

# Schroder ISF\* Global Emerging Market Opportunities

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

## Performance overview

- Emerging market (EM) equities, as measured by the MSCI EM index, rose in March and significantly outperformed developed markets.
- Some of the European EM were among the top-performers in the month, including the Czech Republic, Greece and Poland, aided by investor optimism following the announcement of Germany's huge defense and infrastructure spending package. India posted strong returns, rebounding from February's underperformance, following the interest rate cut in that month. Improved economic activity data was also supportive.
- Taiwan was the weakest index market as uncertainty relating to US tariffs acted as a headwind to its many technology stocks with US export exposure.
- The jury is out whether tariffs were pitched at the high end of expectations to induce negotiations, although China immediately responded with retaliatory tariffs. The final tariffs could be lower and/or exempt certain countries. However, this process is likely to be intricate and challenging. In any case, the hit to confidence will drag on global growth through corporate capex delays/cuts and demand falls.
- The weak US dollar trend looks to be establishing itself and, once we are through the near term volatility, that is a clear medium term positive for EM.
- 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. Meanwhile, EM screens as cheap relative to DM across numerous valuation metrics.

## Drivers of fund performance

- The fund recorded a positive return and outperformed the MSCI EM Index over the month.
- Among our core markets, allocation had a positive effect, with the overweights to Brazil, Greece and Poland proving to be beneficial. Stock selection had a negative effect. While it was positive in Brazil (overweight **Localiza**), it detracted in Taiwan (overweight **Unimicron Technology**) and Poland (off-benchmark **Kruk**).
- Regarding our non-core markets, selection contributed positively, especially in China (overweight **Kanzhun**), and to a lesser degree in Korea (overweight **Samsung Electronics**), which helped to offset weakness in India (off-benchmark **MakeMyTrip**).

## Outlook

- President Trump's 2 April tariff announcements went far beyond market expectations in breadth and magnitude. If implemented in full, prices will likely have to rise materially in the US. The key issue then becomes the elasticity of demand for US consumers and the risks of a stagflationary or recessionary environment in the US.

## 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.

## Risk considerations

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**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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