

Schroder ISF* Global Multi-Asset Balanced

Fund Manager: Ingmar Przewlocka, Anna Podoprigora | Fund update: May 2025

Performance overview

- The fund delivered positive performance in May, driven by a rebound in global equities as concerns regarding tariffs diminished. The US and China reached a 90-day suspension agreement on tariffs for most goods. Additionally, sovereign bond yields increased amid growing apprehensions about the sustainability of US debt.

Drivers of fund performance

- Performance was strong, driven mainly by equity exposure. Fixed income was positive, alternatives were roughly flat and currency detracted slightly.
- In equities, our actively managed global equity portfolio and our tactical positions in Europe and the US were all significant contributors. Examples included index futures positions in the DAX, European banks and US small-caps, as well as intra-month tactical positions. Emerging markets were positive, notably our Chinese equity exposure.
- Fixed income was positive overall. European and US government bond exposure detracted somewhat, but investment-grade and high-yield credit performed well. Emerging-market debt was roughly flat.
- Alternatives ("cat" bonds and commodities) were marginally positive and currencies were slightly negative.

Portfolio activity

- We remained similar equity exposure over the month. Among tactical moves, we took profits on futures positions in the DAX and European banks and sold some of our US Russell 2000 position.
- In fixed income, we ended the month with a lower duration (interest-rate exposure) of about 1 year. The reduction in interest-rate exposure came largely from closing our German 10-year Bund position and adding short exposure in 30-year German and US government bonds.
- In commodities, we added to our silver ETC (exchange-traded commodity), retaining our industrial metals ETC and our diversified commodity swap ETF (exchange-traded fund). We

added back some exposure to gold mining stocks as valuations fell.

- In currencies, we ended the month roughly neutral in the US dollar.

Outlook

- We started the month with a relatively aggressive exposure to equities, and this positioned us well for the May rally. We further increased exposure during the month, adding trades focusing on the tech sector. This included an index futures position in the FAANGs (top 10 US tech stocks) and a basket of semiconductor names. Both hit their profit targets and were closed by month-end.
- On the fixed-income side, the changing fiscal narrative is becoming a more important driver of government bond performance, particularly as markets reassess the path of interest rates and inflation in the second half of the year. We became more cautious on duration in May, which we expressed via short positions in the 30-year segment of the German and US yield curves.
- While short government bond yields are influenced by central bank policy, the 30-year segment is less sensitive to things like quantitative easing or yield-curve controls and more driven by fiscal issues such as government spending, budget deficits and debt sustainability. With spending set to rise not just in the US but also in countries like Japan and Germany, we think we could see a trend of upward pressure on 30-year yields across developed markets. Effectively, rising yields are the market's way of telling governments to exercise more fiscal discipline.
- We're cautious on the dollar, which we think is vulnerable to a potential flight of capital from the US caused by policy uncertainty. In the latest development, at the end of May Section 899 of President Trump's "One Big Beautiful Bill Act," introduced changes targeting "discriminatory foreign countries"—those that have enacted taxes such as digital services taxes (DSTs) on US entities. These would significantly increase US withholding tax rates on US-source income for investors in many countries around the world.

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
2024	7.1	5.6	6.7
2023	7.0	6.2	6.6
2022	-8.5	-11.1	3.4
2021	8.5	3.7	2.4
2020	6.0	1.4	2.6
2019	12.0	7.7	2.6
2018	-6.9	-5.1	2.7
2017	3.7	2.0	2.7
2016	0.6	1.9	2.7
2015	-2.9	0.9	3.0

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. As of 15 August 2022, the target is replaced from 3m Euribor +3% to a comparator of the 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.

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