

Schroder Global Cities

Fund Managers: Tom Walker & Hugo Machin | Fund update: June 2025

Portfolio & market review

In June, markets advanced amid diverging central bank policies, as the European Central Bank's decision to cut rates boosted sentiment. Despite the Federal Reserve holding firm on its policy, listed real estate was broadly flat, buoyed by lower borrowing costs in Europe.

Within the portfolio, the underweight to Single Family REITs contributed, as weaker jobs postings and lower expectations of a near term rate cut mean their pricing power might be limited. The allocations to Diversified REITs contributed for stock-specific reasons, and finally, the underweight to Self Storage contributed as higher-for-longer interest rates led to the market expecting demand to remain tepid for their services due to the slow housing market. In terms of the detractors, Health Care REITs detracted as higher operating costs weighed on expectations of earnings growth going forward. Other Specialised REITs also detracted due to stock-specific factors. Finally, Retail REITs detracted as concerns over a slowdown in consumer spending and weakening sentiment cast a shadow over the sector.

Our positioning remains anchored in enduring fundamentals. We continue to focus on sectors where earnings visibility is reinforced by structurally tight supply and persistent secular demand.

Portfolio activity

In the Americas, we sold our position in Americold, the US Cold Storage REIT, and reduced our holding in Rexford, the US Industrial REIT, as our conviction in these names waned following a period of weak results. We reallocated this capital to Welltower, the US Senior Housing REIT, which is benefitting from rising demand for its facilities due to ageing demographics.

In APAC, we took profits in Charter Hall, the Australian real estate asset manager, after a period of strong performance and reallocated the capital to Hongkong Land, the diversified real estate company.

Outlook/positioning

The team remain wedded to the Global Cities strategy and continue to invest in the most sustainable companies with assets in the most sustainable locations. The team favour sectors which benefit from trends disrupting real estate markets, in particular, those that support the rise of the digital economy. The team believe these trends will continue to grow and will drive positive portfolio performance over its investment horizon of 3-5 years.

Calendar year performance (%)

Past performance is not a guide to future performance and may not be repeated. 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 any overseas investments to rise or fall.

	Z Acc	Target*
2024	2.7	6.0
2023	5.2	7.1
2022	-19.5	14.0
2021	26.7	8.3
2020	-4.1	3.3
2019	26.1	4.5
2018	-3.4	5.4
2017	4.1	6.2
2016	19.9	4.2
2015	5.2	3.1

Source: Schroders, net of fees, NAV to NAV with net income reinvested. Z Acc share class, as at 31 December 2024. **On 15 July 2024, the FTSE EPRA NAREIT Developed GBP (Net Total Return) replaced the UK Consumer Price Index +3% as the fund's benchmark. The performance shown above prior to 15 July 2024 therefore relates to the previous benchmark.**

*UK CPI +3% lagged prior to 15 July 2024, FTSE EPRA NAREIT Developed GBP (Net Total Return) from this day.

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.

Currency risk: The fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates.

Derivatives risk: Derivatives, which are financial instruments deriving their value from an underlying asset, 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.

Higher volatility risk: The price of this fund may be volatile as it may take higher risks in search of higher rewards, meaning the price may go up and down to a greater extent.

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.

Real estate and property risk: Real estate investments are subject to a variety of risk conditions such as economic conditions, changes in laws (e.g. environmental and zoning) and other influences on the market.

Important information

Marketing material for professional clients only.

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