

Schroder ISF* Strategic Bond



Fund Manager(s): Julien Houdain, James Ringer, Martin Coucke

Fund update: February 2026

Marketing material for professional clients only.

Market Review

It was a positive month for global government bond markets, with yields falling across the board as geopolitics and artificial intelligence (AI)-related news dominated. Credit markets underperformed, posting negative excess returns as spreads widened across both the investment grade and high yield markets.

Outside the Middle East, there were several events that drove global uncertainty during the month. The US Supreme Court ruled that the administration's use of the International Emergency Economic Powers Act (IEEPA) to impose broad-based tariffs was unconstitutional. In response the administration signalled that it would use a temporary authority to impose the global tariffs and downplayed the possibility of refunds.

Evidence of labour market weakness, in combination with an overarching risk-off mood amid a sell-off in equities and increased anxiety over AI driven business disruption, saw investors price in additional interest rate cuts this year. Accordingly, US Treasury yields fell over the month.

Government bond market yields across the eurozone also fell. January's flash Consumer Price Index (CPI) highlighted headline inflation in line with expectations at 1.7%, marking its lowest level since 2021. The European Central Bank (ECB) kept interest rates unchanged at 2% as expected, with President Lagarde acknowledging that inflation was in a "good place".

In the UK, the decision by the Bank of England to keep interest rates unchanged at 3.75% drove gilt yields lower. A split vote and dovish communication raised expectations for a rate cut when the monetary policy committee next meet in mid-March.

In Japan, following Prime Minister Takaichi's decisive election victory early in the month, investors saw scope for more restrained fiscal spending than previously thought, which supported demand for Japanese Government Bonds. Meanwhile, January's CPI came in below expectations, supporting the view that some of the price pressures experienced early last year were transitory.

Drivers of Fund Performance

The fund delivered a positive return but underperformed the reference benchmark during February.

An underweight duration (interest rate risk) stance detracted as government bond yields fell.

Within our rates strategy, cross-market positioning was additive, as overweight positions in the UK versus Germany and the US contributed.

In credit markets, an overweight allocation to high yield detracted as spreads widened which was only partly offset through more defensive positioning in investment grade markets.

Portfolio Activity

There were no major changes to overall asset allocation during the month, with the fund maintaining a relatively defensive positioning in investment grade corporate credit given tight spreads.

*Schroder International Selection Fund is referred to as Schroder ISF throughout.

We maintained an exposure to high yield credit, and our plan would be to increase this allocation should we get sufficient market weakness. Focusing on the US, the economy remains on solid footing and high yield credit remains a good source of carry.

Within our current allocation, we continued to rotate issuers. We took profits on several holdings in Business Development Companies (BDC) given increasing pressures around the sector. While in the primary market, we added several new issues that came to the market at attractive valuations. Select positions were added where issuers were viewed as having been unfairly impacted by the generative AI-related sell off.

We reduced overall portfolio duration taking advantage of the market rally and extending our relative underweight. We achieved this by underweighting Germany at the 5-year point of the curve – a point of the curve looks most vulnerable from increased supply. With the market pricing in rate cuts, this was an attractive level in which to short as it contradicts our view that the cyclical improvement across the region, makes ECB rate cuts unlikely.

Continuing to focus on cross-market opportunities, we introduced an overweight to Australia versus Germany. In our view the bond market is too hawkish on pricing in interest rate hikes from the Reserve Bank of Australia. Accordingly Australian yields look attractive relative to international peers. We converted a directional overweight to the UK into an overweight UK versus Germany, while closing an overweight to the US versus Germany.

We used the currency weakness to introduce a modest overweight to the Japanese yen versus sterling and the US dollar. The Japanese yen had priced substantially more political risk premia compared to the Japanese government bonds.

Outlook/positioning

On the 28 February, the US and Israel launched a series of coordinated military strikes on Iran, targeting a range of military and government sites. At the time of writing, events in the Middle East have overtaken macroeconomics, with all but the US market now pricing in interest rate hikes by major central banks, marking a dramatic shift in outlook. Where previously bond markets were starting to act as a useful diversifier to equity market weakness, the inflation element is driving yields higher, making bonds less effective as a safe haven.

Some commentators are drawing parallels to the energy price spike of 2022, when Russia invaded Ukraine. As a reminder, a supply chain shock (from Covid) was accentuated by the energy shock that followed. Central banks hiked interest rates aggressively in response to rising inflation and bond markets suffered a significant sell-off. We would caution against a repeat of this outcome. The global economy is in a very different position today, as supply chains have normalised, labour markets have loosened and central banks have tightened policy significantly. At the time of Russia's invasion of Ukraine, US CPI was approaching 8% and the Fed funds rate was at 0%. In contrast today, headline US CPI is around 2.4%, while the effective Federal Funds rate stands at 3.64%.

While we believe there is scope for bond yields to move higher, given our constructive growth outlook and the potential for a renewed inflationary impulse, 2022 should not be used to gauge the magnitude of any potential market move. As such, we are comfortable holding an underweight duration stance and focusing this in the eurozone, which is an energy importer and so more sensitive to rising energy prices.

While credit markets have been remarkably resilient, we would take the opportunity to add US exposure should spreads widen. The US economy looks on a stronger footing, has greater near-term support and is less exposed to higher energy prices compared to European companies (higher energy prices can be a net benefit for more companies in US indices than in EUR indices).

