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Schroder ISF* Global Convertible Bond

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

Market review

- **The eurozone economy expanded at its fastest rate since May 2023 in October** - driven mainly by a pickup across the services sector.
- **Trump's one-year tariff deal cut China's rate from 20% to 10%,** postponing trade tensions until the immediate run-up to the US mid-terms.
- **Easing tariff tension supported a 4.5% rise in the MSCI Asia ex-Japan Index**. Unsurprisingly, Korea (+23%) and Taiwan (+10%), were major winners given semiconductors heavy reliance on rare earth elements.
- **Sanae Takaichi became Japan's first female PM**, forming a coalition and pledging fiscal and monetary stimulus. The yen weakened in response and Japan's PMI rose to 51.5 as services offset manufacturing softness.

Drivers of fund performance

- The fund outperformed its benchmark in both October and year-to-date.
- **Regional gains were largely led by the US**, buoyed by a further 0.25% rate cut, with more expected. Asia also added to the performance.
- At the sector level**, AI-driven tech gains outweighed minor losses from consumer discretionary.**
- **At the security level**, the largest contributors were **GameStop** and **Energy Fuels,** while **Zijin Mining** and **Centrus Energy** detracted marginally.

Portfolio activity

- **We continue to increase defensive exposure to high growth areas with a focus on Europe, Asia and Japan.**
- **Zijin Mining Group** captured the commodities surge, we took profits and trimmed our positioning.
- **We leant in further to the more balanced Alibaba convertible**, with a longer maturity and reduced equity exposure, we can watch the **AI/cloud investment dance play out with less downside risk.**
- **Nebius Group is a strong addition**. Backed by a five-year, $19.4 billion GPU infrastructure deal with Microsoft, they are positioned as a key player in AI infrastructure development.
- **We added exposure to Bloom Energy,** with their fuel cell technology powering data centres, they can provide sensible exposure to the energy transition and potential asymmetric upside from AI-driven electricity demand.
- **Reduced exposure to US crypto, healthcare and real estate names** due to their lack of defensiveness.

Outlook

In Europe, inflation is currently well behaved, clocking in at 2.4%, very close to the ECBs 2% target. Consequently, we expect the ECB to hold rates through 2025 and 2026, with the possibility of hikes in the longer term due to (good) inflationary pressures from growth.

Germany, in particular, is showing renewed strength, with **GDP growth** stabilising and services and manufacturing **PMIs firmly in expansion territory**. This supports our positive outlook on Europe, with convertibles offering a way to capture this cyclical recovery, whilst providing a defensive cushion against any downside. The underlying equity market also screens attractively from a valuation perspective.

Meanwhile in Japan, markets have responded favourably to Sanae Takaichi's pro-growth stance, which revives elements of Abenomics under what's being called 'Albonomics'. Specifically, **Takaichi rolled out a ¥14 trillion ($90B+) stimulus package**, tax cuts, and heavy investment in AI and semiconductors, **positioning Japan's economy for growth.** Finally, some commentators are now anticipating a **"golden age" for ties with the US pledged after meeting Trump**, alongside commitments to defence spending and a **$550 billion U.S. investment package.**

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

Last but not least, the US valuations remain relatively expensive technically and fundamentally in comparison to Europe, Japan and Asia. However, there **is still growth potential** in the US due to significant government stimulus and continuous growth in company earnings. Given this, we **remain underweight relative to the benchmark but continue to monitor and identify overlooked opportunities.**

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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