Schroder ISF* Convertible Bonds

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Fund update: March 2026

Marketing material for professional clients only.

Market Review

The fund outperformed the global convertibles index YTD, with the index returning -1.2%, versus -3.5% for equities and -1.1% for fixed income.[1]

Crude remained elevated above $100 for the majority of the month, as Russian daily oil revenues doubled from January levels despite ~40% disruption to export capacity from Ukraine.

An initial redemption cap by a major private credit firm triggered a self-reinforcing cycle of outflow requests across the industry, with spreads for some names widening to ~300bps, nearly double late-2025 level. This dislocation is likely to further support strong convertible issuance going forward.

40-year JGB yields ended the month close to 4%, potentially putting upward pressure on US Treasuries at a time of persistent inflationary pressure; Japan remains the largest foreign creditor to the US.

Drivers of Fund Performance

At sector level, gains in energy were offset by detractions, predominantly in industrials, reflecting their cyclical exposure to global trade, energy costs, and supply chain disruption.

At the security level, Eni S.p.A. was among last month's leading contributors, benefiting from elevated energy prices amid ongoing tensions in the Middle East, as geopolitical risk premia and tighter supply conditions supported the oil and gas complex. Resonac holdings on the other hand, marginally detracted as elevated energy costs and rising macro uncertainty weighed in on the chemicals business; however, the company has experienced a sharp recovery since month end.

Portfolio Activity

We trimmed our position in Exail Technologies, a defence technology company, following a strong run and took profits while maintaining exposure. The company provides advanced autonomous systems and navigation technologies, including equipment used in naval mine countermeasure operations.

We exited our position in Super Micro Computer, Inc. following governance concerns, consistent with our focus on robust corporate oversight and risk management.

Increased exposure to HD Korea Shipbuilding & Offshore Engineering (Hyundai Heavy Industries) through a more balanced new issue, against the backdrop of US tariff negotiations and strengthening demand for newbuild capacity to support energy security and evolving global trade flows.

We added selectively across defence, energy, and technology, where structural tailwinds remain supportive. At the same time, we took profits in select names across these sectors, alongside crypto and mining exposure, recycling capital into opportunities with more attractive asymmetric payoff prospects given recent valuations.

Outlook/positioning

The recent escalation in rhetoric from the US, followed by the announcement of a two-week ceasefire, has provided some near-term relief to markets, reinforcing our base case of a gradual de-escalation given the economic and political costs to all parties involved. Compromises will clearly need to be made along the way, and the path ahead is unlikely to remain even.

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[1] Source: FTSE Global Focus Hedged Convertible Bond Index (USD), MSCI ACWI (USD) and Bloomberg Global Aggregate (USD), as at 31 March 2026. Indices are for comparison purposes only. Past performance is not indicative of future results.

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

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While regional tensions may persist, particularly involving Israel and Lebanon, the broader trajectory is starting to point towards containment, with mediation efforts gradually gaining traction among key regional and international actors.

Ultimately, lost LNG and oil supply will take time to rebuild, leaving a more unstable and uncertain operating environment for energy-sensitive assets. These frictions remain inherently inflationary, suggesting rates are likely to remain higher, at a time when many economies are already running relaxed monetary policy and elevated deficits.

In the US, pressure is becoming increasingly visible. Elevated input costs are weighing not only on margins but on consumers, adding a political dimension, with recent polling suggesting Trump's approval rating has fallen to a new low of 36%.

The midterm outlook also remains finely balanced, and a shift in control would materially impact the administration's ability to set policy and maintain party discipline. At the same time, ongoing legal scrutiny around Chair Powell may well delay any leadership transition, potentially keeping policy on hold for longer than markets expect.

By contrast, the Eurozone remains more exposed to energy price volatility, with government bonds coming under pressure as markets price a more aggressive ECB response to earlier inflation concerns. More recently, the ceasefire has helped remove a portion of the geopolitical risk premium, particularly from oil, improving the growth-inflation mix and calling into question the extent of tightening now priced in. While the combination of softer growth, firmer inflation and ongoing fiscal support still presents a challenging backdrop, spreads remain modest by historical standards, suggesting a degree of stability even as uncertainty persists.

In this environment, convertibles offer a flexible way to capture upside while providing a degree of downside protection as volatility and dispersion rise.

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

Calendar yearly performance (%)

Past performance does not predict future returns.

Period	Fund C Acc USD	Benchmark[1]
2025	14.7	13.8
2024	6.1	8.6
2023	7.7	9.8
2022	-18.3	-16.0
2021	-2.6	-1.1
2020	24.8	22.8
2019	13.1	13.1
2018	-4.6	-3.0
2017	8.0	6.0
2016	2.2	1.6

Source: Schroders, Morningstar, as of 31 March 2026. Performance shown is based on the currency of the share class shown and is net of fees. Please see factsheet for other share classes. The value of investments and the income from them may go down as well as up and investors may not get back the amount 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. The Fund's investment universe is expected to overlap materially with the components of the target benchmark. 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. The investment manager will invest in companies or sectors not included in the target benchmark in order to take advantage of specific investment opportunities.

[1]Benchmark refers to FTSE Global Focus Hedged Convertible Bond Index (USD).

Performance snapshot (%)

Past performance does not predict future returns.

	1 Month	3 Months	YTD	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.	Since Inception
Fund C Acc USD	-6.2	-0.5	-0.5	12.9	8.1	0.9	4.7	4.4
Benchmark[1]	-3.5	-1.2	-1.2	10.9	9.2	2.0	5.2	4.6

Source: Schroders, Morningstar, as of 31 March 2026. Performance shown is based on the currency of the share class shown and is net of fees. Please see factsheet for other share classes. The value of investments and the income from them may go down as well as up and investors may not get back the amount 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. [1]Benchmark refers to FTSE Global Focus Hedged Convertible Bond Index (USD).

Investment Overview

The fund aims to provide capital growth in excess of the FTSE Global Focus Hedged Convertible Bond Index (USD) after fees have been deducted over a three to five year period by investing in convertible securities issued by companies worldwide.

Risk considerations

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.

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.

Credit risk: If a borrower of debt provided by the fund or a bond issuer experiences a decline in financial health, their ability to make payments of interest and principal may be affected, which may cause a decline in the value of the fund.

Currency risk: If the fund's investments are denominated in currencies different to the fund's base currency, the fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. If the investor holds a share class in a different currency to the base currency of the fund, investors may be exposed to losses as a result of movements in currency rates.

Currency risk / hedged share class: The currency hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.

Derivatives risk: Derivatives, which are financial instruments deriving their value from an underlying asset, may be used for investment purposes and/ or to manage the portfolio efficiently. 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.

High yield bond risk: High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk meaning greater uncertainty of returns.

Interest rate risk: The fund may lose value as a direct result of interest rate changes.

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, meaning investors may not be able to have immediate access to their holdings.

Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

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 macro economic environment, investment objectives may become more difficult to achieve.

Sustainability risk: The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

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