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# Schroder ISF* Global Emerging Market Opportunities

**Fund managers: Tom Wilson and Nicholas Field | Fund update: June 2025**

## Performance overview

- Emerging market (EM) equities, as measured by the MSCI EM Index, posted positive returns in June and outperformed developed markets (DM). Optimism about positive progress on trade talks between the US and China proved to be supportive, while the softer US dollar was also beneficial for EM. Although tensions in the Middle East ratcheted up, the response from markets was relatively muted.
- Korea was the top-performing index market by far. After months of political instability, sentiment improved as Democrat Party candidate Lee Jae-myung claimed a conclusive victory in the country's presidential election. Taiwan was strong as it continued to benefit from renewed investor optimism about AI. Brazil outperformed amid a stronger local currency against the dollar and hopes that the current tightening cycle was at an end.
- Both China and India produced positive returns but lagged the index, while Thailand and Indonesia fell in US dollar terms.

## Drivers of fund performance

- The fund recorded a positive return but underperformed the MSCI EM Index over the month.
- Among our core markets, allocation had a positive effect, mainly due to the overweights to Brazil and Greece. Stock selection was positive, especially in Taiwan (off-benchmark **Taiwan Union Technology**) and Brazil (off-benchmark **Lojas Renner**). It detracted, however, in Poland (off-benchmark **Grupa Pracuj**).
- Regarding our non-core markets, the zero weightings in Saudi Arabia and Indonesia, and the underweight to India, boosted returns, while the underweight to Korea detracted. Stock selection weighed on performance, especially in China (overweight **Meituan**), and to a lesser degree, in Mexico (overweight **Gruma**).

## Outlook

- While trade tensions between the US and China appear to have de-escalated following the temporary trade deal reached in May, global markets have already recovered, pricing in much of the rationalisation in trade policy.
- Ongoing policy uncertainty and volatility will negatively affect global growth, which is likely to be further impacted by a slowdown in global trade.
- The Chinese authorities have several tools at their disposal to support the economy and to partly mitigate the impact from trade tariffs. Further policy action could drive improved market performance but is likely to continue to be incremental and reactive.
- Near term, the key risks for EM continue to be the policy uncertainty associated with the Trump administration, policy developments in China and the outlook for AI demand. Geopolitics is a further area to monitor, both in terms of US-China trade relations and the conflicts in Ukraine and the Middle East.
- More positively, the trend of a weaker dollar appears to be well set. The US has large twin deficits, a richly valued currency, and policy uncertainty has resulted in less appetite for dollar assets. This is a clear medium-term positive for EM, although well-known in markets.
- Headline EM valuations appear more in line with their own history while EM's 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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