

Schroder ISF* US Small & Mid Cap Equity

Fund Manager: Robert Kaynor, CFA | Fund update: May 2026

Performance overview

- US equity markets performed strongly in May with US equities reaching new highs amidst a powerful continuation of the “risk-on” environment. Performance was driven by technology and AI-related sectors, particularly semiconductors alongside other cyclical and growth areas, while more defensive and rate-sensitive sectors lagged.
- The fund underperformed the benchmark during the month.

Drivers of fund performance

- Despite positive sector allocation, stock selection was the cause for the underperformance. The high-beta rally sustained its momentum in May, with lower-quality and high-sales-growth names continuing to lead the market. This speculative tailwind, combined with extreme index concentration, made it a highly challenging month for active managers across the market cap spectrum.
- The top contributors from a sector point of view were Consumer Discretionary, Communication Services, and Consumer Staples.
- Consumer Discretionary benefited from positive stock selection, led by Aramark after it beat quarterly revenue and EPS consensus estimates and raised full-year guidance. Within Communication Services, Iridium Communications was the standout performer as the satellite sector surged on reports of Amazon discussing an acquisition of rival Globalstar, highlighting the strategic value of LEO satellite infrastructure for telecom, defense, and space-based AI data centers. Meanwhile, the portfolio remains underweight Consumer Staples, which underperformed as investors' increased risk appetite reduced the demand for defensive stocks.
- The top detractors for the month were Industrials and Information Technology.
- Within Industrials, the portfolio lagged from stock selection in aerospace & defense as well as an overweight to commercial services. Information Technology lagged due to an underweight within technology hardware as well as stock selection in communications equipment. Viavi Solutions and Lumentum were the key laggards within the sector for

the month.

In terms of the alpha sources, the mispriced growth group outperformed while the steady eddies and turnarounds lagged.

- Major contributors included **Semtech Corporation, MACOM Technology, and LiveRamp Holdings.**
- Major detractors included **Primoris Services, Viavi Solutions, and Westlake Corporation.**

Portfolio activity

- We added **Fabrinet and Devon Energy Corporation.**
- We exited **Everforth, Inc and EPAM Systems.**

Calendar year performance (%)

Year	Fund	Target	Comparator 1	Comparator 2
2025	4.6	11.9	7.3	7.5
2024	10.4	11.1	10.3	13.0
2023	12.2	11.3	18.4	15.0
2022	-13.3	-18.5	-20.4	-13.0
2021	21.6	17.8	19.4	24.4
2020	6.8	20.4	22.4	13.0
2019	28.9	28.6	29.9	26.7
2018	-12.4	-11.5	-10.8	-12.9
2017	15.2	17.2	16.1	15.9
2016	17.6	16.4	13.6	19.4
2015	0.7	-3.2	-2.6	-2.7
2014	11.6	7.8	8.3	10.8
2013	35.0	38.4	37.7	34.6

Source: Schroders, net of fees, NAV to NAV, with net income reinvested. USD C Acc share class as at 31 December 2025. The fund's performance should be assessed against its target benchmark being to exceed the Russell 2500 Lagged (Net TR) index and compared against the Morningstar US MidCap Equity Category and the S&P Mid Cap 400 Lagged (Net TR) Index. The fund's investment universe is expected to overlap materially with the components of the target benchmark and the S&P Mid Cap 400 Lagged (Net TR) Index. The comparator benchmarks are only included for performance comparison purposes and does not determine how the investment manager invests the fund's assets. 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 or the S&P Mid Cap 400 Lagged (Net TR) Index. The benchmark(s) does/do not take into account the environmental and social characteristics or sustainable objective (as relevant) of the fund. Please see appendix III of the fund's prospectus for further details.

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.

¹ We target three types of opportunities: “mispriced growth stocks” – stocks where we think the market continues to undervalue a company’s growth prospects; “steady eddies” – strong companies with recurring revenues and/or cashflows; and “turnarounds” – firms that are addressing their problems, often with new management, which are likely to outperform over time.

