

Schroder ISF* US Small & Mid Cap Equity

Fund Manager: Robert Kaynor, CFA | Fund update: December 2024

Performance overview

- After the rally in November, US equities ended December lower. US small and mid-cap stocks underperformed significantly, losing most of November's relative outperformance against large caps.
- The fund outperformed the benchmark during the month.

Drivers of fund performance

- Stock selection contributed most of the outperformance, while sector allocation modestly added value.
- The top contributors from a sector perspective were information technology (IT) and healthcare.
- Stock selection was positive in IT, while the overweight to the sector added value. Within it, communications equipment was the best-performing sub-sector, led by **Ciena Corporation**. The company reported quarterly earnings that were above expectations. IT services was a bright spot, with **Twilio** outperforming over the month. Within healthcare, the fund's underweight to biotechnology contributed as the group was the worst-performing segment. Life sciences also contributed to performance, with **Azenta** being a top contributor.
- The main detractors in December were financials and consumer staples, although the underperformance was modest.
- Within financials, the fund's insurance stocks were the only detractors as **RenaissanceRe** and **Ryan Specialty** lagged significantly due to a deceleration in the reinsurance market. Within consumer staples, food products were weak. **Darling Ingredients** develops and produces natural ingredients from edible and inedible bio-nutrients. The company lagged in the early part of the month after it was reported that the Biden Administration will not finalise guidelines on new clean fuel production tax credits for the biofuel industry.
- In terms of the alpha sources¹, all three groups outperformed the benchmark for the month.
- Major contributors included **Ciena Corporation**, **Azenta** and **Sonos**.
- Major detractors included **Kirby Corporation**, **BWX**

Technologies and Darling Ingredients.

Portfolio activity

- We added **Semtech Corporation** and **Newell Brands**.
- We exited **IAC** and **RenaissanceRe**.

Calendar year performance (%)

Year	Fund	Target	Comparator 1	Comparator 2
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
2012	9.1	14.7	12.0	15.0

Source: Schroders, net of fees, NAV to NAV, with net income reinvested. USD C Acc share class as at 31 December 2024. 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 US emerged from the Covid pandemic with greater strength than most other economies around the globe. That rebound was fuelled, in part, by the fiscal stimulus that the Biden Administration promoted with two major pieces of legislation – the CHIPS (Creating Helpful Incentives to Produce Semiconductors and Science) Act and the IRA (Inflation Reduction Act). In addition, the US consumer has demonstrated, once again, a propensity to drive the economy. With a strong labour market and policies from the next Trump administration that will likely support domestic growth, indications suggest investing in the US economy should reap positive returns.
- Small businesses generate just under half the employment opportunities in the US. Small business owners may feel that the incoming administration will lift a big weight from their shoulders. This could be through tax cuts, slashing regulation or shutting out foreign competitors. There are reasons therefore why small companies may be more inclined to hire workers, increase employees' pay and invest more capital. All of these things would be good news for growth.
- After two strong years of performance, it may seem that US equities look expensive, and that the growth potential has already been priced in by the market. The reality is that US equity market performance has been highly concentrated in a few mega and large-cap stocks, leaving the rest of the market, including small and mid-cap companies, still attractively valued. Given how expensive some large caps are today, small- and mid-cap stocks provide a less costly way to gain exposure to the US economy. They are much more likely to have customer bases that are either exclusively or predominantly in the US.
- It is true that small and mid-cap valuations have been at a discount to large caps for several years. So, what is changing as we head into 2025? Beyond the ongoing strength of the US economy and the pricing considerations, several key trends could also work together to create a highly favourable environment for small and mid-cap stocks:
 - 1) Wall Street is forecasting a bigger rebound in small and mid-cap earnings in 2025. The developments that made 2023 such a difficult year for small caps, namely rate hikes and the ripple effects of the collapse of Silicon Valley Bank, appear to be in the rearview mirror. A consensus of Wall Street analysts believes that looking into 2025, earnings for small caps will exceed large caps for the first time since 2022. This is a key catalyst for a broadening of the market.
 - 2) The recovery in M&A activity and IPOs is likely to continue in 2025. The pick-up in M&A activity and IPOs benefits small-cap stocks in multiple ways. Attractive small caps often become acquisition targets, and high-quality companies garnering headlines as they go public increases interest in the small-cap sector. Overall, the pick-up in animal spirits demonstrated by greater M&A activity and IPOs delivers the optimism that increases risk appetite, as well as the confidence investors may need to pursue the potentially stronger growth small caps can deliver.
 - 3) While the mega-cap technology stocks have been dominating the artificial intelligence (AI) headlines, many small-cap companies will help propel the AI revolution. AI needs much more than just the sophisticated chips provided by companies such as Nvidia. Small-cap companies are often key, and even leading, players in those industries that will both shape and benefit from the growth the AI revolution generates.
 - 4) Reshoring enables more small- and mid-cap companies to step in as reliable suppliers. The Covid pandemic, and the lockdowns at Chinese manufacturers and other suppliers, led many companies to reconsider their supply chains. The move to onshoring benefits many small US companies that are replacing global competitors as the suppliers to large US firms.
 - In 2024, attention centred on inflation, the response of central banks and several important general elections. As we transition into 2025, although business cycle dynamics remain crucial to the outlook, there will be heightened focus on policy changes in the US across trade, immigration, fiscal and regulatory policies. These changes should significantly influence outcomes in the US and elsewhere for 2025 and beyond.
 - The upcoming year presents a promising landscape for small and mid-cap equity investors, driven by the convergence of robust earnings growth, favourable flows and supportive economic conditions.

