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Schroder ISF* Global Multi-Asset Income

Fund Managers: Dorian Carrell, Remi Olu-Pitan | Fund update: October 2021

Performance overview

- After a soft start, equities gathered steam through October with many indices making record highs, supported by encouraging earnings and an easing of fears around China's property sector.
- Fixed income markets were more turbulent, as supply chain bottlenecks and booming energy prices led investors to price in a faster pace of central bank tightening.
- Government bond yields broadly rose, whilst credit markets were little changed
- Our preference for areas and regions that stand to benefit from higher bond yields & a maturing cycle meant the fund performed well.

Drivers of fund performance

- Equities were the primary driver, led by our core global and call overwriting strategies, which continues to benefit from elevated volatility.
- Global REITs also surged in October, with security selection helping boost returns.

Portfolio activity

- We retain a preference towards areas that can benefit from higher yields, as we shifted further into Global REITs and the call overwriting equity strategy.
- In local emerging market bonds, we remain patient, trimming some exposure over the month as we await further clarity on the inflation picture and interest rate path in multiple markets.

Outlook/positioning

- While short term inflationary pressures associated with the "reopening" of economies are starting to abate, we are becoming more
- concerned about medium term inflation pressures and as a result, continue to shift into areas that can benefit from higher bond yields and during a later phase of the cycle.
- We remain light in the fixed income space, but retain our preference for high yield over investment grade, particularly areas of the market with attractive levels of yield.
- All in all, with every month that passes the output gap is closing and we are shifting towards a more mature phase of the cycle. There are still opportunities to generate positive returns from equities but we need to manage the risk of peaking central bank liquidity.
- Whilst the outlook for growth remains positive, the divergence between winners and losers will become more apparent. However, we continue to believe in the ability of our stock picking to take advantage in this new dimension. Moving forwards, tapering from the Fed will clear the pathway for future rate hikes, but we continue to feel that the portfolio is well positioned to generate returns and an attractive, diversified and sustainable level of income.

Calendar year performance (%)

Year	Fund Net
2020	2.8
2019	12.2
2018	-5.4
2017	5.5
2016	7.4

Source: Schroders, Thomson Reuters, 31 December 2020, A 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.

Please see the respective fund factsheets for the performance of other share classes.

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

Risk considerations

Credit risk: A decline in the financial health of an issuer could cause the value of its bonds to fall or become worthless.

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.

High yield bond risk: High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk.

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.

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.

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.

Important information

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