

Schroder ISF* Global Diversified Growth

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

March 2025

Performance overview

- The fund's performance was negative in March. Global shares were broadly lower amid fears over trade tariffs.
- Against this backdrop, equity and fixed income allocations detracted from returns, whilst an allocation to gold continued to perform well.

Drivers of fund performance

- Starting with equities, our core global strategies struggled, in line with their bias towards US equities and the broader market downturn. Short hedges and put options held on the S&P 500 helped to mitigate some losses.
- Moving to fixed income, European government bonds also detracted from returns. German Bunds experienced a significant sell-off in March as investors priced impending infrastructure and defence stimulus packages.
- In credit, both European investment grade and European high yield ended the month in negative territory. Spreads across both US and European credit markets widened sharply in response to additional tariffs on automobiles and auto parts.
- Lastly, in alternatives, gold has remained an effective diversifier amidst elevated geopolitical and fiscal risk.

Portfolio activity

- Starting with equities, we continued to diversify our equity risk away from the US in favour of broader, global exposure.
- As such, we closed our allocations to Schroder ISF Global Disruption, US large caps, and US financials. Whilst we took profits on S&P option hedges over the month, we also implemented a short hedge against the S&P 500 as well as a long US defensives vs US large caps trade. The latter two trades were implemented as a hedge against more aggressive reciprocal tariffs than markets were expecting.
- Instead, we introduced allocations to MSCI World and MSCI Value, reflecting our preference for a diversified equity allocation, both geographically and by style.
- We also added a long European banks versus European large caps trade, expecting the former to be supported by a steepening yield curve in light of fiscal loosening within the Eurozone.

- Lastly, we also added a small allocation to emerging market (EM) equities following the National People's Congress sentiment shift towards tech innovation and domestic consumption.
- Moving to fixed income, we increased our allocation to the US 10-year, acknowledging an increase in US recession risk arising from sustained tariff uncertainty.
- On balance, we sold an allocation to the German 10-year considering the "bazooka" stimulus measures that passed both houses of German parliament at month end.
- In credit, we added a sizeable allocation to US high yield spread protection, recognising credit as an asset class had lagged others in pricing elevated recession risks. We also added a small allocation to local EM debt for the attractive carry.
- Lastly, in alternatives, we added a tactical allocation to industrial metals as a play on constrained supply and a potential boost from EU stimulus measures.

Outlook/positioning

- The recent US tariff announcement exceeded market expectations and raised effective US tariff rates to their highest level since the 1930s. This policy announcement worsens the near-term growth and inflation trade-off.
- This leads us to reduce our equity exposure, and we see value in government bonds as a hedge against the risk of recession for the first time in this cycle.
- Going forward, the reaction of the rest of the world will be critical. The countries on the list will have to make their decision either to retaliate and escalate the war – or to contemplate reducing their trade imbalance with the US. How long this will take will also matter for the market.

Calendar year performance (%)

Year	Fund Gross	Year	Fund Gross
2024	10.6	2019	11.6
2023	6.9	2018	-8.2
2022	-11.9	2017	8.3
2021	8.4	2016	4.8
2020	4.9	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.

Important information

This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the "Company"). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. Subscriptions for shares of the Company can only be made on the basis of its latest Key Investor Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Europe) S.A. An investment in the Company entails risks, which are fully described in the prospectus. Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested. Schroders has expressed its own views and opinions in this document and these may change.

Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy or on request should you not have access to this webpage. This document is issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799. For your security, communications may be taped or monitored. **Third Party Data Disclaimer:** Third party data is owned or licensed by the data provider and may not be reproduced or extracted and used for any other purpose without the data provider's consent. Third party data is provided without any warranties of any kind. The data provider and issuer of the document shall have no liability in connection with the third party data. The Prospectus and/or www.schroders.com contains additional disclaimers which apply to the third party data.