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Schroder ISF* Asian Convertible Bond

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

Market review

- **Trump's one-year tariff deal cut China's rate from 20% to 10%**, postponing trade tensions until the immediate run-up to the US mid-terms.
- **Easing tariff tension supported a 4.5% rise in the MSCI Asia ex-Japan Index**. Unsurprisingly, Korea (+23%) and Taiwan (+10%), were major winners given semiconductors heavy reliance on rare earth elements.
- **Sanae Takaichi became Japan's first female PM**, forming a coalition and pledging fiscal and monetary stimulus. The yen weakened in response and Japan's PMI rose to 51.5 as services offset manufacturing softness.

Drivers of fund performance

- The fund is ahead of its benchmark in October, gaining 4.9% (C Acc USD) relative to 4.1% for the benchmark. This extends the trend seen throughout 2025, **with the fund up 36.0% year to date as of end-October, more than 5.5% ahead of the Asian convertible benchmark.**
- **This extends a trend of highly attractive risk adjusted returns in Asian convertibles that we have witnessed over a number of years.**
- At the sector level, **AI-driven tech gains** continue to drive meaningful performance, supported by performance in materials and offsetting losses from communications and consumer discretionary.
- At the securities level, **SK Hynix** was the top contributor, with **Tencent**, and **LG Chem** also adding to gains, while **Alibaba and Anta Sports** detracted.

Portfolio activity

- Over the month, we increased our exposure to China Pacific Insurance and Grab Holdings while rotating into more balanced exposure in China cloud/Ai names.
- With Asian convertibles remaining technically cheap, and more attractive than other regions, we continue to see opportunities in balanced names.

Outlook

Adding to the largely AI driven constructive tone, the announcement of a one-year trade truce between the U.S. and China helped soothe market nerves that had been frayed by months of tit-for-tat measures over rare earth export controls and tariffs. The truce, while temporary, represented a welcome de-escalation in an increasingly complex geopolitical backdrop, offering markets a measure of relief.

In Japan, markets have responded favourably to Sanae Takaichi's pro-growth stance, which revives elements of Abenomics under what's being called 'Albonomics'. Specifically, **Takaichi rolled out a ¥14 trillion ($90B+) stimulus package**, tax cuts, and heavy investment in AI and semiconductors, **positioning Japan's economy for growth.**

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

Looking at both equity and convertible valuations as we look into 2026, Asia, with low valuations and high earnings' growth stands out.

Calendar year performance (%)

Year	Fund (C Acc)	Fund (A Acc)	Fund (I Acc)	Benchmark
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%
2015	6.9	6.2%	8.0%	6.8%

Source: Schroders, NAV to NAV (bid to bid), net of fees (where applicable), USD, as at 30/12/2024. 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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