Schroder ISF* Global Multi-Asset Income

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Market Review

- October 2024 was marked by significant market volatility, as equities retreated after a strong performance in 2024 to date. Investor anxiety centred around growth prospects, despite some resilience in the US economy. The impending US presidential election further fuelled uncertainty, with potential policy shifts raising concerns about inflation and interest rates.
- Developed market equities recorded a decline of 2.0%, with growth stocks slightly outperforming value, yet still down 1.8%. Small-cap stocks, which are typically more sensitive to the broader economic challenges faced a more pronounced drop of 2.7%.
- Japanese equities stood out as the best performers, even as worries about tighter monetary policy and a stronger yen loomed. Emerging markets fell by 4.3%, pressured by a robust US dollar and profit-taking in India, alongside volatility in Chinese markets due to mixed signals from recent government support measures.
- Turning to bonds, US investment-grade performed well, while high-yield fell owing to economic uncertainties. European markets mirrored this trend, and local denominated Emerging Market Debt struggled under a strong US dollar and profit-taking.

Drivers of Fund Performance

- The fund fell over the month as rising bond yields and uncertainty heading into the US election weighed on investors' minds.
- All areas of the portfolio were weaker over the month. Within bonds, our tilt towards European credit proved positive, alongside our cautious approach to interest rate sensitivity, with our securitised debt exposure outperforming US investment grade.
- On the equity side, we benefited from our exposure to Japan and US financials, both seen as beneficiaries of a Trump presidency.

Portfolio Activity

- Our equity allocation remained broadly unchanged over the month. On a regional basis, we continue to favour the US as the likely beneficiary of a more persistent inflation environment.
- We shifted our duration exposure away from the US in favour of Europe, where stalling growth makes rate cuts more likely.
- We trimmed our exposure to emerging market local bonds, where we were concerned that expectations for rate cuts in the US were overdone, and this could start to impact emerging markets, where many central banks had started their rate cutting cycles ahead of the Fed. Additionally, the increasing probability of a second Trump presidency is likely to put upward pressure on the US dollar.

Outlook/positioning

- While we expected and were positioned for Donald Trump to secure the presidency, the emphatic nature of the Republican sweep did take us, and, more importantly, the market by surprise. The key benefit, purely from an investment perspective, is clarity. Much to the market's relief, an uncertain outcome, followed by protracted legal wrangling and the potential for civil unrest, has been avoided.
- The key implications of a Republican sweep are very likely inflationary, with a highly constrained labour market combining with higher import prices to drive up the price of US goods and wages in 2025 and beyond. With higher inflation expectations compounded by an expanding fiscal deficit, rates and interest rate volatility are both likely to

*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 be higher than many market participants had expected. On the other hand, nominal growth should also be higher in the US, supporting healthy corporate earnings' growth.

- From a fixed income perspective, yields therefore will need to be evaluated in the context of a more uncertain interest rate and currency backdrop, with less of a tailwind from interest rate cuts. This increases the appeal of high quality high yield, pockets of the securitised market and floating rate diversifiers such as Insurance Linked Securities.
- On the growth side, we continue to rotate towards the more cyclical areas of the equity market in the US, whilst adding to high quality small cap names and, at the margin, Japan.

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.

Bond Connect risk: The fund may be investing in the China Interbank Bond Market via the Bond Connect which may involve clearing and settlement, regulatory, operational and counterparty risks.

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.

Stock connect risk: The fund may be investing in China "A" shares via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect which may involve clearing and settlement, regulatory, operational and counterparty risks.

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

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