Schroders

Marketing material
for professional clients only

Schroder ISF* Global Emerging Market Opportunities

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

Performance overview

- Emerging market (EM) equities, as measured by the MSCI EM index, rose in January, but underperformed the MSCI World index. While a softer dollar was helpful, ongoing tariff risks as US President Donald Trump took office weighed on markets.
- Colombia was the top-performing index market, posting double-digits returns, followed by Poland and Brazil. Korea rebounded from poor performance in December.
- China rose, but underperformed the index, given ongoing uncertainty about Trump's proposed tariffs on US imports of Chinese goods. India was one of the few markets to fall, owing to concerns about near term weaker economic growth. Thailand, Malaysia and the Philippines also fell.
- The fund recorded a positive return underperforming the MSCI EM Index over the month

Drivers of fund performance

- Among our core markets, allocation had a positive effect, largely due to the overweight allocations in Brazil and Poland. Stock selection weighed on returns, however, particularly in Poland (off-benchmark **Kruk**). This offset positive performance in Brazil (overweight **Banco BTG Pactual**).
- Regarding our non-core markets, the underweight country allocation in India proved to be beneficial, but stock selection was negative (overweight **PB Fintech**). Both an underweight to and stock selection in China (overweight **Tencent**) and Korea (overweight **Samsung Electronics**) detracted. This was somewhat offset by positive returns in Peru (off-benchmark **Auna**).

Outlook

- Donald Trump's fiscal policies may be supportive of US growth in the short term and, consequently, positive for the rest of the world, including EM.
- However, Trump's policies are likely to put pressure on US inflation affecting US monetary policy, the yield curve and dollar, in ways that are likely to be unhelpful for EM equities. However, some of this may already be priced into markets.
- Aggregate EM inflation has been trending downwards in recent months, but increased uncertainty about the external environment may drive caution from EM central banks. Those EM with resilient growth face the risk that inflation picks up again, curtailing the degree of possible rate cuts.
- The potential for a broad-based application of tariffs on exports to the US, with a particularly significant rise in tariffs on China, is the most notable risk for EM. Our base case is for a more nuanced approach to tariff application by the US than that suggested by campaign rhetoric.
- In China, further support for the domestic economy, particularly the real estate sector, would be a welcome development. Nevertheless, policy action is likely to continue to be incremental.
- Headline EM valuations are close to historical median levels. Emerging European and Latin American markets are generally cheap, while Asia is a more mixed picture, as India and Taiwan remain expensive. Meanwhile, EM's discount to developed markets on a 12-month forward price-earnings basis is still near its widest in 20 years, even after adjusting for sector weights.

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

*Schroder International Selection Fund is referred to as Schroder ISF throughout amount originally invested. Please see the respective fund factsheets for the performance of other share classes.

Risk considerations

China risk: Investment in the China Interbank Bond Market via Bond Connect or China "A" shares via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or shares listed on the STAR Board or ChiNext, may involve clearing, settlement, regulatory, operational or counterparty risks. For investment in onshore renminbi-denominated securities, currency control decisions made by the Chinese government could affect the value of investments and could cause liquidity issues or suspension of trading.

Counterparty risk: For Investments that require contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum owed may be lost in part or in whole.

Currency risk: Where investments are denominated in currencies different to the base currency of the Investment Strategy, value of Investments could fall due to 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 for investment purposes and/ or for efficient portfolio management. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to investment value.

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: Investments may be more volatile as this strategy 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, it may not be possible to sell a security for full value or at all. This could affect performance, and mean 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.

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: Environmental and/or social characteristics can be part of the strategy. 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 strategy may invest in companies that do not reflect the beliefs and values of any particular investor.

Capital risk / distribution policy: If the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.

Currency risk / hedged share class: The currency hedging of a 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.