Schroder ISF* Global Multi-Asset Income

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

Performance overview

- Global equities were broadly higher in July, although there was notable volatility under the surface. Expectations of Federal Reserve (Fed) rate cuts on the back of softer inflation and labour market data in the US led to a market rotation, with the value style significantly outperforming growth, while small caps performed strongly.
- In the US, investors shifted away from 2024's outperformers, selling-off some of the Magnificent-7 stocks. Top performing sectors included real estate, utilities, and financials with expectations growing that the Fed would cut interest rates in September. Eurozone shares edged higher in July led by the healthcare, utility, and industrial sectors. In Japan, the Topix returned -0.5% in yen terms in July, with the Bank of Japan surprising markets by raising interest rates to 0.25%. Emerging market (EM) equities gained supported by a weaker dollar and optimism that US interest rates could be cut as soon as September given softer inflation data. However, poor performance from index heavyweights China and Taiwan proved a drag.
- Government bonds rallied across all major markets in July, propelled by expected interest rate cuts as inflation pressures eased, which boosted corporate bonds higher. Investment grade bonds outperformed higher-yielding issues in both the US and Europe given their heightened sensitivity to interest rates. Emerging market hard and local currency debt was also positive, as were emerging corporate bonds.

Drivers of fund performance

- The fund continued its positive momentum in July, with credit outshining equities for only the second time this year. Both European and US high yield made meaningful contributions, with returns boosted further by positive security selection.
- Equities were modestly positive across the board. Elsewhere, high-quality securitised bonds made a helpful contribution, capturing much of the fall in government bond yields.

Portfolio activity

- At a high level we took some risk off the table mostly from the US, where we trimmed equities and cut our high yield allocation in favour of high-quality securitised debt.

Outlook/positioning

- Despite the volatility we have seen at the beginning of August, we believe the picture remains broadly supportive. As a result, we remain broadly 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.
- We expect a rate cut in September, with positive signalling from Jerome Powell at Jackson Hole but, absent a geopolitical crisis, no emergency cuts. As a result, we have been adding to duration. However, on a strategic basis we retain our cautious approach towards duration, not least due to concerns that populist electoral outcomes could lead to imprudent fiscal outcomes in the West.
- We retain our cautious stance towards investment grade credit given very tight spreads and questions over the resilience of the "bid for yield", particularly given the yields on offer relative to cash. Against this backdrop we continue to seek out diversifiers, with the emphasis on credit quality adjusted yield. We retain our preference for securitised debt, which helps boost both yield and credit quality relative to US investment grade, as well as lowering duration. 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.

*Schroder International Selection Fund is referred to as Schroder ISF throughout
For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country

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.

This advertisement has not been reviewed by the Monetary Authority of Singapore.

This is prepared by Schroders for information and general circulation only and the opinions expressed ar e subject to change without notice. It does not constitute an offer or solicitation to deal in units of any Schroders fund (the “Fund”) and does not have regard to specific investment objectives, financial situation or the particular needs of any specific person who may receive this. Investors may wish to seek advice from a financial advisor before purchasing units of any Fund. In the event that the investor chooses not to seek advice from a financial adviser, he should consider whether the Fund in question is suitable for him. Past performance of the Fund or the manager, and any economic and market trends or forecast, are not necessarily indicative of the future or likely performance of the Fund or the manager. The value of units in the Fund, and the income accruing to the units, if any, from the Fund, may fall as well as rise. Investors should read the prospectus, available from Schroder Investment Management (Singapore) Ltd or its distributors, before deciding to subscribe for or purchase units in any Fund. Funds may carry a sales charge of up to 5%.

Schroder Investment Management (Singapore) Ltd
138 Market Street #23-01 CapitaGreen Singapore 048946
Telephone: 1800 534 4288 Fax: +65 6536 6626
Registration No.: 199201080H