

Schroder ISF* Global Multi-Asset Balanced

Fund Manager: Ingmar Przewlocka, Anna Podoprigora | Fund update: March 2024

Performance overview

- The fund's performance was positive in March. Global equities gained, with developed markets outperforming emerging markets. Government bond yields fell over the month.

Drivers of fund performance

- The portfolio delivered strong performance over the month as a number of positions implemented earlier in the year played out.
- Our high equity exposure benefited from the continued market rally, and industry themes such as European basic resources, banks and autos played out well. Our basket of energy equities, which had lagged earlier in the year, also caught up.
- Fixed-income made a positive contribution. Our European government bond strategy worked well, notably our emphasis on Italian government bonds relative to bunds. Returns from US Treasury positioning were roughly flat. Our short-duration (sub-12-month) fixed-income holdings also significantly helped performance. Credit contributed, across both high yield and investment grade.
- Our relatively high emphasis on commodities, notably precious metals, was a significant contributor.
- Currency exposure detracted somewhat, driven mainly by our long exposure to the weak Japanese yen, which failed to benefit from a rate rise by the Bank of Japan.

Portfolio activity

- Our net equity exposure remained high over the month. Within equities, we continued to use our tactical European equity exposure to tilt towards the basic resources, autos and bank sectors.
- In fixed income, we took profits on our tactical Italian government bond futures position but retained our long-term exposure to Italy in the physical bond portion of the portfolio.
- We retained our "2s-10s steepener" in US Treasuries via futures and our significant allocation to attractively yielding short-duration bonds.
- In commodities, we retained our exposure to gold, silver and selected industrial metals.

- In currencies, we closed our long Japanese yen position given the weakening currency.

Outlook

- Our current game plan exemplifies a number of features of the Global Multi-Asset Balanced strategy: we're prepared to be aggressive when conditions justify risk taking; we express investment views both across asset classes and within asset classes; we take advantage of the full range of multi-asset opportunities; and we translate high-conviction ideas into significant positions.
- At the macro level, we think softer inflation data, the prospect of US Federal Reserve cuts, and signs of bottoming out in PMI (Purchasing Managers Index) manufacturing numbers create a benign environment for risk assets. We want to capture that opportunity, hence our relatively aggressive equity-market exposure.
- But it's not just about loading up on equity "beta". Our approach is to be explicitly selective about what we do within asset classes. We continue to tilt towards sectors and countries that have been eclipsed by the US tech rally and have room to catch up. We still like energy, for example. And we remain positive on some of the cyclical sectors that have been recovering from very depressed levels.
- By the end of March, we'd seen US rate cut expectations come down from six or seven cuts to about three, but we think the scale of the easing is less significant than the pivot itself. So, we still think it's appropriate to have some interest-rate exposure, and the portfolio's relatively long duration positions us to benefit from falling rates. That said, our emphasis remains on capturing the attractive yield levels available at the short end of the curve.

Calendar year performance (%)

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

Year	Fund	Comparator benchmark ¹	Target benchmark ¹
2023	7.0	6.5	6.6
2022	-8.5	-11.5	3.4
2021	8.5	3.8	2.4
2020	6.0	1.8	2.6
2019	12.0	7.7	2.6
2018	-6.9	-4.8	2.7
2017	3.7	2.3	2.7
2016	0.6	2.2	2.7
2015	-2.9	1.3	3.0
2014	6.5	5.6	3.2

Source: Schroders, as at 31 December 2023. Fund performance is net of fees, NAV to NAV with net income reinvested, C Acc shares. ¹Target benchmark is 3m Euribor +3%. Comparator benchmark is Morningstar EUR Cautious Allocation Global Category median. As of 15 August 2022, the target is replaced from 3m Euribor +3% to a comparator of the median of Morningstar EUR Cautious Allocation Global Category. Please see the respective fund factsheets for the performance of other share classes.

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.

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: A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.

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

Currency risk / hedged share class: 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.

Emerging Markets & Frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.

High yield bond risk: High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk.

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.

IBOR: 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.

Derivatives risk – Efficient Portfolio Management and Investment Purposes: 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. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset.

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.

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