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Schroder ISF* Global Convertible Bond

Fund Managers: Dorian Carrell, Dominique Braeuninger | Fund update: November 2025

Market review

- **Japan's biggest stimulus since Covid is approved by the cabinet:** a ¥21.3tn **(US$136.5bn) package** backed by a ¥18.3tn **(US$117bn) supplementary budget,** targeting investment in key growth industries
- **Kevin Hassett is deemed the front runner as the next Fed Chair**, intensifying the debate around Fed independence
- **The Eurozone is now expected to grow faster than previously forecast**, with the Commission raising its **2025 GDP outlook to 1.3%** from 0.9% in April and 0.9% in 2024, supported by an increasingly stable economic backdrop
- **AI momentum continues, with Google touting Gemini Ultra as a GPT-4 rival,** stoking fresh volatility and staking across AI-linked equities
- **Convertible issuance is set to the highest since the GFC, adding depth, breadth and liquidity to the market**

Drivers of fund performance

- **Year-to-date the fund continues to outperform its benchmark**
- **At sector level**, gains in **healthcare, utilities and real estate** tussled with **volatility in technology, industrials and financials**
- **At security level**, the largest contributors were **Lumentum Holdings** and **Jazz Investments,** whilst **Nebius Group** and **Super Micro Computer** detracted

Portfolio activity

- **Zijin Mining Group** continued to capture commodity upside, we took profits and trimmed our position further
- **We continued to lean into the more balanced Alibaba convertible**, with a longer maturity and reduced equity exposure, we can witness the **AI/cloud investment dance play out with less downside risk**
- **Cloudflare is a strong addition**, with a network spanning 310+ cities, it can position as a key enabler of secure, low-latency internet and AI infrastructure, which has supported revenue growth of 31% year-over-year
- **Reduced exposure to Ping An Insurance Group** after strong performance, we crystalised gains as its strengths in life and health and financial services became better reflected in the valuation, while still retaining exposure to China's large, under-penetrated household savings pool
- **We trimmed positions in higher-beta Asian cyclicals, materials, and U.S. crypto-proxy and healthcare names**, locking in gains and shifting capital toward opportunities with more attractive asymmetric upside

Outlook

The Eurozone clocked its highest composite PMI reading since 2023 at 52.8, underscoring the regions resilience. **The ECB's less-dovish stance relative to other major central banks** is playing a key role in supporting easing inflationary pressure and helping to anchor global stability. **Manufacturing remained softer as firms continue to face pressure from cheaper imports**. That softness is feeding directly into Europe's growing trade-defensiveness, with **33 new anti-dumping and safeguard cases launched last year (nearly three times the long-run average) as Brussels targets sectors ranging from steel to chemicals in an effort to shield domestic industry.**

November saw the final cabinet approval of the ¥21.3tn (US$136.5bn) stimulus package in Japan, reinforcing the government's efforts to support growth and strategic investment. **The yen weakened further** as markets digested the scale of fiscal easing and the **Bank of Japan's continued reluctance to tighten policy**, lifting sentiment among exporters and improving the earnings outlook for many global-facing companies. Rising issuance expectations have placed Japanese government bonds under closer scrutiny. However, the broader policy mix of fiscal support, a more competitive currency and resilient financial conditions offer **a constructive backdrop for uncovering selective opportunities**, even as inflation pressures, particularly through higher import prices, remain a challenge.

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

With Kevin Hassett being the new proposed frontrunner to replace Powell, the natural question arises around future Fed independence. Increasingly, investors are beginning to ask whether future rate cuts are becoming an inevitability, rather than a policy decision hinging purely on economic data. For markets, this adds another layer of uncertainty to a US equity landscape already characterised by stretched equity valuations.

Asia remains a compelling value opportunity along with Europe, whilst we continue to capitalise off selective names in regions with richer valuations through our rigorous selection process.

Calendar year performance (%)

Year	Fund (C Acc)	Fund (A Acc)	Fund (I Acc)	Benchmark
2024	6.1%	5.4%	7.0%	8.6%
2023	7.7%	7.0%	8.7%	9.8%
2022	-18.3%	-18.9%	-17.6%	-16.0%
2021	-2.6%	-3.3%	-1.8%	-1.1%
2020	24.8%	24.0%	25.0%	22.8%
2019	13.1%	12.4%	14.1%	13.1%
2018	-4.6%	-5.1%	-3.6%	-3.0%
2017	8.0%	7.4%	9.0%	6.0%
2016	2.2%	1.6%	3.2%	1.6%
2015	3.7%	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.

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.

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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