

Schroder ISF* Global Emerging Market Opportunities

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

Performance overview

- Emerging market (EM) equities fell in US dollar terms in December in the face of a stronger dollar and higher US bond yields. The Federal Reserve cut interest rates by 25 basis points in December and indicated that persistent inflation may mean there are fewer cuts in 2025 than previously anticipated.
- Brazilian shares were the weakest among EM as the local currency fell amid rising concerns over the country's fiscal outlook. South Korea posted losses on the back of political instability after President Yoon Suk Yeol was impeached following his imposition of martial law early in the month. India and South Africa delivered negative returns and lagged the index.
- China outperformed following recent weakness and despite some mixed economic data, as did Taiwan, which benefited from ongoing optimism around to AI-related demand. Greece and the UAE were the top performers.
- The fund recorded a negative return underperforming the MSCI EM Index over the month.
- The potential for a broad-based application of tariffs on imports to the US, with a particularly significant rise in tariffs on China, is the most notable risk for EM. However, we expect a more nuanced and asymmetric approach to tariff application than suggested by Trump's rhetoric.
- Inflation in EM has recently stabilised. However, those EM with resilient growth face the risk that inflation picks up again. Indeed, Brazil has raised rates three times since September.
- China continues to face significant structural and cyclical challenges. More concrete and meaningful announcements from the authorities to tackle the real estate sector would be a welcome development and could drive improved market performance.
- Headline EM valuations are reasonable overall against their own history. However, while select markets are cheap, catalysts for a re-rating are mixed. EM's discount to DM on a 12-month forward price-earnings basis remains near its widest in 20 years.

Drivers of fund performance

- Among our core markets, the overweight to, and stock selection within, Brazil (off-benchmark **Lojas Renner**) weighed on returns. This was somewhat offset by the overweight allocation to, and stock selection within, Greece (overweight **Eurobank Ergasias**). Stock selection in China (overweight **Meituan**) detracted, while positions in Taiwan (overweight **Delta Electronics**) were additive.
- Regarding our non-core markets, positions in Korea (overweight **Kia**) and United Arab Emirates (overweight **Emaar Properties**) were positive, while stock picks in India (overweight **Sona BLW Precision Forgings**) detracted.

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. The technology cycle is also providing support for EM and, although now advanced, it should continue to improve into 2025, driven by ongoing AI-related demand.

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

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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