

Schroder ISF* Global Diversified Growth

Fund managers: Johanna Kyrklund, Remi Olu-Pitan and Dominique Braeuninger

Fund update: March 2024

Performance overview

- The fund's performance was positive in March, led by equities. Global markets continued to rally despite investors scaling back expectations of rate cuts.

Drivers of fund performance

- Equity allocations were the biggest contributor to returns this month, but both fixed income and alternative allocations supplemented gains.
- Within equities, our global equity strategies accounted for the majority of returns. US and European large caps also performed well, as did our tactical allocation to Japan.
- Fixed income returns were positive this month, owing to our European investment grade strategy. Credit spreads continued to tighten due to robust investor demand, and European investment grade spreads reached a two-year low.
- Lastly in alternatives, our tactical allocation to gold performed well, as prices rallied amidst robust demand from central banks and Chinese consumers.

Portfolio activity

- At a high-level, we reduced our exposure to government bonds, marginally topping up our allocations to equities and credit.
- Within equities, US markets continue to rally, and we do not believe valuations are extreme after adjusting for profitability. We therefore let our put spread protection on the S&P 500 lapse and introduced a US retail position to capture the breath of the market.
- We also closed our short US consumer staples and utilities trade, as well as our position in US REITS.
- Elsewhere in equities, we topped up our long Euro Stoxx 50 versus FTSE 100 trade. We expect the ECB to cut rates before the UK where inflation remains more sticky.
- In fixed income, we reduced core exposure to the US 10 year due to the negative carry arising from the inverted yield curve. We instead topped up exposure to European investment grade and high yield credit.
- We also closed our tactical long German 10-year versus Italian 10-year government bond trade.

- Finally, our alternatives allocations remain unchanged this month.

Outlook/positioning

- We retain a positive view on equities and a neutral view on fixed income.
- We continue to support a view of equity performance broadening out beyond the US and maintain our positive view on Europe and Japan.
- We maintain our long position in gold, expecting some normalisation in real rates later this year and as a hedge against stickier than expected inflation.
- In credit, valuations are stretched but are relatively more attractive in Europe. Investors are focusing on all-in yields rather than spreads.
- In currency, we maintain our long position in the US dollar, where rates are acting as a primary driver of performance.

Calendar year performance (%)

Year	Fund Gross
2023	6.9
2022	-11.9
2021	8.4
2020	4.9
2019	11.6
2018	-8.2
2017	8.3
2016	4.8
2015	0.4
2014	7.8
2013	12.8

Source: Schroders, 31 December 2023, I Acc share class, gross of fees. Please see factsheet for other share classes.

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

Credit risk: A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.

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.

Operational risk: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.

Currency risk: The fund may lose value as a result of movements in foreign exchange rates.

High yield bond risk: High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk.

ABS and MBS risk: The fund may invest in mortgage or asset-backed securities. The underlying borrowers of these securities may not be able to pay back the full amount that they owe, which may result in losses to the fund.

Derivatives risk: Efficient Portfolio Management and Investment Purposes: Derivatives may be used to manage the portfolio efficiently. 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. The fund

may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset.

Emerging Markets & Frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.

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.

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.

IBOR: The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.

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