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.

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.

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

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

Marketing material for Professional Clients and Qualified Investors only.

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).

This document, and the information contained herein, does not constitute, and is not intended to constitute, a public offer of securities to the retail investors in the United Arab Emirates ("UAE") and accordingly should not be construed as such. No regulatory authority in the UAE has any responsibility for reviewing or verifying this prospectus or any other documents in connection with the promotion of this fund. Accordingly, no regulatory authority in the UAE has approved the prospectus or any other associated documents, nor taken any steps to verify the information set out herein, and therefore no regulatory authority in the UAE has any responsibility for the same. The interests in the fund/s ("Interests") mentioned in the document may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence

on the Interests. Anyone not understanding the contents of this document should consult an authorised financial adviser.

For Austria, these documents may be obtained in German, free of charge, from the following link: www.eifs.lu/schroders and from our Information Agent Schroder Investment Management (Europe) S.A., German Branch, Taunustor 1, D-60310 Frankfurt am Main, Germany.

For Belgium, these documents may be obtained in French and Dutch, free of charge from the following link: www.eifs.lu/schroders.

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.

For Bulgaria, the Key Information Documents may be obtained in Bulgarian and the other documents in English, free of charge from the following link: www.eifs.lu/schroders.

For the Czech Republic, the Key Information Documents may be obtained in Czech and the other documents in English, free of charge from the following link: www.eifs.lu/schroders.

For Denmark, the Key Information Documents may be obtained in Danish and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders and Schroder Investment Management (Europe) S. A. dansk filial, Bredgade 45C, 2nd floor, DK-1260 Copenhagen K. A decision on a possible investment should be made on the basis of personal advice.

For Finland, the Key Information Documents may be obtained in Finnish, Swedish and English and the other documents in English, free of charge at the following link: www.eifs.lu/schroders.

For France, these documents may be obtained in French, free of charge, from the following link: www.eifs.lu/schroders, Schroder Investment Management (Europe) S.A., Paris Branch, 1, rue Euler, 75008 Paris and the Centralising agent Société Générale, 29 boulevard Haussmann, F-75009 Paris.

For Germany, these documents may be obtained in German, free of charge, at the following link: www.eifs.lu/schroders and Schroder Investment Management (Europe) S.A., German Branch, Taunustor 1, D-60310 Frankfurt am Main.

For Greece, the Key Information Documents may be obtained in Greek and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Hungary, the Key Information Documents may be obtained in Hungarian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Iceland, the Key Information Documents may be obtained in Icelandic and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Ireland, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For Italy, these documents may be obtained in Italian, free of charge, from the following link: www.eifs.lu/schroders, Schroder Investment Management (Europe) S.A. Succursale Italiana, Via Manzoni 5, 20121 Milan and from our distributors. These documents and the list of distributors are available at www.schroders.it

For Latvia, the Key Information Documents may be obtained in Latvian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Liechtenstein, these documents may be obtained in German, free of charge, from the following link: www.eifs.lu/schroders.

For Lithuania, the Key Information Documents may be obtained in Lithuanian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Luxembourg, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For Malta, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For the Netherlands, the Key Information Documents may be obtained in Dutch and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Norway, the Key Information Documents may be obtained in Norwegian and English and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Poland, the Key Information Documents may be obtained in Polish and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

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.

For Portugal, the Key Information Documents may be obtained in Portuguese and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders, from the authorised placing entities and on www.schroders.pt.

For Romania, the Key Information Documents may be obtained in Romanian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Slovakia, the Key Information Documents may be obtained in Slovakian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Spain, these documents may be obtained in Spanish, free of charge, from the following link: www.eifs.lu/schroders, the CNMV, the distributors and on www.schroders.es.

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 Sweden, the Key Information Documents may be obtained in Swedish and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

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 the UK, these documents may be obtained in English, free of charge, from the following link: <https://www.schroders.com/en-gb/uk/individual/fund-centre/> and from Schroder Investment Management Ltd, 1 London Wall Place, London EC2Y 5AU.

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

For the UK only: This product is based overseas and is not subject to UK sustainable investment labelling and disclosure requirements.

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.

Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy.

The data contained in this document has been sourced by Schroders and should be independently verified. Third party data is owned or licenced by the data provider and may not be reproduced, extracted or used for any other purpose without the data provider's consent. Neither Schroders, nor the data provider, will have any liability in connection with the third-party data.

This document may contain "forward-looking" information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised.

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 from <https://www.schroders.com/en/global/individual/summary-of-investor-rights/>

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 by Schroder Investment Management Limited (Dubai Branch), located in Office 506, Level 5, Precinct Building 5, Dubai International Financial Centre, PO Box 506612 Dubai, United Arab Emirates and regulated by the Dubai Financial Services Authority (DFSA) and entered on the DFSA register under Firm Reference Number: F000513. This document is not subject to any form of regulation or approval by the DFSA. Authorized by the Comissão do Mercado de Valores Mobiliários (CMVM) to operate in Portugal under the free provision of services regime, and with a branch in Spain, authorized and registered with the CNMV under number 20.

Distributed 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 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 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.