Schroders

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Schroder ISF* Global Equity Alpha

Fund Managers: Frank Thormann, Alex Tedder | Fund update: February 2023

Performance overview

- Global equity markets broadly declined in February as investors reacted to expectations of a prolonged period of higher interest rates.
- The fund posted a negative return and underperformed the MSCI World index over the month.

Drivers of fund performance

- Stock selection was negative, particularly in information technology, consumer discretionary and communication services. Conversely, our allocations to financials, materials and industrials added value in the month.
- By region, our positions in emerging markets and North America detracted in February, while our holdings in the UK, Japan, Continental Europe and pacific ex Japan added value.
- **Alibaba Group Holdings, ConocoPhillips** and **Adobe** were among the biggest individual detractors in February. Allocations to **B3** and **Alphabet** also detracted in the month.
- Our zero-weight allocations to Apple, Nvidia and Tesla also detracted in February.
- **Shell, Parker-Hannifin** and **Booking Holdings** were among the biggest individual contributors in February. Allocations to **Erste Group, AstraZeneca** and **Bridgestone** also added value in the month.
- Zero-weight allocations to Amazon and Home Depot also added value in February.

Outlook/positioning

- Concerns over rising inflation, global supply chain problems, high energy prices and the changing regulatory environment in some countries are creating market uncertainty.
- The challenges of the current environment continue to underpin the importance of strong stakeholder management and long-term thinking by companies.
- Against this uncertain backdrop, we maintain a balanced approach and remain focused on companies that have strong pricing power that can pass through rising costs.

Calendar year performance (%)

	Fund	Benchmark***
2022	-8.0	-7.8
2021	20.8	21.8
2020	21.3	15.9
2019	24.0	27.7
2018	-10.3	-8.7
2017	24.5	22.4
2016	1.1	7.5
2015	-1.1	-0.9
2014	1.0	4.9
2013	24.0	26.7

Source: Schroders, net of fees, NAV to NAV with net income reinvested. A Acc share class, as at 31 December 2022. ***MSCI World - Net Return. The fund's performance should be assessed against its target benchmark, being to exceed the MSCI World (Net TR) index. The fund's investment universe is expected to overlap materially with the components of the target benchmark.

*Schroder International Selection Fund is referred to as Schroder ISF throughout

Risk considerations

- **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.
- **Operational risk**: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
- **Currency risk**: The fund may lose value as a result of movements in foreign exchange rates. Concentration risk: The fund may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down.
- **Derivatives risk – Efficient Portfolio Management**: 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.
- **Emerging Markets & Frontier risk**: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.
- **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.
- **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.
- **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.

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