdings. We are positioning the fund to capture the **beta of a cyclical upswing** as Germany's fiscal stimulus finally gains traction and supports housing demand.
- In **Japan**, we added significant exposure to corporates, most notably **Nissan** and **Seino Holdings**, as well as healthcare name **Rohto**.

## Outlook

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## 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%

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.

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.

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