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Schroder ISF* Sustainable EURO Credit

Fund Manager: Saida Eggerstedt | Fund update: August 2025

Market review

- Spreads in the euro investment grade (IG) market widened during August. The first half of the month was characterised by low trading volumes with credit markets grinding lower as the US postponed new tariffs on China for a further 90 days.
- Subsequently, there was an uptick in primary market activity while risk sentiment was adversely impacted by renewed political turmoil in France. Prime Minister Bayrou called a vote of confidence for 8 September after his plans to tackle the country's widening deficit faced strong opposition in parliament, triggering fears that the government would collapse.
- Significantly, book coverage ratios for new issues in the euro investment grade market fell well below the usual levels of 4-5 times oversubscribed as buyers became increasingly cautious on valuations and spreads widened accordingly, with most institutional investors remaining on the sidelines.
- Eurozone economic indicators continued to highlight a trend of improvement with the purchasing managers index (PMI) for August highlighting a pick-up in business activity across the manufacturing and services sectors. The survey was the strongest since May last year, registering its eighth consecutive monthly gain.
- This strengthened the prevailing view that the European Central Bank (ECB) would leave interest rates unchanged at its September meeting, as investors scaling back expectations for any further rate cuts with the ECB's programme of monetary easing increasingly likely to have run its course.
- In government bond markets, yield curves steepened in both the US and Europe. The shorter end of the US Treasury market performed well in response to weaker labour market data and a softer inflation print with guidance from the Federal Reserve indicating a cut in interest rates is increasingly likely in September. Longer-dated bonds weakened on concerns around the fiscal spending levels implied by last month's budget bill, as well as concerns about the Fed's independence being compromised.
- European government bond yields rose steadily through August, with benchmark 10-year French government bond yields sharply higher on growing political instability. The rise in longer-dated yields across Europe reflected mounting concerns about the sustainability of fiscal deficits.

Drivers of fund performance

- The fund delivered positive returns over the month and outperformed the reference index (net of fees). Meanwhile, the fund continues to deliver on Sustainability performance metrics including a high SustainEx™ overall impact score and MSCI ESG rating.
- Security selection contributed positively to active returns, particularly in senior banking and automotives.
- Selection in utilities, and off-benchmark exposure to USD-denominated services detracted from active returns.

Portfolio activity

- Throughout the month, we increased our exposure to capital goods, senior insurance and transportation. In contrast, we reduced our exposure to subordinated banking, utilities, healthcare and basic industry.
- Our investment strategy focuses on a broad range of sustainable themes and bonds, including waste recycling and biodiversity, sustainable infrastructure, the circular economy, and responsible consumption. We also prioritize opportunities in decarbonizing technology and health and education. In alignment with our commitment to sustainability, we exclude investments in fossil fuels, weapons, alcohol, tobacco, and companies that violate the UN Global Compact.
- The fund continues to invest meaningfully in green bonds. In particular, the fund purchased green issues from a Spanish real estate company specialising in office, logistics, retail and data centres. The proceeds will be used towards green buildings, energy efficiency, pollution prevention and control, and clean transportation (i.e., infrastructure such as EV electric chargers).
- Elsewhere, we remain invested in our preferred responsible finance names, including green, social, and sustainability-linked bonds issued by UK and European companies.
- The fund's carbon emissions intensity, as measured by tonnes CO_2e per $mn sales (scope 1 and 2 emissions), is less than half that of the reference index. Additionally, our overall SustainEx™ impact score remains significantly higher, as we strive to identify improvers, limit laggards, conduct ESG research, utilize tools, and focus on positive sustainability themes.

Outlook

- In Europe, the economic environment continues to improve as tariff uncertainty declines, while the ECB has

*Schroder International Selection Fund is referred to as Schroder ISF throughout this document indicated that they are not expecting to cut interest rates further.

- Furthermore, Germany's easing of the 'debt brake', alongside the recent announcement of a €500bn infrastructure and defence fund, has increased optimism within the manufacturing and industrial sectors.
- Looking ahead, the combination of higher fiscal spending and more accommodative monetary conditions should continue to underpin a recovery in eurozone economic activity.
- Inflation is expected to remain in line with the ECB's medium-term target of 2% as lower energy costs, subdued services sector inflation and the weaker US dollar result in a relatively benign backdrop.
- We also expect corporate fundamentals to remain stable and the default rate to stay low.
- However, we are mindful that credit spreads at index level measured over government bonds are expensive relative to historic levels. We have a strong emphasis on quality and look for idiosyncratic opportunities.
- With new issuance is expected to pick up in September, any widening of credit spreads should present investment opportunities to reinvest into credit markets.

