

Schroder ISF* Global Recovery

Fund managers: S. Adler, L. Nunn & N. Kirrage: Q2 2024

Performance overview

Global equities gained in Q2. The fund underperformed the index.

Drivers of fund performance

Lack of exposure to US tech stocks Nvidia and Apple weighed on portfolio performance in the quarter as these stocks performed strongly. Within technology we do own **Intel**, but it was also a detractor. The company is facing challenges in the chip market and has lagged behind in AI semiconductor technology. Intel has been making significant investments to regain its lead in chip manufacturing, with plans to spend \$100 billion on plants in the US.

In the consumer staples sector, pharmacy chain **Walgreens Boots Alliance** was a detractor. The group cut its profit outlook and announced further store closures, citing price pressures on US consumers.

Molson Coors Beverage Group also weighed on relative performance. The company's recent results have been positive but it now faces a tough comparative given strong growth in 2023. Molson Coors reiterated its 2024 guidance.

Within healthcare, pharmaceutical group **Bristol-Myers Squibb** was another detractor. The company reported a loss in the first quarter due to charges related to recent acquisitions and lowered earnings per share guidance for the full year. However, revenues were robust amid strong sales of key drugs. The company is taking steps to cut costs, including reducing its workforce by 2,200 jobs.

Telecoms firm **BT Group** was the main individual contributor. BT's new chief executive unveiled a strategic plan involving a further £3 billion of cost cuts by 2029 and an increase in free cash flow, as well as a higher dividend. June brought news that Mexican billionaire Carlos Slim has taken a 3% stake in BT.

Anglo American, the British multinational mining company, saw a surge in its share price after receiving a takeover proposal from BHP Billiton. Ultimately the proposed deal proved too complex. Anglo American will now focus on its own restructuring plans.

Portfolio activity

- A new position in the portfolio is food producer **Kraft Heinz**. It has a world class collection of food brands. The free cash flow yield is strong and is likely to be used to benefit shareholders, whether through debt paydown, share buybacks or dividends. The debt load has become more manageable in recent years.
- We exited the holding in **Samsung Electronics**. The shares have done well and we are seeking to reduce exposure to the sector following good performance. We also exited positions in **NHK Spring** and **Western Digital** as the shares had reached our assessment of fair value.
- Another sale was **AMC Networks**. The balance sheet position has deteriorated and confidence in the stabilization of the core business has declined. However, the shares have bounced and we took the opportunity to exit.

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.

Calendar year performance (%)

Year	Fund	Target**	Comp. 1	Comp. 2
2023	18.8	23.8	11.5	15.7
2022	-10.2	-18.1	-6.5	-11.4
2021	21.5	21.8	21.9	17.2
2020	-5.8	12.3	-1.2	4.5
2019	20.3	27.7	21.7	19.9
2018	-14.0	-8.7	-10.8	-13.8
2017	19.5	22.4	17.1	21.2
2016	16.1	7.5	12.3	7.7
2015	-17.1	-0.9	-4.8	-3.6
2014	11.9	4.9	3.7	1.2

Source: Schroders, net of fees, bid to bid, with net income reinvested. A Acc as at 31 December 2023. The target benchmark is MSCI World Net Return USD. The fund's performance should be assessed against its

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

target benchmark being to exceed the MSCI World (TR) index and compared against the MSCI World Value (Net TR) index (comp.1).

The majority of the fund's investments may be components of the target benchmark. The investment manager invests on a discretionary basis and is not limited to investing in accordance with the composition of 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. The target benchmark has been selected because it is representative of the type of

investments in which the fund is likely to invest and it is, therefore, an appropriate target in relation to the return that the fund aims to provide. Any comparator benchmark has been selected because the investment manager believes that the benchmark is a suitable comparison for performance purposes given the fund's investment objective and policy.

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. 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.

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.

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.

Stock connect risk The fund may be investing in China "A" shares via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect which may involve clearing and settlement, regulatory, operational and counterparty risks.

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.

Higher volatility risk The price of this fund may be volatile as it may take higher risks in search of higher rewards.

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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