

Schroder ISF* Global Dividend Maximiser

Fund Managers: Value Team & Structured Fund Management Team | Fund update:
February 2023

Performance overview

- The fund seeks to provide an income of 7%¹ p.a. via a call option overlay and an actively managed equity portfolio, which is primarily invested in high yielding stocks from around the world.
- Global equities fell in February.
- From a performance perspective, the fund fared better than the MSCI World, sector average and MSCI World Value.

Drivers of fund performance

- Stock selection in a number of sectors, notably financials, aided fund returns. Positioning in information technology was a detractor.
- A number of our banking sector holdings were among the top positive contributors, including emerging markets focused lender **Standard Chartered** and Italian banks **UniCredit** and **Intesa Sanpaolo**. Banks continue to benefit from the rising interest rate environment and from valuations which remain attractive. Standard Chartered unveiled a \$1 billion share buyback programme in February and increased its dividend. The bank has also been the subject of takeover interest from First Abu Dhabi Bank.
- The leading individual contributor was aerospace firm **Rolls-Royce**. The firm's annual results were well received by the market. Additionally, the new chief executive, who joined in January, has announced a strategic review aimed at delivering higher profits, cash flow and returns.
- In communication services, our holdings in telcos **Orange** and **BT Group** added value. In February, Orange announced a new strategic plan aimed at increasing cash flow and returns to shareholders by 2025. BT Group reaffirmed its full-year outlook, despite inflationary headwinds, and said it continues to build out a full fibre network at pace in the UK.
- On the negative side, chipmaker **Intel** was among the main detractors. Intel announced a cut to its quarterly

dividend. The move is designed to save money while the chipmaker invests in new manufacturing capacity.

While enhancing the income, the options detracted in mark-to-market terms, weighing -0.47% (reflecting both expired trades and those with time still to expiry, in USD terms).

- Looking only at those options that reached their expiry date in February, there was a negative contribution of -0.36% (in net cash terms) as three option tranches reached maturity.
- **Unicredit, Standard Chartered, Swiss Re, HSBC** and **Heidelbergcement** were among those to finish above their strikes, but cautious notional decisions (i.e. reducing the proportion of those holdings that we overwrite) helped to improve the degree of upside captured.

Portfolio activity and positioning

- The current overwritten ratio on the fund is around 60%. In other words, while continuing to deliver the income, the fund can capture upside up to the level of the individual strike prices on the ~60% overwritten, and the full extent of any upside on the 40% without options.
- We currently employ 12 overlapping option tranches (overwriting ~5% of the NAV in any single tranche). This gives us a regular opportunity to respond to changes in market conditions, share price movements and dividend expectations, and reflect these in our overlay management. We also continue to carry out in-depth stock-by-stock analysis prior to each auction, assessing the volatility and strikes of each individual option we are looking to sell.

¹ The gross yield is an estimate and is not guaranteed.

Calendar year performance (%)

Year	Fund	Comp. 1	Comp. 2	Comp. 3
2022	-6.3	-18.1	-6.5	-11.8
2021	17.8	21.8	21.9	17.1
2020	-7.6	15.9	-1.2	4.6
2019	15.2	27.7	21.7	21.7
2018	-11.0	-8.7	-10.8	-11.4
2017	17.7	22.4	17.1	18.8
2016	10.3	7.5	12.3	5.6
2015	-5.9	-0.9	-4.8	-2.8
2014	4.6	4.9	3.7	1.4
2013	15.9	26.7	26.6	20.6

Source: Schroders, as at 31 December 2022. Fund performance is net of fees, NAV to NAV with net income reinvested, C Acc shares USD. Please see factsheet for other share classes. Comparator 1 is MSCI World, comparator 2 is MSCI World Value, and comparator 3 is Morningstar Global Equity Income sector. The fund's performance should be assessed against the income target of 7% per year, and compared against the MSCI World (Net TR) index, MSCI World Value (Net TR) index and Morningstar Global Equity Income Category. The investment manager invests on a discretionary basis and there are no restrictions on the extent to which the fund's portfolio and performance may deviate from the MSCI World (Net TR) index and the MSCI World Value (Net TR) index.

Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

Risk considerations

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.

Currency risk: The fund may lose value as a result of movements in foreign exchange rates.

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.

IBOR: 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.

Maximiser funds: Derivatives are used to generate income (which is paid to investors) and to reduce the volatility of returns but they may also reduce fund performance or erode capital value.

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.

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.

Market Risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

Higher Volatility risk: The price of this fund may be volatile as it may take higher risks in search of higher rewards.

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