

Schroder ISF* Global Emerging Market Opportunities

Fund managers: Tom Wilson and Nicholas Field | Fund update: June 2024

Performance overview

- Emerging market (EM) equities ended the month in positive territory, outpacing developed peers, despite the headwind of a stronger US dollar.
- Taiwan and Korea, both of which are significant constituents of the MSCI EM index, benefited from an AI-driven technology rally, while investors welcomed political developments in South Africa and India.
- China underperformed after the rebound seen in April and May. Mixed economic data and policy uncertainty ahead of the Third Plenum, which is scheduled for later in July, contributed to the negative returns.
- In Brazil, a pause in the rate cutting cycle weighed on returns while a decline in copper prices was negative for Chile and Peru. Mexico delivered the biggest losses. Claudia Sheinbaum's election as president and her Morena party's super majority in the lower house of congress raises the prospect of institutional weakening if Morena is able to pass constitutional, including judicial, reforms.
- The fund recorded a positive return in June, just behind the MSCI EM Index.
- Within EM, monetary easing is expected to continue in certain markets although any US dollar resilience may constrain any loosening of EM monetary policy.
- In China, weak domestic conditions are expected to weigh on growth moving into 2025. The authorities have increased policy support but these steps may not be sufficient. There is also a risk of escalation in US-China tensions as we approach US elections.
- EM valuations are attractive on several levels, including relative to DM. At the individual market level, EM valuations are broadly cheap ex India.
- There are a number of risks to consider including US policy uncertainty. The outlook for US growth, inflation, and the timing of expected Fed rate cuts remains key for EM while the economic and policy outlook in China is also important. In geopolitics, US-China trade relations, the conflicts in Ukraine and the Middle East bear close monitoring.

Drivers of fund performance

- Among our core markets, Brazil detracted the most as the headwind from being overweight more than offset positive stock selection (off-benchmark **Nu Holdings**).
- The overweights to Greece and Poland also detracted while stock selection in both markets was broadly neutral. Country allocation had a neutral impact in China, with stock selection negative (off-benchmark **AIA Group**). Taiwan contributed the most to returns due to positive stock selection (overweight **Hon Hai** and **TSMC**); country allocation was broadly neutral.
- Regarding our non-core markets, Korea (overweight **Samsung SDI**) was the biggest drag on returns.

Outlook

- Looking to the second half of 2024, robust US growth continues to underpin global growth, with strong final demand set to benefit the rest of the world. Firm US consumption is supportive of a pickup in the global goods outlook, and leading indicators continue to

Calendar year performance (%)

Year	Fund	MSCI Emerging Markets Net TR
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
2014	-1.6	-2.2

Source: Schroders, as at 31 December 2023. 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 2023. 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

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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