Schroders

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Schroder ISF* Global Diversified Growth

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Fund update: October 2021

Performance overview

– The fund recorded a positive return in October.

Drivers of fund performance

– Equities rebounded on strong earnings announcements. In bond markets, yield curves flattened as shorter-term rates rose to reflect rising near-term inflation expectations.

– Commodities and equities made a positive contribution to return, outweighing losses from other alternatives and fixed income.

Portfolio activity

– The overall equity weight was broadly unchanged over the month, although we did make changes beneath the surface.

– We reduced our allocation to Europe slightly, switching into financials which have greater upside potential.

– In fixed income, we increased the government bond weight by adding UK gilts, while taking profits on the US 10s/30s flattener trade we held since June.

Outlook/positioning

– We are starting to get conflicting messages from our cyclical models, indicating that we are moving into the late stages of this cycle.

– 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.

– In terms of central bank policy, tapering by the Federal Reserve (Fed) 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. This environment lends itself to favouring equities and commodities.

Calendar year performance (%)*

Year	Fund Net
2020	4.9
2019	11.6
2018	-8.2
2017	8.3
2016	4.8

Source: Schroders, Thomson Reuters, 31 December 2020, I 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