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Schroder ISF* US Large Cap

Fund Manager: Frank Thormann | Fund update: January 2025

Performance overview

- US shares gained in January but lagged other regions as Chinese start-up DeepSeek challenged US leadership in artificial intelligence (AI).
- The fund outperformed the S&P500 in January.

Drivers of fund performance

- **Spotify** outperformed as the company announced a multi-year agreement for recorded music and music publishing with Universal Music Group. Under the agreement, Spotify will introduce new paid subscription tiers and bundle music and non-music content together.
- **Booking** underperformed as investors banked profits following a strong period of growth for the share price. The company continues to execute well, deliver market share gains and see strong acceleration in Europe and Asia.
- **Morgan Stanley** outperformed following robust growth in investment banking fees in 2024 amidst a strong resurgence in global mergers and acquisitions (M&A) activity. Analysts expect this to continue in 2025, with Donald Trump's business-friendly policies expected to herald a more lenient approach to M&A.
- **NextEra Energy** underperformed amidst continued concerns that renewables development will face a slowdown and potentially deteriorating economics under the administration of Donald Trump. The company's growth however continues to be driven by rising electricity demand, particularly from data centres, and a strong construction pipeline.

Portfolio activity:

- There were no new buys or sells over the period.

Outlook/positioning

- Narrow market concentration continues to be a prominent feature of the US equity market however we expect the market to broaden out in 2025 as growth benefits some of the less glamorous areas of the market that struggled last year.
- The election result does little to change our constructive view on US equities which has been underpinned by a resilient domestic economy, accommodative Fed policy and an acceleration of corporate earnings growth.
- Trump's policy proposals – substantive or otherwise – will however come under increasing scrutiny post inauguration providing another source of risk to the growth and inflation outlook domestically and internationally.
- In the short term, the outlook is less certain with recent volatility illustrating the delicate market balance and the potential for market drawdown on disappointing news flow. This is exasperated by high equity valuations which provide little support in the event of data that brings into question the benign outlook that has been substantially priced in.
- AI has, and remains, the dominant investment theme. Despite accusations of extreme valuations, we consider many of these stocks are still at the beginning of a multi-year growth story though recognise this will also be characterised by short term cyclical cycles.
- In summary, we expect fundamentals to be broadly supportive of equity market returns. However, we anticipate a period of increased volatility reflecting near term uncertainty and the potential for news flow and data to disappoint relative to very benign expectations.

Calendar year performance (%)

	Fund	S&P 500*
2024	27.6	24.7
2023	23.9	25.7
2022	-15.5	-18.5
2021	29.8	29.3
2020	20.5	17.3
2019	25.8	31.4
2018	-6.1	-6.2
2017	20.1	21.2

Source: Schroders, net of fees, NAV to NAV with net income reinvested. USD C Acc share class in USD. *Standard & Poors 500 (Net TR) Lagged index Past performance is not a guide to future performance and may not be repeated. The value of

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IBOR: 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.

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