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Schroder ISF* Asian Convertible Bond
Intelligent Asian Exposure

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

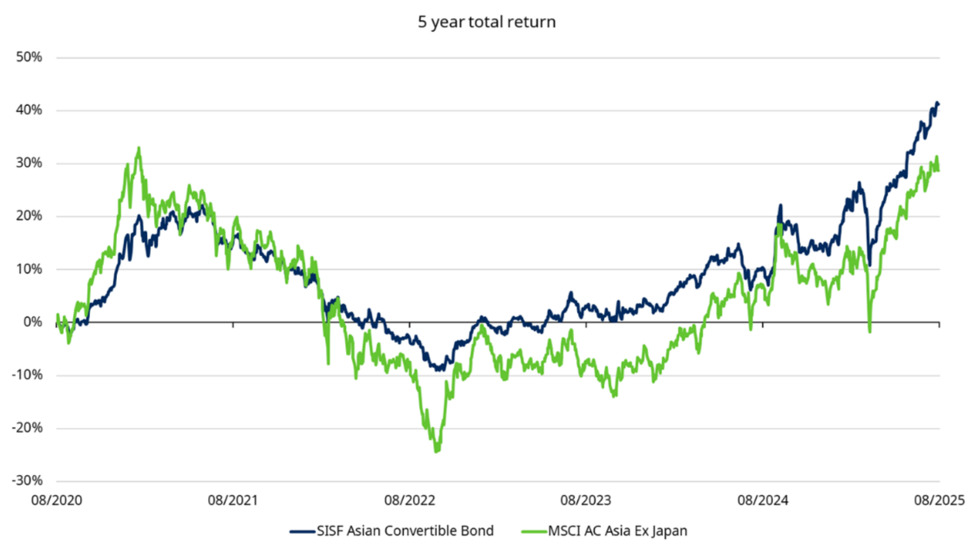
Market review

- Global equities rose in August as softer US employment data led to increased expectations of a Federal Reserve rate cut in September. Global bond markets generated widely varying returns, buffeted by economic data and political developments.
- US shares advanced, with materials and energy leading, although information technology underperformed amid uncertainty over AI investment returns. Eurozone and UK equities both made modest gains, with energy and consumer discretionary sectors outperforming in the eurozone.
- Emerging market equities also posted gains, though underperformed developed markets; Latin American markets, notably Colombia, Chile, and Brazil, were particularly robust, while Asia ex Japan advanced with Singapore leading regional performance.
- Global bond markets delivered mixed results as US Treasury yields initially fell on weak jobs figures and prospects of a near-term Fed rate cut, benefitting shorter-dated bonds. In contrast, European government bond yields rose on fiscal and political concerns, especially in Germany and France. Credit markets outperformed government bonds, aided by a stable US corporate environment and improved appetite for risk.

Drivers of fund performance

- The fund outperformed its benchmark in August, rising 4.6% relative to 4.0% for the benchmark. This continues a pattern that we have seen throughput 2025, **with the fund up 24.5% year to date as of end of Augst, at the time of writing, over 7% ahead of the Asian convertible benchmark and 4.6% ahead of equities.**

Intelligent Asian Exposure – Asian Equity like returns, with lower volatility



Source: Schroders. C shares For Illustrative purposes only. Data to 29th August 2025

- Overweight exposures in real estate sector, underweight exposure in consumer discretionary and financials sectors delivered positive performance. Underweight positions in communications, energy and information technology sectors offset some returns.
- At securities level, **Vingroup, Alibaba, Zhen Ding Technology** and **Zingjing Mining** delivered strong performance. While **Zte Group,** and **SK Hynix** detracted from relative returns.

