

Schroder ISF* Global Emerging Market Opportunities

Fund managers: Tom Wilson and Nicholas Field | Fund update: February 2023

Performance overview

- Emerging market (EM) equities posted negative returns in February and underperformed global equities. A re-escalation in US-China tensions weighed on sentiment while more resilient-than-expected macroeconomic data out of the US raised the prospect of further rate hikes. Against this backdrop the dollar strengthened, which was an additional headwind for EM.
- The fund recorded a negative return but outperformed the MSCI EM Index.

Drivers of fund performance

- Among our core markets, the overweight to Greece and stock selection within the market (overweight **Alpha** and **Eurobank Ergasias**) was the key driver of outperformance, while Korean stock selection (overweight **Samsung Fire & Marine Insurance** and **Korea Zinc**) also added value. Chile had a neutral contribution. Stock selection in South Africa (overweight **Goldfields**) and Brazil (overweight **Petro Rio** and off-benchmark position in **3R Petroleum Oleo e Gas**) detracted.
- Looking at our non-core markets, China (zero-weight Alibaba, overweight **China Pacific Insurance**) contributed the most to returns. Conversely, in Taiwan, the overweight position in **TSMC** weighed on returns.

Outlook

- The combination of disinflation in the US, an easing energy crisis in Europe and the re-opening of China's economy have helped to ease investor concerns over the outlook for this year. Nonetheless, a high degree of uncertainty over global growth and inflation persists.
- The risk that rates stay higher for longer than markets currently anticipate cannot be ignored.
- For EMs, the recovery in China's economy from a low base is supportive. However, slower global trade will

be a headwind for growth this year, and broad-based monetary tightening is a further drag.

- The US dollar is expensive compared with its history on a real effective exchange rate (REER) basis. EM yields and currencies in general remain at attractive levels.
- EM equity valuations are close to the historical median on a price-book basis, and cheap on a dividend yield basis. With the exception of India and some smaller markets, EM valuations at the market level remain reasonable, in our view.

Calendar year performance (%)

Year	Fund	MSCI Emerging Markets Net TR
2022	-21.2	-20.1
2021	-4.9	-2.5
2020	21.6	18.3
2019	29.8	18.4
2018	-16.4	-14.6
2017	38.6	37.3
2016	8.6	11.2
2015	-13.9	-14.9
2014	-1.6	-2.2
2013	3.0	-2.6
2012	13.7	18.2

Source: Schroders, as at 31 December 2022. Net of fees, bid-bid, with net income reinvested, USD A Acc. Please see factsheet for other share classes. Index source: MSCI, as at 31 December 2022. 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. Please see the respective fund factsheets for the performance of other share classes.

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.

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.

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

Currency risk / hedged share class: 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 – efficient portfolio management and investment purposes: Derivatives may be used to manage the portfolio efficiently. 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. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset.

Emerging markets & frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.

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

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 macroeconomic environment, investment objectives may become more difficult to achieve.

Important Information:

Marketing material for professional clients only. This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the "Company"). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. An investment in the Company entails risks, which are fully described in the prospectus. Subscriptions for shares of the Company can only be made on the basis of its latest Key Investor Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Europe) S.A. Schroders may decide to cease the distribution of any fund(s) in any EEA country at any time but we will publish our intention to do so on our website, in line with applicable regulatory requirements. For Luxembourg, these documents can be obtained in English at www.schroders.lu. For the UK, these documents can be obtained in English, free of charge, from the Facilities Agent Schroder Investment Management Ltd, 1 London Wall Place, London EC2Y 5AU or at www.schroders.co.uk. This fund does not have the objective of sustainable investment or binding environmental or social characteristics as defined by Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). Any references to the integration of sustainability considerations are made in relation to the processes of the investment manager or the Schroders Group and are not specific to the

fund Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy. 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 amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise. The views and opinions contained herein are those of the individuals to whom they are attributed and may not necessarily represent views expressed or reflected in other Schroders communications, strategies or funds. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy/ or on request should you not have access to this webpage. A summary of investor rights may be obtained from <https://www.schroders.com/en/lu/professional-investor/footer/complaints-handling/> For your security, communications may be recorded or monitored. Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registration No B 37.799. Distributed in the UK by Schroder Investment Management Ltd, 1 London Wall Place, London EC2Y 5AU. Registration No 1893220 England. Authorised and regulated by the Financial Conduct Authority.