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Schroder ISF* Global Convertible Bond

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

Market review

- Global shares gained in June, as resilience in corporate bond markets helped offset muted reactions to Middle Eastern conflict. US equities outperformed with strong gains in technology and communication services, while eurozone shares declined and UK and Japanese equities edged higher.
- US equities posted strong advances, led by information technology and communication services, while consumer staples declined. Eurozone shares fell in euro terms, with consumer discretionary and staples underperforming, though energy stocks advanced. Japanese equities also rose, supported by the central bank's decision to keep interest rates unchanged and a signal of a slower reduction in bond purchase pace.
- Global government bonds were mixed as US Treasuries and UK gilts outperformed, while Bund yields rose. Credit markets remained resilient, with investment grade spreads tightening and high yield corporates outperforming on renewed risk appetite. Commodities gained on energy strength, despite weak agriculture and contained oil prices.

Drivers of Fund Performance

- The fund outperformed its benchmark in June, driven by robust performance from information technology and industrial holdings.
- From a regional perspective, the largest contributor to active performance was the underweight exposure to the US. Overweight allocations to Asia and Europe also added to returns, while the overweight in Japan was broadly neutral.
- In terms of sectors, overweight positions in industrials and information technology were the leading contributors to active performance during the month. Underweighting consumer discretionary and overweighting financials also supported returns. However, the underweight in communication services detracted from performance.
- At the security level, the strongest contributors over the month were **GameSTOP** and **Seagate HDD Cayman**. In contrast, **Echostar** and **AST Spacemobile** were the most significant detractors from active performance.

Portfolio Activity

- In the US, we participated in new issues in **Etsy, Cloudfare, Rubrik** and added to utilities.
- We took profits on **Seagate and Core** (amid M&A news) and reduced some Healthcare and biotech names including **Insulet**.
- In Europe, we added what we believe is attractive exposure to German real estate market leader, **Vonovia** whilst taking profits on another European real estate name and reducing our exposure to a French conglomerate.
- In Japan, we added to an AI driven, semiconductor play as well as airline **ANA** on weakness whilst reducing an export driven name as tariff uncertainty persists through the Upper House election.

Outlook

- Policy uncertainty related to tariffs is weighing on US corporate investment and hiring, causing economic momentum to slow.
- With no new full trade agreements and elections approaching, this uncertainty could persist for longer than expected.
- The US government's large-scale fiscal stimulus, financial deregulation, and tighter immigration policies are creating a more inflationary environment.
- Convertible bonds have benefited from stable interest rates and have outperformed traditional credit, also matching global equity performance so far in 2025.

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

- Unlike US equities, convertibles are less concentrated in megacap tech and offer lower volatility, while technical factors such as supply and demand remain supportive.
- Attractive relative valuations are most evident in European and Asian (ex-Japan) convertible markets compared to the US.
- Continued issuance, particularly from Asia, is expected to create further opportunities for investors in the convertible market.
- As major global economies pursue fiscal support and potential trade agreements, convertibles are well positioned to benefit in an environment of ongoing uncertainty.
- The valuation gap between convertibles and underlying equities—especially outside the US—provides a compelling case for greater global diversification.

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.

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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