We anticipate further news flow over the next few days and weeks and our ability to respond quickly to narrative changes will be key to generating alpha and managing portfolio risks.

Calendar yearly performance (%)

Past performance does not predict future returns.

Period	Fund A Acc USD	Fund I Acc USD	Benchmark ¹
2025	8.6	10.0	4.2
2024	5.0	6.3	5.3
2023	6.9	8.2	5.0
2022	-5.3	-4.2	1.5
2021	-0.7	0.6	0.0
2020	-1.3	-0.1	0.7
2019	7.7	9.0	2.3
2018	-2.9	-1.7	1.9
2017	1.2	2.5	0.9
2016	2.9	4.2	0.3

Source: Schroders, Morningstar, as of 28 February 2026. 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. This fund has a target benchmark. The fund's investment universe is expected to overlap materially with the components of the comparator benchmark. The comparator benchmark is included for performance comparison purposes and does not determine how the investment manager invests the fund's assets. The investment manager will invest in companies or sectors not included in the comparator benchmark.

¹Benchmark refers to ICE BofA US 3M Trsy Bill TR USD.

Performance snapshot (%)

Past performance does not predict future returns.

	1 Month	3 Months	YTD	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.	Since Inception
Fund A Acc USD	0.9	1.6	1.4	7.8	6.9	2.7	2.5	2.6
Fund I Acc USD	1.0	1.9	1.6	9.1	8.2	3.9	3.7	3.9
Benchmark ¹	0.3	0.9	0.6	4.0	4.8	3.3	2.2	1.8
Comparator ²	1.0	1.5	1.5	—	—	—	—	—

Source: Schroders, Morningstar, as of 28 February 2026. 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 US 3M Trsy Bill TR USD.

²Comparator refers to Bloomberg Multiverse ex Treasury A+ to B- USD Hedged Index.

Investment Overview

The fund aims to provide capital growth and income in excess of the ICE BofA 3 month US Treasury Bill Index over a three to five year period after fees have been deducted by investing in bonds issued by governments, government agencies, supra-nationals and companies worldwide.

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.

China risk: If the fund invests in the China Interbank Bond Market via the Bond Connect or in China "A" shares via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or in shares listed on the STAR Board or the ChiNext, this may involve clearing and settlement, regulatory, operational and counterparty risks. If the fund invests in onshore renminbi-denominated securities, currency control decisions made by the Chinese government could affect the value of the fund's investments and could cause the fund to defer or suspend redemptions of its shares.

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.

Issuer risk: The fund is permitted to invest more than 35% of its scheme property in transferable securities and money market instruments issued or guaranteed by an EEA State / governments of the following country: United States of America.

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.

No capital guarantee risk: Positive returns are not guaranteed and no form of capital protection applies

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 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.

For South Korea, This material is intended solely for Qualified Professional Investors (QPIs) and is provided for informational purposes only. It does not constitute any solicitation or offering of investment products. These investment products are not protected by Depositor Protection Laws, and neither party provides any guarantee of principal or investment performance. Investment involves risk, including the potential for partial or total loss (0~100%) of principal due to market volatility and other factors. Investors are solely responsible for any investment losses. Exchange rate fluctuations may affect the value of overseas investments, potentially resulting in principal loss. Past performance and forecasts are not indicative of future results. Additional fees and expenses, such as transaction costs, may apply. Investors have the right to receive a full explanation of these investment products from their distributor. It is imperative that investors carefully read the relevant offering documents, which provide details on investment objectives, risks, redemption procedures, fees, and other important matters, before making an investment decision.

For Macau, This document is only addressed to existing investors of the fund only. The contents of this document may not be reproduced or distributed in any manner without prior permission.

This document is intended to be for information purposes only and it is not intended as promotional material in any respect nor is it to be construed as any solicitation and offering to buy or sell any investment products. The views and opinions contained herein are those of the author(s), and do not necessarily represent views expressed or reflected in other Schroders communications, strategies or funds. The material is not intended to provide, and should not be relied on for investment advice or recommendation. Any security(ies) mentioned above is for illustrative purpose only, not a recommendation to invest or divest. Opinions stated are valid as of the date of this document and are subject to change without notice. Information herein and information from third party are believed to be reliable, but Schroder Investment Management (Hong Kong) Limited does not warrant its completeness or accuracy. Investment involves risks. Exchange rate changes may cause the value of the overseas investments to rise or fall. If investment returns are not denominated in HKD/USD, US/HK dollar-based investors are exposed to exchange rate fluctuations. Please refer to the relevant offering document including the risk factors for further details.

This material has not been reviewed by the SFC. Issued by Schroder Investment Management (Hong Kong) Limited.

Schroder Investment Management (Hong Kong) Limited
Level 33, Two Pacific Place, 88 Queensway, Hong Kong
Telephone +852 2521 1633 Fax +852 2530 9095

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.

Distributed in Portugal by Schroder Investment Management (Europe), S.A., registered with the Portuguese Securities Market Commission (CMVM) under the Freedom to Provide Services and with a branch in Spain, registered with the National Securities Market Commission (CNMV) of Investment Services Companies of the European Economic Area with a branch in Spain under number 20.

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 2026.** 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.

©**2026 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.