

Schroder ISF Sustainable EURO Credit



Fund Manager(s): Saida Eggerstedt

Fund update: December 2025

Marketing material for professional clients only.

Market Review

Government bonds were the main influence on credit markets during December with yields across the major government bond markets generally increasing. Although the Federal Reserve (Fed) cut interest rates by a further 25 basis points as expected, the release of better-than-expected Q3 US GDP growth contrasted with softer job growth and rising unemployment. Recent labour market data suggested a moderation - but not a collapse - in labour demand, with the low hire, low fire trend continuing.

In European credit markets, spreads closed unchanged month over month as the primary market was quiet and liquidity dried up ahead of the year-end, traditionally a time when trading volumes are low.

The European Central Bank (ECB) kept interest rates on hold as expected, while upgrading their forecasts for growth and core inflation. The bond markets anticipated the next move by the ECB to be a rate hike following hawkish comments by board member Isabel Schnabel. German bund yields were driven higher by the announcement that issuance levels in 2026 are set to be substantially above forecast, €500bn as against consensus estimates for €300bn.

The Flash Composite Purchasing Managers Index (PMI) for December highlighted that although the eurozone economy lost some momentum as the year ended, activity in the services sector remained robust. However, there were signs of a renewed downturn in the manufacturing sector with a decline in new orders for the second consecutive month. Nevertheless, the PMI signalled an expansion in activity overall and in Q4 as a whole the eurozone's best performance since the second quarter of 2022.

The preliminary estimate for December indicated that consumer price inflation returned to its 2% target, reflecting a modest easing of pricing pressures in the services sector - which had been the principal driver of headline inflation - and reinforcing expectations that interest rates are likely to remain on hold over the coming months.

Drivers of Fund Performance

The fund delivered negative returns over the month but outperformed the reference index (net of fees).

Credit carry and rates contributed positively to active returns, as did security selection. Notably, investment decisions within the utilities, basic industry, junior subordinated banking, and senior financial services sectors had a favourable impact.

In contrast, underweight allocations to energy and consumer non-cyclicals detracted.

Portfolio Activity

Throughout the month, the fund increased its exposure to senior financial services, AT1 banking and utilities, but reduced holdings in real estate and tier 2 banking.

The 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

Schroders

Global Compact.

The fund added to highly rated issuers, notably in AAA and A rated issuers. We have parked liquidity in AAA-rated German bunds, waiting for new opportunities in January. In single-A, the fund purchased new green bond issues from a real estate investment trust (REIT) specialising in owning, managing, and developing logistics, retail, and distribution properties across the United Kingdom. The proceeds will be used to finance environmental expenditures in green buildings and clean transportation.

The fund invested in new issues from a leading steel company in Europe that is committed to pursuing a circular economy. The core business is producing steel from ferrous scrap metal. The proceeds will be used to support the development of eco-efficient products, technologies and processes, by recovering and processing non-hazardous waste to be used as a substitution for virgin materials.

Elsewhere, the fund remains 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 CO₂e 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/positioning

We remain moderately positive on the economic outlook for the eurozone. The services sector is rebounding strongly, while the labour market remains resilient. In contrast to the rise in unemployment in the US, eurozone unemployment has equalled all-time lows in recent months. However, we have yet to see any broad recovery in the manufacturing sector and the order to inventory ratio in many sectors is still negative. Inflation measures continue to suggest an underlying trend that is hovering slightly above its 2% target.

Investors have adopted a broadly positive view on the impact from German fiscal stimulus, in the form of higher infrastructure and defence spending, on the growth prospects for the economy. However, there are clear risks that the multiplier effects from fiscal stimulus could prove be more limited than widely anticipated. Not least because the German government needs to address the issues of funding the state pension system, as well as healthcare provision, against a backdrop of a long-term decline in the workforce on current demographic trends.

Accordingly, we are placing a strong emphasis on credit quality with a clear preference for non-cyclical sectors, maintaining a cautious view on the prospects for cyclicals in the eurozone, particularly at a time when credit spreads at index level measured over government bonds are expensive relative to historic levels.

Cognisant of market valuations, we have positioned the portfolio defensively, while still picking up good carry, in view of the risk of a widening of credit spreads particularly if we reach a turning point on inflows into the euro investment grade market.

Calendar yearly performance (%)

Past performance does not predict future returns.