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

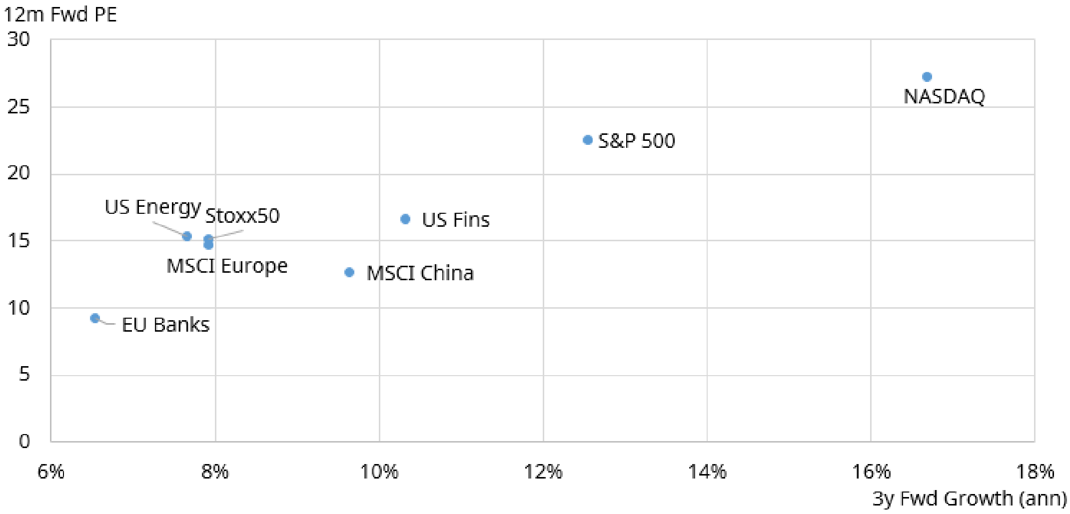
Portfolio activity

- Over the month, we increased our exposure to Alibaba, South-East Asian ride hailing and food delivery market leader. Grab Holdings and to online travel agencies.
- We took some profits in both a regional airline and a Chinese EV name.

Outlook

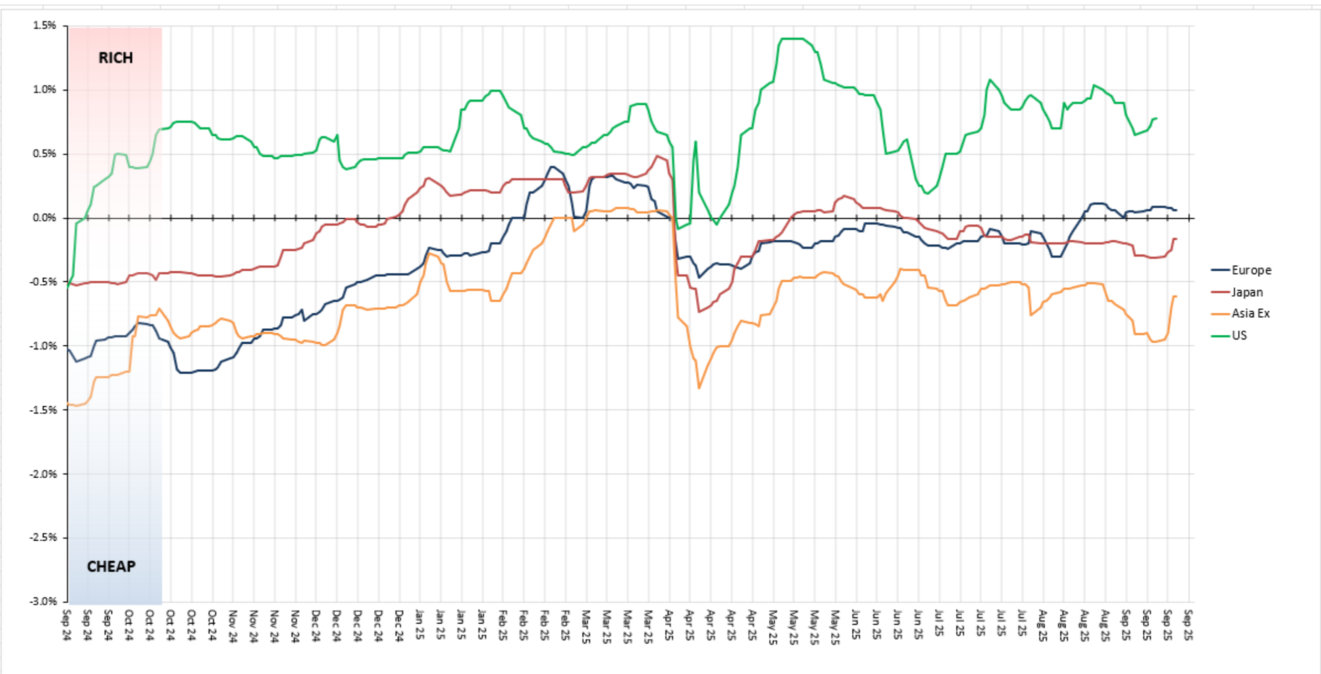
While widespread stimulus, institutional populism and changing business models continue to challenge both the US dollar and the US valuation premium in markets, broadening out to complement US exposure now makes a lot of sense. T**he Asian valuation opportunity is clear, with discounted convertibles the ideal way to gain lower volatility exposure, with less timing risk.**

