

# Schroder ISF\* Global Diversified Growth



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**Fund update: March 2026**

Marketing material for professional clients only.

## Market Review

Global equities declined in March as the escalation of conflict in the Middle East drove a sharp rise in oil prices and a broad risk-off move. Investor sentiment fluctuated between hopes of de-escalation and fears of a prolonged disruption, with energy and materials outperforming while technology and consumer sectors lagged.

Fixed income markets sold off, with government bonds weakening as yields rose on inflation concerns and credit markets under pressure, particularly in Europe, where spreads widened and higher yields weighed on returns.

In alternatives, precious metals declined, reflecting profit-taking after a strong prior run and the impact of rising rate expectations, which reduced the appeal of non-yielding assets such as gold and silver.

## Drivers of Fund Performance

In this environment, the Fund detracted in March, driven by global equities as markets sold off following the escalation of the Middle East conflict. Emerging markets underperformed amid higher energy costs, supply chain disruptions and increased uncertainty, particularly in energy-importing countries such as Korea and Taiwan. On balance, tactical equity hedges on US and European large caps, along with a tactical FTSE 100 versus FTSE 250 trade, helped mitigate losses.

Fixed income returns were negative across the board, driven by a broad rise in yields amid renewed inflation concerns. Emerging market debt was the largest detractor, with US dollar strength and elevated geopolitical risks proving a headwind for the asset class. Investment grade also detracted, reflecting higher underlying yields and modest spread widening, particularly in Europe given its sensitivity to the energy shock.

Alternatives also detracted, with losses in gold only partially offset by a tactical allocation to broad commodities, which was supported by the oil price surge following escalation of the Middle East conflict. Lastly, our insurance-linked securities strategy proved a valuable diversifier, delivering positive returns in a volatile environment.

## Portfolio Activity

In equities, we reduced overall cyclical exposure, exiting our long MSCI World Value position and rotating into U.S. large caps, which we see as more resilient to the conflict given the US's net energy exporter status, with higher oil prices acting as a terms-of-trade gain rather than a headwind to growth. We complemented this by increasing our short hedge on European large caps and reducing exposure to emerging markets, given their sensitivity to the energy shock and broader geopolitical risks. We also initiated a long FTSE 100 versus FTSE 250 trade, reflecting a reduced bias towards cyclical exposures and a preference for globally diversified defensive large caps over more domestically exposed mid-cap names. Finally, we increased our allocation to TOPIX, supported by a maturing reflationary impulse and ongoing corporate governance reform.

In fixed income, we added exposure to Italian government bonds at the end of March, as higher yields offered more attractive value and growth risks became more relevant outside the US. Within alternatives, we took profits on our position in broad commodities following the spike in oil prices.

## Outlook/positioning

As we enter the second quarter, resilient growth is being challenged by rising geopolitical risks and a renewed inflationary impulse following the recent energy shock. While a ceasefire has provided some relief, uncertainty remains elevated and is likely to drive continued market volatility. Equities remain our preferred asset class, supported by earnings growth, with a preference for the US given its relative resilience, while being more selective elsewhere.

Fixed income positioning remains cautious, with a negative view on duration and credit as inflation risks keep central banks on hold and bond yields volatile, offering limited compensation for risk. Gold continues to play an important role as a portfolio diversifier in the current environment.

\*Schroder International Selection Fund is referred to as Schroder ISF throughout.

## Calendar yearly performance (%)

Past performance does not predict future returns.

Period	Fund I Acc EUR	Target <sup>1</sup>	Comparator <sup>2</sup>
2025	11.4	6.8	18.0
2024	10.6	8.4	19.0
2023	6.9	8.2	19.4
2022	-11.9	12.0	-18.0
2021	8.4	10.2	19.5
2020	4.9	4.7	12.5
2019	11.6	6.4	23.3
2018	-8.2	6.7	-9.8
2017	8.3	6.5	16.1
2016	4.7	6.2	6.6

Source: Schroders, Morningstar, as of 31 March 2026. Performance shown is based on the currency of the share class shown and is net of fees. Please see factsheet for other share classes. 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. **Exchange rate changes may cause the value of investments to fall as well as rise.** Performance data does not take into account any commissions and costs, if any, charged when units or shares of any fund, as applicable, are issued and redeemed. The fund's investment universe is expected to overlap to a limited extent with the components of the benchmark. The investment manager invests on a discretionary basis and there are no restrictions on the extent to which the fund's portfolio and performance may deviate from the benchmark. The investment manager will invest in companies or sectors not included in the comparator benchmark.

<sup>1</sup> The target was HICP +5% until 16 August 2022, hereafter the target is 3m Euribor+4.5%. Harmonised Index of Consumer Prices (HICP) is used as a measure of inflation. HICP data is to the latest available month.

<sup>2</sup>Comparator refers to MSCI ACWI NR - EUR hdg.

## Investment Overview

The fund aims to provide long term capital growth and income of 3 Month Euribor + 4.5% per annum before fees have been deducted\* over a five to seven year period by investing in a diversified range of assets and markets worldwide. The fund aims to provide a volatility (a measure of how much the fund's returns may vary over a year) of up to two-thirds that of global equities over the same period. \*For the target return after fees for each Share Class please visit the Schroder webpage <https://www.schroders.com/en/lu/private-investor/investing-with-us/after-fees-performance-targets/>

## Risk considerations

**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.

**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.

**Credit risk:** If a borrower of debt provided by the fund or a bond issuer experiences a decline in financial health, their ability to make payments of interest and principal may be affected, which may cause a decline in the value of the fund.

**Currency risk:** If the fund's investments are denominated in currencies different to the fund's base currency, the fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. If the investor holds a share class in a different currency to the base currency of the fund, investors may be exposed to losses as a result of movements in currency rates.

**Currency risk / hedged share class:** The currency 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 for investment purposes and/ or 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.

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

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

**Investments in other collective investment schemes:** The fund will invest mainly in other collective investment schemes.

**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.

**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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