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Schroder ISF* Global Multi-Asset Income

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

Performance overview

- A whirlwind but ultimately positive month for both equities and bonds in August.
- Japan's Nikkei 225 suffered its largest single day drop early in August following a sharp rally in the yen, before a spectacular rebound. US equities danced a similar dance, with disappointing jobs growth and a contraction in manufacturing weighing on sentiment early in the period, before data confirming a surge in retail sales saw the S&P 500 rally and finish comfortably over 2%.
- On the bond front, US treasuries rose reflecting concerns over economic weakness, which also lifted corporates, particularly high-yield which outperformed their investment-grade counterparts.
- In Europe, expectations of further rate cuts buoyed rate-sensitive sectors, while emerging markets showed resilience despite earlier fears of a recession.
- Overall, August closed on a positive note, with equities rallying and bonds benefiting from a shift in monetary policy expectations.

Drivers of fund performance

- The fund posed positive returns in August, with the fall in government bond yields as investors moved to price further rate cuts boosting returns across our credit holdings. High yield bonds were the largest contributor, with returns shared across both US and European holdings.
- Equities too made a meaningful contribution with our income-focussed European strategy a notable performer, also benefiting from the tumble in European rate expectations.

Portfolio activity

- We slightly reduced our equity exposure by reducing Japan in favour of some of the more attractively valued sectors where we see scope for catch up, namely utilities and real estate in the US.

Outlook/positioning

- Despite recent volatility, the soft-landing scenario remains our base case, supported by the idea that recent weak employment data results from an increase in labour force and is partly weather related. We will continue to monitor the employment data closely but if inflation is moving in the right direction, it should create enough leeway for central bank to prevent a recession.
- Consistent with soft landing scenario, we remain overall positive on equities, although we have taken a slightly more cautious stance in the face of recent volatility. We retain our balanced approach, combining the most attractive global growth and income names. Given narrowing earnings growth expectations between US tech stocks and other areas of the market, we have been paring back our exposure here in favour of cheaper areas of the market.
- On the bond side, we expect that bonds - with inflation coming under control - will have an increasing role to play in the portfolio to hedge against recession risks. Over time, the normalisation of the yield curve should also help government bonds regain their attractiveness as growth diversifier. In the interim, we continue to seek out genuine diversifiers with emphasis on credit quality adjusted yield. Here, we retain our preference for securitised debt, which help boost both yield and credit quality relative to US investment grade, as well as lowering duration.

*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 income and capital growth 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 shareclass: 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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