

Schroder ISF* Asian Convertible Bond

Fund Managers: Dorian Carrell, Dominique Braeuninger | Fund update: December 2025

Market review

- 2025 was characterised by rate cuts, ever increasing stimulus and record debt issuance, supporting liquidity and markets, and **we expect this highly supportive backdrop for convertibles to continue in 2026**.
- December saw global rate markets price over 150bps of cumulative easing into 2026, even as defence and security spending commitments were revised higher across the US, Europe and Asia, and risk assets closed the year near recent highs.
- The AI buildout continues with convertibles assuming their traditional role of financing innovation, dating back to US railroads in the 1870s, now at the forefront of funding the global AI supply chain.
- Asian convertibles continue to flourish, and remain at a compelling double discount to their US counterparts.

Drivers of fund performance

- **Asian markets regained momentum in December**, leading performance within the global convertible bond universe. Strength in AI-related names and improving interest-rate sentiment supported Asian convertible bonds, which outperformed broader Asian equities as measured by the MSCI AC Asia ex Japan Index.
- **The fund returned 2.8% (C Acc USD)** as markets ended the year on a positive note. **For 2025, performance remained strong at 36.2%**, continuing a trend of outperformance versus the Asian convertible benchmark by **over 5.4%** and Asian equities by **6.4%**.
- This extends a multi-year track record of **highly attractive risk-adjusted returns in Asian convertibles**, both relative to equities and in absolute terms. **Consumer Discretionary** and **Information Technology** were the largest contributors at the sector level, more than offsetting weakness in Industrials.
- At the security level, **Samsung** was the top contributor to active returns, with **Makemytrip Ltd** and **Camtek Ltd** also adding meaningfully. In contrast, **Ping An Insurance Group**, **SK Hynix Inc**, and **China Pacific Insurance Group** detracted from overall performance.

Portfolio activity

Over the month, we trimmed selected **retail** and **semiconductor** names. Overall portfolio activity remained limited, reflecting typically lower liquidity over the holiday period.

Outlook

Economic momentum remained mixed but resilient in December, with Japan's composite PMI holding above 50, easing from 52.0 in November to 51.1 for a tenth straight month of expansion. Services slowed while manufacturing stabilised, hiring accelerated, and input costs rose, though inflation stayed broadly contained, keeping policy supportive. Across Asia ex-Japan, growth was uneven as China stabilised modestly on improved domestic demand and policy support, while tech-led investment continued in Korea and Taiwan, reinforcing the appeal of flexible financing amid elevated equity volatility.

From a regional perspective, **Asia with Japan accounted for over 20% of global convertible bonds issuance**, supported by corporate reform in Japan and technology and growth-led financing demand across the rest of the region. **We expect global and Asian convertible issuance to continue to rise in 2026**, supported by a favourable backdrop of elevated volatility, capital-intensive investment needs and issuer demand for lower cash interest costs, paired with deferred equity dilution.

Asia ex Japan remain compelling value opportunities whilst we continue to capitalise off selective names in regions with richer valuations **through our high conviction, fundamentally driven approach**.

Calendar year performance (%)

Year	Fund (C Acc)	Fund (A Acc)	Fund (I Acc)	Benchmark
2025	36.2%	35.4%	37.4%	30.4%
2024	9.5%	8.8%	10.5%	12.3%
2023	8.5%	7.8%	9.5%	10.7%
2022	-12.8%	-13.3%	-12.0%	-9.0%
2021	1.0%	0.5%	2.1%	-0.1%
2020	18.7%	18.1%	19.9%	17.4%
2019	9.7%	9.1%	10.8%	9.8%
2018	-5.1%	-5.7%	-4.2%	-2.3%
2017	9.9%	9.3%	11.0%	7.9%
2016	1.2%	0.6%	2.2%	3.1%

Source: Schroders, NAV to NAV (bid to bid), net of fees (where applicable), USD, as at 30 December 2025. The fund's performance should be assessed against its target benchmark being to exceed the FTSE Asia ex Japan Hedged Convertible Bond Index (USD). 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.

Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise and investors may not get the amount originally invested. Some performance differences between the fund and the benchmark may arise because the fund performance is calculated at a different valuation point from the benchmark. Please see the respective fund factsheets for the performance of other share classes.

Risk considerations

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

Derivatives risk: Derivatives may be used to manage the portfolio efficiently. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. 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.

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

Interest rate risk: The fund may lose value as a direct result of interest rate changes.

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.

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.

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

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

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.

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.

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

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