Calendar year performance (%)

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 amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

Some performance differences between the fund and the benchmark may arise because the fund performance is calculated at a different valuation point from the benchmark.

Please see the respective fund factsheets for the performance of other share classes.

	C Acc	A Acc	I Acc	Target**
2024	5.6	5.2	6.3	4.7
2023	8.3	7.8	8.9	8.0
2022	-12.4	-12.7	-11.8	-13.9
2021	0.7	0.3	1.3	-1.0
2020	5.6	5.2	6.2	2.6
2019	-	-	-	-
2018	-	-	-	-
2017	-	-	-	-
2016	-	-	-	-
2015	-	-	-	-

Source: Schroders, as at 31/12/24. All performance net of fees (where applicable), NAV to NAV (bid to bid), EUR. ** ICE BofAML Euro Corporate TR.

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.

Contingent convertible bonds: The fund may invest in contingent convertible bonds which are bonds that convert to shares if the bond issuer's financial health deteriorates. A reduction in the financial strength of the issuer may result in losses to the fund.

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.

Interest rate risk: The fund may lose value as a direct result of interest rate changes.

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 the objective of sustainable investment. 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.

Important information

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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. An investment in the Company entails risks, which are fully described in the prospectus.

Subscriptions for shares of the Company can only be made on the basis of its latest Key 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.

The Company is a Luxembourg-based Société d'Investissement à Capital Variable (SICAV) with unlimited duration which is coordinated with regard to the European regulations and meets the criteria for Undertakings for Collective Investment in Transferable Securities (UCITS).

The total net asset value is published on the website of the Belgian Asset Managers Association (BEAMA) on www.beama.be. In addition, the tariff schedules are available from distributors in Belgium. The fee on the stock exchange transactions of 1.32 % (with a maximum of € 4,000 per transaction) is payable on the purchase or conversion of capitalisation shares if they are carried out by the intervention of a professional intermediary in Belgium. Dividends paid to natural persons who are Belgian tax residents are subject to a Belgian withholding tax at a rate of 30% if they are paid by the intervention of a financial intermediary established in Belgium (this information applies to all distribution shares). If the dividends are received by such natural persons without the intervention of a financial intermediary established in Belgium, they must indicate the amount of the dividends received in their tax return and will be taxed on that amount at a rate of 30%. In the event of the redemption or sale of shares of a sub-fund investing, directly or indirectly, either (i) more than 25% of its assets in receivables with regard to shares acquired by the investor before January 1, 2018, or (ii) more than 10% of its assets in receivables with regard to the shares acquired by the investor from 1 January 2018 (provided, in each of these two cases, that certain additional conditions are met), the interest component of this redemption or sale price is subject to a 30% tax in Belgium.

The company is a Luxembourg-registered undertaking for the collective investment in transferable securities and operates in Poland in accordance with the Act of 27 May 2004 on investment funds and the management of alternative investment funds (Journal of Laws of 2004 No. 146, item 1546 as amended). Depending on the applicable tax obligations, the investor may be required to pay tax directly on the income arising from investments in the units of the fund.

The Company is registered in the Administrative Register of Foreign Collective Investment Institutions marketed in Spain of the National Securities Market Commission (CNMV), with the number 135. Its depository is J.P. Morgan SE and its management company is Schroder Investment Management (Europe) S.A.. The Company is a UCITS registered in Luxembourg.

Schroder Investment Management (Switzerland) AG is the Swiss representative (Swiss Representative) and Schroder & Co Bank AG is the paying agent in Switzerland of the Luxembourg domiciled Schroder International Selection Fund. The prospectus for Switzerland, the key information documents, the articles of association and the annual and semi-annual reports may be obtained free of charge from the Swiss Representative.

Schroders may decide to cease the distribution of any fund(s) in any EEA country at any time but we will publish our intention to do so on our website, in line with applicable regulatory requirements.

The fund has environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For information on sustainability-related aspects of this fund please go to www.schroders.com

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Any reference to regions/ countries/ sectors/ stocks/ securities is for illustrative purposes only and not a recommendation to buy or sell any financial instruments or adopt a specific investment strategy.

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 amounts 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.

Schroders has expressed its own views and opinions in this document and these may change.

Schroders uses SustainEx™ to estimate the net social and environmental "cost" or "benefit" of an investment portfolio having regard to certain sustainability measures in comparison to a product's benchmark where relevant. It does this using third party data as well as Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures.

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