

## Schroder ISF\* Global Diversified Growth

Fund managers: Remi Olu-Pitan and Dominique Braeuninger

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### Market overview

- Equities markets saw an increase in volatility, particularly toward month-end as some investors locked in gains after a strong year. Even so, global equities edged higher over the month and Emerging Markets (EM) performed particularly well, driven by continued strength in technology-oriented markets and a weaker US dollar. European equities showed resilience in December, with services activity continuing to underpin growth while manufacturing, particularly in Germany, stayed under pressure. Markets remain focused on the outlook for European monetary policy in 2026.
- Fixed income markets presented a more complex picture. Government bond yields generally rose, particularly at longer maturities, leading to steeper yield curves across several major markets. By contrast, credit spreads contracted, supporting outperformance versus government bonds. High yield performed best, supported by a moderate risk-rally following a subdued November.
- In alternatives, gold continued to perform well in an environment marked by policy uncertainty, fiscal fragility, and growing investor doubts over the long-term role of Treasuries and the US dollar.

### Fund performance

- Against this backdrop, the fund's performance was positive in December, led by global and EM equities.
- Our core global value fund was additive to performance again in December, buoyed by an investor rotation away from growth. Gains were also amassed in emerging markets as continued strength in technology-oriented markets such as Korea and Taiwan helped offset weaker returns from China and India.
- In fixed income, overall performance was flat. Gains in European high yield were offset by losses in government bonds.
- Lastly, allocations to gold and gold mining equities continued to perform strongly.

### Fund activity

- This month, we kept our positive view on equities given supportive economic conditions, positive earnings momentum, and widespread fiscal stimulus. We diversified exposure into international value stocks in recognition of elevated valuations in the US. We also added an allocation to Euro Stoxx 50 as Europe may benefit from upcoming fiscal expansion with previous rate cuts still feeding into the economy. Within EM, we became more targeted with our exposure, reallocating some of our broad EM exposure towards Taiwanese equities, where structural demand for semiconductors supported returns.
- Allocations remained largely unchanged in fixed income. We maintained a low exposure to US government bonds given significant rate cuts are already priced into the front end of the curve and inflation expectations are very muted.
- Lastly, in alternatives, we added a small allocation to oil, reflecting improving supply-demand dynamics and the potential for upside risks to energy prices into 2026.

### Outlook/positioning

- From a cyclical standpoint, the economic environment remains benign. Fiscal stimulus continues in the US and interest rates are moving lower at a time when unemployment is low. We are monitoring the US labour market closely for signs of weakness but, for now, the "low firing / low hiring" equilibrium persists, and we continue to see low risk of US recession.
- We stay negative on government bonds which offer little value in our view. We expect yields to gradually climb higher as markets reprice to a less dovish policy path. In credit, while the macro backdrop and technicals are supportive, rising issuance linked to AI capex and M&A may weaken technicals into 2026.
- Despite the recent market volatility we maintain our positive view on gold which we expect will continue to be an effective diversifier amidst volatile markets. Central bank and Chinese consumer demand remain robust, and impending Fed interest rate cuts continue to provide further tailwinds for the precious metal.
- We maintain a negative view on the US dollar, expressed through a long euro position, reflecting persistent structural headwinds, notably institutional credibility erosion and widening fiscal deficits.

## Calendar year performance (%)

Year	Fund Gross
2025	11.4
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

Source: Schroders, 31 December 2025, 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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