Period	Fund C Acc EUR	Benchmark ¹
2025	3.4	3.0
2024	5.6	4.7
2023	8.3	8.0
2022	-12.4	-13.9
2021	0.7	-1.0

Source: Schroders, Morningstar, as of 31 December 2025. 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 materially with the components of the target 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 target benchmark. The investment manager will invest in companies or sectors not included in the target benchmark in order to take advantage of specific investment opportunities.

¹Benchmark refers to ICE BofA Euro Corporate TR EUR.

Performance snapshot (%)

Past performance does not predict future returns.

	1 Month	3 Months	YTD	1 Year	3 Years p.a.	5 Years p.a.	Since Inception
Fund C Acc EUR	-0.1	0.3	3.4	3.4	5.7	0.8	1.6
Benchmark¹	-0.2	0.2	3.0	3.0	5.2	-0.2	0.3

Source: Schroders, Morningstar, as of 31 December 2025. 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.

¹Benchmark refers to ICE BofA Euro Corporate TR EUR.

Investment Overview

The fund aims to provide capital growth and income in excess of the ICE BofA Euro Corporate TR EUR after fees have been deducted over a three to five year period by investing in bonds denominated in Euro issued by companies worldwide, which meet the investment manager's sustainability criteria.

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.

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.

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 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.

Important information

Target audience in Europe: Marketing material for Professional Clients and Qualified Investors only.

Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. An investment in Schroder International Selection Fund (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 (the "KID") 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 concerns the acquisition of shares in the Company, and not the underlying assets.

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

The KIIDs are available in Bulgarian, Czech, Danish, Dutch, English, French, Finnish, German, Greek, Hungarian, Icelandic, Latvian, Lithuanian, Norwegian, Polish, Portuguese, Romanian, Slovakian, Spanish and Swedish, and the prospectus are available in English, Flemish, French, German, Spanish, free of charge at www.eifs.lu/schroders. The availability of KIIDs in the aforementioned languages is subject to the registration of the fund in the respective jurisdiction.

For Middle East, This document is intended only for professional investors who may receive it in compliance with applicable laws and regulations. This document is not intended for any professional investors in any jurisdiction where it is not permitted in accordance with applicable laws or regulations. Professional investors are as defined by laws and regulations applicable in each jurisdiction and may be defined as sophisticated investors. This document is not intended to be a financial promotion. Distributed by Schroder Investment Management Limited, located in Office 506, Level 5, Precinct Building 5, Dubai International Financial Centre, PO Box 506612 Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority. This document is not subject to any form of approval by the DFSA. Accordingly, the DFSA has not approved any associated documents nor taken any steps to verify the information and has no responsibility for it.

For Switzerland, 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.

For Chile, This is only addressed to intermediaries. The Financial Market Commission ("CMF") does not express any opinion on the quality of the securities offered as an investment. The information contained in this document is the sole responsibility of the issuer and the intermediaries that have participated in its preparation. Likewise, the securities referred to in this document are foreign. Shareholder rights and obligations are those of the issuer's home jurisdiction. Shareholders and potential investors should inform themselves on what those rights and obligations are and how to exercise them; and CMF supervision of the securities is limited to information requirements in Rule 352, overall supervision is conducted by the foreign regulator in the issuer's home jurisdiction. Public information available for the securities is exclusively that required by the foreign regulator and accounting principles and auditing rules might differ to those applicable to Chilean issuers. The provisions on Article 196 of Law 18.045 are applicable to all parties involved in the registration, deposit, transaction and other acts associated with the foreign securities ruled by Title XXIV of Law 18.045. Investors may obtain more information on the CMF website.

For Spain, 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.

For the UK, The prospectus and KIIDs are available in English at <https://www.schroders.com/en-gb/uk/individual/fund-centre/>. This product is based overseas and is not subject to UK sustainable investment labelling and disclosure requirements.

For Italy, The prospectus and KIIDs are available in Italian, free of charge, from Schroder Investment Management (Europe) S.A., Via Manzoni 5, 20121 Milan and from our distributors.

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

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.

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.

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.

The information contained herein is believed to be reliable. Where third-party data is referenced, it remains subject to the rights of the respective provider and must not be reproduced or used without prior consent.

This document may contain "forward-looking" information, such as forecasts or projections. Any forecasts stated in this document are not guaranteed and are provided for information purposes only.

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 <https://www.schroders.com/en/global/individual/footer/privacy-statement/> or on request should you not have access to this webpage.