Regional valuations



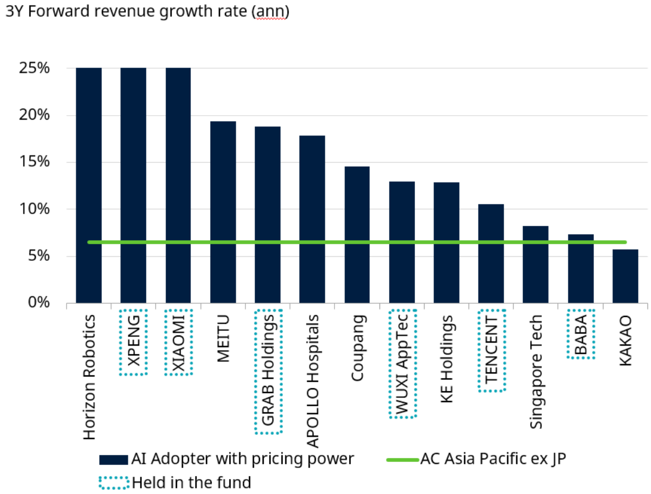
Source: Bloomberg, LSEG Datastream, 31 August 2025.

Convertible regional valuations – Asian double discount



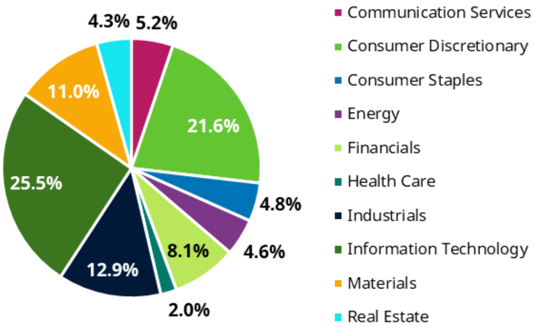
The most obvious opportunities on the team's investment radar at the moment are within AI and Asian convertibles stand out both in terms of valuations and growth prospects.

Intelligent AI Exposure



A Renaissance in Asian Convertibles issuance is adding depth and liquidity

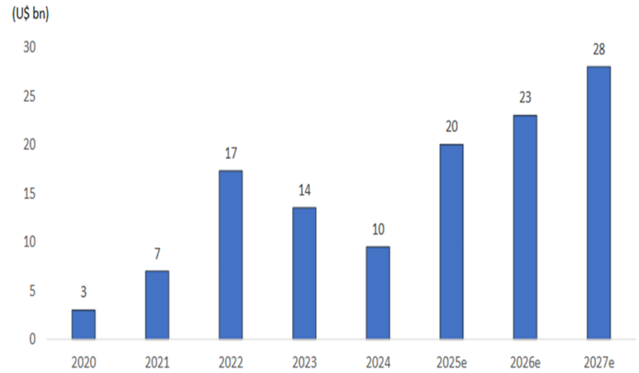
What is more striking though is the breadth of opportunities, boosted by a renaissance in Asian convertibles as investors look to broaden out. Recent issues from Alibaba, China Life, Zhen Ding, Quanta Computers and Bizlink are building depth an liquidity in a much overlooked market.



