Schroder ISF* Global Multi-Asset Income

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

Market Review

- Global equities rose in September, with emerging markets (EM) outperforming developed markets. The S&P 500 rose, buoyed by a 50 basis point rate cut from the Federal Reserve (Fed). Consumer discretionary and utilities led the gains, while energy and healthcare sectors lagged. Eurozone equities also rallied following their own 25 basis point rate cut by the European Central Bank.
- With the Fed taking a significant initial step and adopting a dovish stance on non-recessionary rate cuts, Chinese policymakers took the opportunity to implement an extensive monetary and, to a lesser extent, fiscal easing package. As a result, Chinese equities were catapulted from the year-to-date laggard to leader.
- In a supportive environment for bonds, corporates outperformed government bonds, whilst high yield outperformed investment grade. Emerging market debt was also stronger over the month with local denominated bonds particularly strong, rallying almost 3.5%.

Drivers of Fund Performance

- The fund posted positive returns in September, taking advantage of the very supportive environment for risk assets, as all areas of the portfolio contributed positively to returns.
- Fixed income was the key contributor to returns, with high yield leading the charge benefiting from the goldilocks environment of rate cuts and a relatively healthy economic backdrop.
- Equities were also positive, with US stocks continuing to benefit from the earnings growth of technology companies, while Chinese stimulus announcements was a boost for European names.

Portfolio Activity

- While our overall equity exposure was unchanged at 33% over the month, we continued to shift our exposure towards companies in interesting cyclical areas such as REITs and utilities. We also initiated a position in US small caps as a key beneficiary of the rate cutting cycle.
- From a regional perspective, we continue to reduce our exposure to Japan, in favour of China, where the latest stimulus measures from the Chinese government could have a meaningful impact on returns.
- Against a backdrop of very aggressive rate cut expectations in the US over the next 12 months, we continue to favour European credit over rates exposure.

Outlook/positioning

- The combination of a healthy economic backdrop in the US, and rate cuts provides a very supportive environment for both global equities and credit, where we retain our constructive positioning. Europe, more than any other region, is sensitive to both geopolitics and the US election outcome, leaving us largely on the sidelines until mid-November. In Japan, policy contortions have left investors confused-- while rate rises are clearly necessary, there are legitimate doubts about the timing and, as a result, Japanese equities are likely to remain volatile.
- In high yield, we have been tilting towards higher quality Europe where very sluggish economic growth and a cloudy picture in both France and Germany has cleared the way for ongoing rate cuts. We expect regular cuts from October in what remains a more rate sensitive economy to gradually boost growth from Q2 2025.
- Overall, we continue to believe that the first cut is in the deepest, in the US at least. Whether this decision turns out to be prescient or not, is likely to depend to a large degree on the outcome of the US election.

*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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Schroder Investment Management (Singapore) Ltd

138 Market Street #23-01 CapitaGreen Singapore 048946

Telephone: 1800 534 4288 Fax: +65 6536 6626

Registration No.: 199201080H

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