Schroders

Marketing material
for professional clients only

Schroder ISF* Global Diversified Growth

Fund managers: Remi Olu-Pitan and Dominique Braeuninger

July 2025

Market overview

- Global equities rose in July, with emerging markets outperforming developed ones as trade tensions eased. US stocks were boosted by strong tech earnings and optimism around Artificial Intelligence (AI). The US economy showed signs of recovery, though inflation also increased. With tariffs beginning to affect prices, the Federal Reserve kept interest rates unchanged. Eurozone shares advanced following a tariff agreement with the US, although tech and rate-sensitive sectors lagged. UK markets gained, led by healthcare and energy, despite inflation and rising borrowing costs. Japan saw late gains from election results and a US trade deal, while Taiwan and China benefited from AI momentum.
- Global bond yields rose on fiscal concerns. US corporate bonds outperformed, supported by strong earnings. Euro corporates also saw gains. The US dollar strengthened, while the yen weakened amid political shifts.

Fund performance

- The fund's performance was strong in July. Our core global equity strategies dominated returns, buoyed by their bias towards US growth stocks. EM equity allocations also performed well, supported by renewed enthusiasm for AI and progress on US-China trade talks.
- In fixed income, European investment grade and high yield credit added to performance following an improvement in economic sentiment. Local EM debt also continued to add to performance, despite a stronger dollar over the month.
- Lastly, in alternatives, allocations to gold and insurance-linked securities also contributed positively to performance.

Fund activity

- This month, headline asset allocation remained largely unchanged. Within equities, we took profits on our US and European banks position which performed well year-to-date. We also took profits on the long leg of our NASDAQ vs US large caps trade, instead shifting to long FANG+ vs US large caps, where technology heavy weights are enjoying a strong run of performance as huge AI capital expenditures begin to translate into revenue.
- Outside of the US, we added allocations to Hong Kong technology and Japanese large caps. Both positions were supported by renewed fervour around AI and favourable trade developments.
- In fixed income, we trimmed exposure to German government bonds. Whilst these remain our preferred safe-haven asset over US treasuries, we saw a tactical opportunity to add to Italian government bonds, where the bonds offer an attractive yield and the nation is enjoying a period of geopolitical stability.
- Lastly, we took some profits on our gold position amidst an easing in recessionary concerns.

Outlook/positioning

- Market reactions to renewed tariff threats from Trump have become more muted over time, suggesting that investors increasingly treat such announcements as opening bids in a broader negotiation process. However, this could lead to underestimating the potential for more aggressive tariff actions.
- Despite these uncertainties, we continue to see a low probability of a near-term US recession and remain constructive on equities. Domestic demand trends, stable earnings, and supportive interest rate dynamics underpin our positioning, even as trade policy volatility creates headline risk.
- Within fixed income, we hold a neutral view on US government bonds. Although yields have adjusted higher and valuations have improved, structural concerns - including elevated debt levels and lingering inflation pressures - continue to weigh on the outlook.
- We continue to see gold as a valuable strategic diversifier. Against a backdrop of fiscal fragility, policy unpredictability, and broader market volatility, its portfolio insurance role remains intact.
- On currencies, we maintain a negative stance on the US dollar, favouring the euro and emerging market debt as its safe-haven appeal weakens.

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

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.

Important information