A summary of investor rights may be obtained in Bulgarian, Czech, Dutch, English, French, German, Greek, Hungarian, Italian, Polish, Portuguese, Slovakian, Spanish and Swedish from <https://www.schroders.com/en/global/individual/summary-of-investor-rights/>

Any third party data including MSCI 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 terms of the third party's specific disclaimers, if any, are set forth in the Important Information section at www.schroders.com.

For your security, communications may be recorded or monitored.

Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registration No B 37.799.

Distributed in Switzerland by Schroder Investment Management (Switzerland) AG, Talstrasse 11, CH-8001 Zurich, Switzerland, a fund management company authorised and supervised by the Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Bern.

Distributed in Spain by Schroder Investment Management (Europe) S.A., Spanish branch, a foreign management company, registered in the EEA investment firm register with the National Market Commission of Securities (CNMV) with the number 20.

Distributed in the UK by Schroder Investment Management Ltd, 1 London Wall Place, London EC2Y 5AU. Registration No 1893220 England. Authorised and regulated by the Financial Conduct Authority.

SustainEx™ 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.

CONTEXT™ is a proprietary tool used by Schroders to support the analysis of companies’ and issuers’ management of the environmental, social and governance trends, challenges and opportunities that Schroders believes to be most relevant to that company’s or issuer’s industry. It provides access to a wide range of data sources chosen by Schroders. Any views or conclusions integrated into Schroders’ investment-decision making or research by fund managers or analysts through the use of CONTEXT™ will reflect their judgement of the sustainability of one or more aspects of the relevant company’s or issuer’s business model, rather than a systematic and data-driven score of the company or issuer in question.

MSCI index: Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).

FTSE index: LSEG is the administrator of certain indices and benchmarks as detailed at <https://www.lseg.com/en/ftse-russell/benchmarks>. No other information provided, displayed or contained in any LSEG service is made available for use as a benchmark, whether in relation to a financial instrument, financial contract or to measure the performance of an investment fund, or otherwise in a way that would require the relevant information to be administered by a benchmark administrator pursuant to the Benchmarks Regulation (the “Prohibited Use”). LSEG does not grant rights for you to access or use such information for the Prohibited Use and you may breach the Benchmarks Regulation and/or any contract with LSEG if you do. In the event that you identify the Prohibited Use of information by any person, you must promptly notify LSEG and provide such details as we may reasonably request to ensure the cessation of the Prohibited Use, where appropriate. Notwithstanding the foregoing, where you have entered into a direct license with a third-party provider which permits the Prohibited Use with respect to such third party provider's information, you are solely responsible for compliance with Benchmarks Regulation and LSEG shall have no liability or responsibility for any loss or damages that arise from or in connection with the Prohibited Use. LSEG and its affiliates do not warrant that any information is provided in compliance with the Benchmarks Regulation and accept no liability and have no responsibility for any loss or damages that arise from or in connection with the Prohibited Use of the information. “Benchmarks Regulation” means, in respect of the EEA, EU Regulation 2016/1011, in respect of UK, UK benchmarks regulation and in respect of another country, the equivalent legislation. If you are in any doubt about the meaning of the Prohibited Use or your obligations under the Benchmarks Regulation, you should seek professional advice.

JP Morgan index: Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The index is used with permission. The index may not be copied, used or distributed without J.P. Morgan's prior written approval. Copyright 2014, J.P. Morgan Chase & Co. All rights reserved.

©Morningstar 2025. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

©2025 Nasdaq, Inc. All Rights Reserved. The information, data, analysis and Information contained herein (i) include the proprietary information of Nasdaq, Inc. and applicable Nasdaq Market, (ii) are subject to applicable Nasdaq Requirements (http://nasdaqtrader.com/Trader.aspx?id=GDP_Ops); (iii) may not be copied or further disseminated except as specifically authorized by Nasdaq, (iv) do not constitute investment advice, (v) are provided solely for informational purposes and (vi) Nasdaq makes no warranties including that the information is complete, accurate or timely. Nasdaq and Nasdaq Market bear no liability with respect to the data, analysis and Information.

S&P indices: The S&P 500 is a product of S&P Dow Jones Indices LLC, its affiliates and/or their third party licensors ("SPDJI"), and has been licensed for use by Schroders. S&P® is a registered trademark of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Schroders. Schroders is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates or their third party licensors and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500.