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Schroder ISF* Global Multi-Asset Income

Fund Managers: Remi Olu-Pitan, Dorian Carrell | Fund update: April 2024

Performance overview

- April proved to be a challenging month for most equity and fixed income markets with expectations for US rate cuts being pushed further out following a third consecutive above-consensus core CPI inflation print. This news coincided with another strong US labour market report. The prospect of 'higher-for-longer' rates weighed on most developed equity markets over the month. Weakness was most pronounced among the more interest rate sensitive areas of the market, with the US particularly impacted by the underperformance of technology stocks. Conversely, China posted positive returns, boosted by a strong Q1 24 GDP and evidence that policy support is starting to bear fruit.
- In credit markets, the increase in government bond yields was partially offset by a further tightening in spreads, although total returns were still largely negative. European bonds outperformed their US counterparts as the prospect of a cut from the European Central Bank (ECB) in June looks increasingly likely.

Drivers of fund performance

- The fund demonstrated considerable resilience in April against a more challenging backdrop.
- While equities, particularly US names, detracted from returns over the month, we benefitted from our tilt to Japan and Europe, which held up better on a relative basis.
- Credit strategies were also generally weaker over the month, although pleasingly we saw a small positive contribution from insurance-linked securities.

Portfolio activity

- We trimmed our global equity exposure at the start of the month to manage escalating risks outlined in the market review above.
- Elsewhere, we continued to favour high quality, high coupon agency mortgage-backed securities, which should benefit from the green shoots appearing in the US housing market.

Outlook/positioning

- As geopolitical tensions escalated at the start of the month, we tactically dialled back our equity exposure, before adding back again later in the month.
- We view the recent bout of market indigestion as healthy, with investors pricing more realistic rate expectations going forward.
- As a result, given generally supportive monetary and fiscal conditions, we maintain our constructive equity positioning, and we continue to focus on tactical valuation opportunities, particularly in commodities and Europe.
- Commodities, specifically energy equities, are an interesting hedge to elevated geopolitical tensions in the Middle East.
- We also added to Europe, supported by the brightening consumer outlook and rate cuts from the ECB looking likely in June.
- On credit, we are starting to turn more cautious on investment grade debt given very tight spreads and questions over the resilience of the "bid for yield" in what remains a volatile rate environment. Rather than taking a strong view on rates, we continue to simply step up into securitised credit from investment grade credit, boosting both yield and credit quality. With US 30 mortgage rates now over 7% and housing supply depressed, we are essentially taking the view that the incentive to remortgage or move is extremely limited. Put simply, securitised debt gains while nothing happens.
- Overall, we are positioned for some growth momentum via our pro-cyclical positions in equities and commodities but are concerned about the impact of higher yields on valuations.

*Schroder International Selection Fund is referred to as Schroder ISF throughout
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Calendar year performance (%)

Year	Fund Net A Acc	Fund Net C Acc
2023	11.5	12.2
2022	-12.9	-12.3
2021	4.6	5.2
2020	2.8	3.4
2019	12.2	12.9
2018	-5.4	-4.8
2017	5.5	6.1
2016	7.4	8.1
2015	-6.9	-6.3
2014	2.8	3.4

Source: Schroders, Thomson Reuters, 31 December 2023, A Acc & C Acc $ share class, net of fees. Please see factsheet for other share classes.

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.

Investment Objective

The Fund aims to deliver an income and capital growth over a three to five year period after fees have been deducted by investing in a diversified range of assets and markets worldwide.

Risk considerations

ABS and MBS risk: The fund may invest in mortgage or asset-backed securities. The underlying borrowers of these securities may not be able to pay back the full amount that they owe, which may result in losses to the fund.

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.

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.

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.

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 macro-economic environment, investment objectives may become more difficult to achieve.

Sustainability risk: The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

Important information

The fund has environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For information on sustainability-related aspects of this fund please go to www.schroders.com.

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