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Schroder ISF* Latin American Equity

Fund Managers: Tom Wilson and Pablo Riveroll | Fund update: March 2023

Performance overview

- Latin American equities rose in March, but underperformed other emerging markets (EM) and developed world markets.
- Both Peru and Mexico, where economic data was supportive, produced positive returns, while Brazil, Chile and Colombia were negative. Energy and commodity-related stocks weakened as energy and commodity prices fell over the month.
- The fund rose marginally, but underperformed the benchmark.

Drivers of fund performance

- Country allocation detracted, mainly due to our cash position.
- Stock selection was also negative. In Brazil, this was because of the off-benchmark positions in commodity stocks **Companhia Brasileira de Aluminio** and **3R Petroleum Oleo** and the overweight to **Rede D'Or Sao Luiz**. In Peru, the overweight to **Intercorp Financial Services** weighed on returns.

Outlook

- Monetary policy tightening is generally well advanced in Latin America. Energy price pressures have eased and there are signs that food inflation could soon moderate. Confidence that the US Federal Reserve's (Fed) period of policy tightening is close to a peak, together with a softer US dollar, should ease pressure on financial conditions in Latin Americas.
- On a forward price-earnings basis, Latin American equities in aggregate remain below historical averages.
- Although uncertainty over the global outlook persists, the Schroders economics team's recent upgrades to growth and cuts to inflation forecasts are incrementally positive for the outlook.
- However, risks clearly remain. Ongoing strength in the US economy could lead to even more aggressive policy tightening from the Fed. Additionally, the pace and scale of monetary tightening after a period of very loose policy may lead to further financial failures, such as the recent collapse of Credit Suisse and SVB.

Calendar year performance (%)

Year	Fund	MSCI Emerging Markets Latin America 10/40 Index
2022	9.3	10.2
2021	-11.7	-8.3
2020	-5.0	-13.4
2019	20.5	17.5
2018	-5.7	-6.0
2017	25.6	23.0
2016	21.9	32.3
2015	-30.3	-31.3
2014	-15.0	-12.6
2013	-17.3	-13.3
2012	13.7	9.7

Source: Schroders, as at 31 December 2022. Net of fees, bid-bid, with net income reinvested, USD A Acc. Please see factsheet for other share classes. Index source: MSCI, as at 31 December 2022. 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.

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

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.

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

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.

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

Higher volatility risk: The price of this fund may be volatile as it may take higher risks in search of higher rewards.

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.

Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

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 macroeconomic environment, investment objectives may become more difficult to achieve.