	US	Europe	Asia	Japan	Total
Aug	10,405	894	681	0	11,980
Jul	6,331	0	4,426	1,364	12,121
Jun	17,771	2,381	6,264	0	26,416
May	13,636	1,936	3,230	0	18,803
2025 YTD	65,379	7,545	20,412	1,572	94,909
2024 YTD	44,851	4,152	17,898	6,030	72,931
2024	84,810	5,347	22,529	6,388	119,073
2023	53,400	13,381	9,019	3,634	79,434
2022	28,704	6,215	4,218	417	39,555

Global defence spending and deglobalization is, ironically, is benefiting Asian industrials, particularly in South Korea. Our Korean **exposure benefits from a diverse range of drivers, spanning semiconductors to shipbuilders** (key beneficiaries of the US drive to rebuild its domestic shipbuilding industry).

Exhibit 46: Korea defense export growth trend and forecasts



Source: Ministry of Defense, Defense Procurement Agency, Morgan Stanley Research. e = Morgan Stanley Research estimates.

Exhibit 27: Korea Shipbuilders Sector vs. KOSPI Share Price Trend

Source: WiseFN, Morgan Stanley Research

Positioning

Our high conviction approach is clearly reflected both in the overall positioning of the fund and the country and sector views expressed below. **At the margin, our bias is to reduce China and overweight what we believe is undervalued AI related and Technology, which we believe is trading at an unwarranted discount to global peers.**

Portfolio statistics	Fund	Benchmark
Equity sensitivity	61.3%	54.1%
Delta	66.1%	59.2%
Bond floor	63.4%	74.2%
Average rating	BBB	BBB
Credit spread (bps)	256	236
Yield	0.6%	0.7%
Effective duration (years)	1.0	1.2

Region	Portfolio	Benchmark	Weighting relative to Benchmark
China	60.7%	59.9%	0.8%
Hong Kong	0.0%	6.1%	**-6.1%**
Macau	0.0%	1.8%	-1.8%
India	2.9%	0.0%	2.9%
Malaysia	0.0%	1.4%	-1.4%
Singapore	5.2%	2.6%	2.6%
South Korea	16.2%	13.6%	2.6%
Taiwan	12.3%	14.6%	-2.3%
Vietnam	2.7%	0.00%	2.7%

Sector	Portfolio	Benchmark	Weighting relative to benchmark
Communication Services	10.8%	5.0%	**5.7%**
Consumer Discretionary	21.9%	22.4%	-0.5%
Consumer Staples	3.2%	4.7%	-1.5%
Energy	0.00%	4.3%	-4.3%
Financials	6.0%	8.0%	-1.9%
Health Care	3.5%	1.9%	1.6%
Industrials	12.2%	12.7%	-0.5%
Information Technology	29.4%	27.0%	**2.4%**
Materials	10.3%	8.7%	1.6%
Real Estate	2.7%	4.0%	-1.3%
Utilities	0.00%	1.4%	-1.4%

Source: Schroders, Aladdin Explore, data as of 31 August 2025.

Calendar year performance (%)

Year	Fund (A Acc)	Fund (I Acc)	BM
2024	8.8%	10.5%	12.3%
2023	7.8%	9.5%	10.7%
2022	-13.3%	-12.0%	-9.0%
2021	0.5%	2.1%	-0.1%
2020	18.1%	19.9%	17.4%
2019	9..1%	10.8%	9.8%
2018	-5.65%	-4.16%	-2.30%
2017	9.29%	10.98%	7.93%
2016	0.63%	2.24%	3.12%
2015	6.22%	7.96%	6.76%

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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