Outlook/positioning

- The dominant theme of May was the continued surge in AI-related investment and spending. Information technology was the best-performing sector by a considerable margin. Strong earnings reports and upbeat outlooks from major technology firms reinforced expectations that AI-driven capital spending is still accelerating. This ongoing investment cycle is expected to bring continued gains for chipmakers and related technology companies.
 - Market sentiment was also supported by a reduction in perceived geopolitical risks, and that encouraged investors to rotate toward growth-oriented sectors. Expectations for a soft landing strengthened as concerns about energy-driven inflation eased and confidence grew that economic activity would slow without slipping into recession.
 - US small and mid-caps have been outperforming large caps both in the quarter and year to date, supported by improving earnings expectations and strong relative momentum. However, the nature of this rally has been a narrow, momentum-driven market concentrated in expensive, high-growth names in AI related investments. This is a difficult market to try and keep pace with.
 - Geopolitical risks and uncertainty around monetary policy continue to sit in the background. Markets might take a breather during summer months to digest the outlook for continued strong capex spending as well as unprecedented new equity supply in the form of mega IPOs like SpaceX and Anthropic alongside equity raising from the likes of Alphabet and Meta.
- US consumer spending has remained resilient despite pressure on real incomes as tax refunds have provided an additional, temporary boost to consumption this year.
 - The labour market is still tight, with strong payroll growth and upward revisions, even though leading indicators such as the NFIB hiring index point to some softening ahead. A key puzzle is why the unemployment rate has not declined further; which could be attributed to discrepancies between the payroll and household surveys, with the latter showing weaker employment growth.
 - The tight labour market is raising the risk of second-round inflation effects, with various indicators suggesting upward pressure on underlying inflation in the months ahead. As a result, markets are increasingly considering the possibility of further Federal Reserve rate hikes this year, though the outlook remains uncertain and highly sensitive to Fed communication and broader macroeconomic developments. While the addition of 172,000 jobs in May points to a more resilient labour market, much of the strength appears sector-specific and not clearly indicative of sustained overheating. For example, the leisure industry accounted for most of the additional jobs which is related to the World cup.
 - The data does not conclusively justify tighter policy, with stable unemployment and moderating wage growth as evidence that inflationary pressures remain contained. Strong capex spending on AI infrastructure is forecast to continue into next year supporting economic growth. Companies are telling us they continue to see order strength. They are absorbing some margin and not passing on cost pressure to customers. Sentiment surveys for smaller company businesses point to late cycle moderation in business activities with labour costs a constraint. This supports a more cautious approach into the second half of the year.

Risk considerations

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.

Concentration risk: The fund may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down.

Currency risk: The fund may lose value as a result of movements in foreign exchange rates.

Currency risk / hedged shareclass: The 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 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.

Fund Disclosure: SISF US Small & Mid-Cap Equity: The fund invests primarily in equity and equity related securities of small and mid-sized US companies. - The fund invests in equity would subject to equity investment

risk. - The fund invests in concentrated region/sector and subjects to higher level of risks than a fund investing in a more diversified portfolio/strategy. - The fund may invest in smaller companies which are relatively less liquid and more volatile than larger companies. - The fund may use derivatives to meet its investment objective. Derivatives exposure may involve higher counterparty, liquidity and valuation risks. In adverse situations, the fund may suffer significant losses from their derivative usage for hedging. - For share classes with a general dividend policy, expenses will be paid out of capital rather than out of gross income. The amount of distributable income therefore increases and the amount so increased may be considered to be dividend paid out of capital. Share classes with a fixed dividend policy may pay out both income and capital in distributions. Where distributions are paid out of capital, this amounts to a return or withdrawal of part of your original investment or capital gains attributable to that and may result in an immediate decrease in the net asset value of shares. You should not make any investment decision solely based on this document. Please read the relevant offering document carefully for further fund details including risk factors.

IBOR risk: 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.

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.

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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.

Smaller companies risk: Smaller companies generally carry greater liquidity risk than larger companies, and they may also fluctuate in value to a greater extent.

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