Schroders

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Schroder ISF* Emerging Europe

Fund Managers: Rollo Roscow and Mohsin Memon | Fund update: February 2023

Performance overview

- Emerging European equities, as measured by the MSCI Emerging Markets (EM) Europe 10-40 Index, rose and outperformed other emerging and developed world markets.
- The Czech Republic was the strongest market, followed by Greece and Turkey. Hungary rose, but underperformed the benchmark index, while Poland recorded a negative return.
- The fund posted a positive return and marginally outperformed the MSCI EM Europe 10-40 Index.

Drivers of fund performance

- Country allocation had a negative impact on the fund's relative return. The underweight to Turkey more than offset the benefits from the overweight to Greece.
- Stock selection was positive overall, especially in Poland and Greece. In the former, the overweight to retailer **Pepco Group** and underweight to industrial metals group **KGHM Polska Miedz** contributed positively, while in the latter, the zero-weight to gaming company Opap and overweight to **National Bank of Greece** were beneficial to returns.
- Stock selection detracted in Hungary, largely due to the overweight in pharmaceutical firm **Gideon Richter**.

Outlook

- The combination of disinflation in the US, an easing energy crisis in Europe and the re-opening of China's economy have helped to ease investor concerns over the outlook for this year. Nonetheless, a high degree of uncertainty over global growth and inflation persists.
- The risk that rates stay higher for longer than markets currently anticipate cannot be ignored.
- For emerging Europe, an easing in energy prices and the recovery in China's economy from a low base are supportive. However, slower global trade will be a headwind for growth this year, and broad-based monetary tightening is a further drag.
- Despite weakness in recent months, the US dollar is still expensive compared with its history on a real effective exchange rate (REER) basis.
- Emerging European equity valuations, bond yields and currencies in general remain at attractive levels.

Calendar year performance (%)

Year	Fund	MSCI Emerging Markets Europe 10-40 Index Net TR
2022	-69.8	-67.6
2021	31.0	21.7
2020	-14.5	-19.1
2019	36.7	32.7
2018	-6.4	-6.7
2017	11.6	5.7
2016	35.3	29.5
2015	1.5	-5.0
2014	-18.5	-19.7
2013	1.1	-8.5
2012	28.2	25.5

Source: Schroders, as at 31 December 2022. Net of fees, bid-bid, with net income reinvested, USD A Acc. Please see factsheet for other share classes. Index source: MSCI, as at 31 December 2022. 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.

Temporary suspension of NAV and dealing in shares in the Fund

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

Capital risk / distribution policy: As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.

Concentration risk: MSCI Emerging Markets Europe 10-40 Index. 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.

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.

Currency risk: The fund may lose value as a result of movements in foreign exchange rates.

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.

Higher volatility risk: The price of this fund may be volatile as it may take higher risks in search of higher rewards.

IBOR risk: 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.

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.

Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

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 macroeconomic environment, investment objectives may become more difficult to achieve.