Schroders

Marketing material
for professional clients only

Schroder ISF* Emerging Multi-Asset

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

Performance overview

- After a soft start, equities gathered momentum throughout October, ending the month on a high, supported by encouraging earnings and an easing of fears around China's property sector.
- Fixed income markets had a rockier month, 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.
- The economic releases did not dissuade the Federal Reserve (Fed) from its plans to taper quantitative easing to a full stop by mid-next year. Elevated inflation figures are still held by the central bank to be transitory.
- Emerging market (EM) equities recorded a positive return in October. China finished ahead of the broader index, driven by a pick-up in several internet and e-commerce stocks which were negatively impacted by regulatory actions earlier this year.
- **We have updated the name to EMMA reflect the fund's total return income focus. Given income comes with the territory in EM multi-asset investing, and the fund is comfortably meeting its 3-5% income target, it is superfluous in the name.**

Drivers of fund performance

- The fund bounced back in October, with Chinese equities leading the charge as investor concerns over regulatory scrutiny and uncertainty in the property sector eased.

Portfolio activity

- We added to attractively yielding REITs which offered compelling value, predominantly in Singapore and Hong Kong. Emerging Europe continues to do well, and whilst we topped up our exposure a little, more attractive opportunities may be appearing elsewhere
- Elsewhere, we rotated away from high yield and investment grade , into attractively valued Japanese convertibles, where we have been targeting positive impact issuers.

Outlook/positioning

- Given the amount of pent up consumption and CAPEX, we still expect positive momentum to continue for both the rest of 2021 and into 2022, and for that level of growth to be supportive of emerging markets.
- Within equities, we believe valuations are attractive for the long-term investor, however shorter-term headwinds surrounding Chinese growth and heightened regulation remain.
- Overall, we are comfortable with our current positioning, retaining a bias for a combination of high growth and high-quality corporates.

Calendar year performance (%)

Year	Fund Net
2020	15.6
2019	11.1
2018	-13.7
2017	18.8
2016	11.0

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

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. 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. An investment in the Company entails risks, which are fully described in the prospectus. 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. Schroders has expressed its own views and opinions in this document and these may change.

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. This document is issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799. For your security, communications may be taped or monitored. **Third Party Data Disclaimer:** Third party data is owned or licensed by the data provider and may not be reproduced or extracted and used for any other purpose without the data provider's consent. Third party data is provided without any warranties of any kind. The data provider and issuer of the document shall have no liability in connection with the third party data. The Prospectus and/or www.schroders.com contains additional disclaimers which apply to the third party data.