

# Schroder ISF\* Global Diversified Growth

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## Market overview

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- Global shares gained in October. US equities advanced, supported by strong technology earnings. The Federal Reserve (Fed) cut interest rates by 25 basis points and announced an end to its quantitative tightening programme. Japanese equities delivered strong gains Japan's first female prime minister formed a coalition government focused on fiscal stimulus, defence spending, and energy reform. Emerging market (EM) equities rose in October, outperforming the MSCI World, boosted by strong performance from index heavyweights Korea and Taiwan.
- Bond markets were generally positive. Government bond yields fell across major developed markets, on expectations of additional Fed rate cuts. Investment-grade corporate bonds were mixed, with modest spread tightening in Europe offset by wider spreads in the US, while high-yield debt lagged amid renewed credit concerns.
- Commodities were mixed. Oil prices fell due to higher inventories and easing geopolitical tensions. Gold rose, supported by central bank buying and investor demand, before falling back.

## Fund performance

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- The fund's performance was positive in October, driven by our core global equity allocations. Improved trade developments between the US and China boosted global sentiment and supported allocations to broad EM. This combined with another strong US corporate earnings season underpinned US technology and large cap trades.
- In fixed income, exposure to emerging market debt and investment grade credit supplemented returns, while government bond and high yield allocations were flat. Emerging market debt continued to be supported by a weak US dollar and higher real yields.
- Lastly, in alternatives, gold continues to perform strongly, supported by a weaker US dollar. Our insurance linked securities strategy also supplemented returns.

## Fund activity

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- This month, we continue to have a positive view on equities as we believe the risk of recession in the US is low. We maintain our preference for the US, due to strong corporate fundamentals and earnings, and emerging markets, which are buoyed by tech exuberance.
- In fixed income, allocations remained largely unchanged. We maintain our low exposure to US government bonds given the extent of US rate cuts now priced into the curve and to diversify our positive equity and gold views.
- In alternatives, we closed our allocation to broad commodities, as data shows a substantial build of oil supply, which may push prices lower. We took the opportunity of the pullback in gold prices to top up our exposure. Gold remains our preferred hedge against sovereign debt issues, inflation and geopolitical events.
- We maintain our preference for the euro versus US dollar as a safe haven currency and like emerging market currencies such as the Brazilian real where robust growth and elevated inflation expectations prompted the Banco Central do Brasil's to tighten policy, resulting in attractive real yields and strong carry dynamics.

## Outlook/positioning

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- Recent weeks have seen increased concerns of a "soft patch" in the US due to weaker payrolls, a government shutdown and ongoing risks around tariffs. We continue to view the risk of recession in the US as being low for now. The retirement of baby boomers and the clampdown on immigration have shifted the supply dynamics in the US labour market, leading to a low hiring/low firing equilibrium.
- We are starting to get concerned about frothiness in credit and equity markets and so we have downgraded our view on US credit; credit spreads are tight and lending standards have relaxed amid high competition.
- We maintain a low exposure to US government bonds given the extent of US rate cuts now priced into the curve.
- All in all, we remain positioned for positive nominal growth, driven by the stimulative policies being pursued by the Trump administration.

## Calendar year performance (%)

Year	Fund Gross
2024	10.6
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

Source: Schroders, 31 December 2024, 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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