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Schroder ISF* Global Emerging Market Opportunities

Fund managers: Tom Wilson and Nicholas Field | Fund update: July 2025

Performance overview

- Emerging market (EM) equities, as measured by the MSCI EM Index, posted positive returns in July and outperformed developed markets (DM). While US dollar strength was a headwind for EM, strong performance from index heavyweights Taiwan, China and Korea proved supportive.
- In Taiwan, the market benefited from ongoing investor enthusiasm for AI and foreign inflows into equities. In China, ongoing progress on US-China trade talks, as well as the anti-involution trade, boosted sentiment. Meanwhile, foreign equity inflows and a positive US trade agreement contributed to Korea's performance.
- India and Brazil posted the biggest losses with both markets impacted by US trade tariff-related risks. The former faces a 25% duty as well as an extra penalty given its trade relationship with Russia, specifically regarding its oil and military equipment purchases. Brazil has been hit with a 50% tariff, one of the highest rates in the world.

Drivers of fund performance

- The fund recorded a positive return and outperformed the MSCI EM Index over the month.
- Among our core markets, the overweight to Brazil had a negative effect, which was only partially offset by the overweight to Greece. However, stock selection was strong, particularly in Taiwan (overweight **Delta Electronics**) which helped offset negative returns from Brazil (off-benchmark **Lojas Renner**).
- Regarding our non-core markets, the underweight to India contributed positively to returns. Selection detracted in both China (overweight **Midea Group**) and India (overweight **Axis Bank**), while it was positive in Korea (overweight **Samsung Electronics**).

Outlook

- Global markets have continued to recover since "Liberation Day" in early April. However, while some progress has been made on trade talks between the US and China in recent months, a final trade deal between the two appears to be some way off. Furthermore, global trade is still expected to slow following recent front-loading.
- While policy stimulus could be a positive catalyst for the Chinese market against a backdrop of a potential patch of softer economic growth, we expect it to continue to be incremental and reactive.
- The weaker dollar should act as a tailwind for EM in general, producing a dampening effect on domestic inflation, which will likely permit some loosening of monetary policy in certain economies. Additionally, it should support capital inflows, lower debt-servicing costs and boost corporate earnings. Nevertheless, there is the risk of a short-term dollar reversal.
- The technology cycle should provide some support to markets as we expect AI-related capex demand to grow in the near term.
- Headline EM valuations remain more in line with their own history while EM's still trade at a discount relative to DM across most valuation metrics.

Calendar year performance (%)

Year	Fund	MSCI Emerging Markets Net TR
2024	6.4	7.5
2023	9.2	9.8
2022	-21.2	-20.1
2021	-4.9	-2.5
2020	21.6	18.3
2019	29.8	18.4
2018	-16.4	-14.6
2017	38.6	37.3
2016	8.6	11.2
2015	-13.9	-14.9

Source: Schroders, as at 31 December 2024. Net of fees, bid-bid, with net income reinvested, USD A Acc. Please see factsheet for other share classes. Index source: MSCI, as at 31 December 2024. 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. Please see the respective fund factsheets for the performance of other share classes.

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

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.

Currency risk / hedged share class: The 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 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 more 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 macroeconomic 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.

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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