

## Schroder ISF\* Global Cities

Fund Managers: Tom Walker &amp; Hugo Machin | Fund update: September 2025

**Portfolio & market review**

The global listed real estate market posted gains in September as the Federal Reserve confirmed a widely anticipated interest rate cut in the wake of recent weakening jobs data.

Sector performance was mixed during the period. Holdings in healthcare, retail, and data centres were the primary contributors, benefiting from exposure to rate-sensitive recovery dynamics and resilient demand trends. In contrast, positions in towers, real estate operating companies, and office REITs detracted from performance, as a combination of sector-specific challenges and broader macroeconomic headwinds weighed on returns.

We continue to focus on fundamentally strong sectors, targeting areas where predictable earnings are driven by the powerful combination of constrained supply and consistent, long-term structural demand.

**Portfolio activity**

In the Americas, we initiated positions in CubeSmart and Extra Space Storage, two leading self-storage REITs. Our investment thesis is supported by rising demand for self-storage, driven by increased housing mobility as falling interest rates begin to impact mortgage activity. We also added to our position in Federal Realty which owns dominant strip retail centres in locations near to affluent consumers. The company has a healthy balance sheet and trades at an attractive relative valuation versus peers.

We exited LaSalle Logiport following the deteriorating outlook for industrial rental growth in Greater Tokyo and increase in supply over the past two years leading to higher vacancies and lower rental tension in the market.

**Outlook/positioning**

The team remain wedded to the Global Cities strategy and continue to invest in the most sustainable companies with assets in the most sustainable locations. The team favour sectors which benefit from trends disrupting real estate markets, in particular, those that support the rise of the digital economy. The team believe these trends will continue to grow and will drive positive portfolio performance over its investment horizon of 3-5 years.

**Calendar year performance (%)**

**Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise and investors may not get the amount originally invested.**

	C Acc	Target*
2024	0.8	0.9
2023	10.3	9.7
2022	-28.5	-25.1
2021	24.5	26.1
2020	-0.8	-9.0
2019	30.4	21.9
2018	-9.2	-5.6
2017	13.6	10.4
2016	-0.6	4.1
2015	-0.5	-0.8

Source: Schroders, net of fees, NAV to NAV with net income reinvested. C Acc share class in USD, as at 31 December 2024. \*The fund's benchmark changed on 21 June 2021 from US Consumer Price index plus 3%. The past performance presented is based on the current target benchmark, FTSE EPRA NAREIT Developed index (Net TR, USD).

Some performance differences between the fund and the benchmark may arise because the fund performance is calculated at a different valuation point from the benchmark.

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.

**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 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 macro economic environment, investment objectives may become more difficult to achieve.

**Real estate and property risk:** Real estate investments are subject to a variety of risk conditions such as economic conditions, changes in laws (e.g. environmental and zoning) and other influences on the market.

**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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