Schroders

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Schroder ISF* Global Multi-Asset Balanced

Fund Manager: Ingmar Przewlocka, Philippe Bertschi | Fund update: October 2021

Performance overview

- The fund's performance was positive in October, as equities rebounded and earnings were generally supportive. In bond markets, yield curves flattened as shorter-term rates rose to reflect rising near-term inflation expectations.

Drivers of fund performance

- Equities recorded strong returns. European and global equities recovered from losses in September and contributed most to performance. Returns were driven by strong earnings and an increase in economic sentiment over the month. Our tactical cyclical and thematics positions also did well.
- Fixed income positions were negative. Returns from our short US and Germany government bond were offset by losses from other government bond exposures. Corporate credit produced small negative returns.

Portfolio activity

- Portfolio activity over the month focused on maintaining our pro-cyclical exposure.
- Within equities, we continue to be neutral on emerging equities as Chinese data continues to slow. However we rotated our exposure from the Schroder ISF Emerging Markets into the Schroder ISF Global Emerging Markets Opportunities, preferring a more concentrated, higher conviction strategy.
- Turning to fixed income, we took some profit in our short US treasuries positions following strong returns. We reinvested these profits in short Italian and Germany government bonds positions, maintaining the portfolios overall low duration.

Outlook/positioning

- Based on our cyclical models and balancing medium term inflationary pressures, we continue to be focused on stagflationary risks. In terms of central bank policy, tapering by the Federal Reserve could be done by the middle of 2022, with the possibility that US interest rates then start to rise as we head into the autumn. These risks continue to lead us to combine our overweight in equities with an overweight position in commodities and an underweight position in bonds.
- 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.

Calendar year performance (%)

Year	Fund	Target benchmark
2020	6.0	2.6
2019	12.0	2.6
2018	-6.9	2.7
2017	3.7	2.7
2016	0.6	2.7

Source: Schroders, as at 31 December 2020. Fund performance is net of fees, NAV to NAV with net income reinvested, C Acc shares. The target benchmark is 3m Euribor +3%. 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.
- Currency risk: The fund may lose value as a result of movements in foreign exchange rates.
- 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.
- 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.
- 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.
- 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.

Important information