Schroders

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Schroder ISF* Global Emerging Market Opportunities

Fund Managers: Tom Wilson and Nicholas Field | Fund update: March 2021

Performance overview

– Emerging markets (EM) equities, as measured by the MSCI Emerging Markets Index, recorded a negative return in March.

– Sentiment towards EM equities was weak as EM vaccine programmes lagged developed markets. A pick-up in daily new cases of Covid-19 led to renewed activity restrictions in some countries. Meanwhile, a marked increase in US Treasury bond yields pressured higher growth areas of the equity markets, and accompanying US dollar strength was also a headwind for EM.

– The fund recorded a negative return but outperformed the MSCI Emerging Markets Index.

Drivers of fund performance

– Among our core markets, the overweight to Russia, and stock selection within the market, added the most to relative returns. This included the overweight to gas company **Novatek**. Being overweight to South Korea and positioning within the market was also positive, as was the overweight to South Africa. Conversely, the overweight to Turkey, and stock selection within the market, was negative. The overweight to **Garanti Bank** was the key drag. Brazil and Hungary also had a slightly negative impact on relative performance.

– Within our non-core markets, China was the main contributor. Greece, Kazakhstan, and Mexico also had a positive impact. Conversely, India and Taiwan were negative.

Outlook

– The global supply and distribution of vaccines should accelerate as we move through 2021. Meanwhile, monetary and fiscal policy settings remain very loose.

– Central bank and government policy support may be close to peaking, but we are still at an early stage in the rebound in global growth. The growth recovery should support cyclicals and earnings more broadly.

– One caveat is that EM normalisation should lag developed markets due to later deliveries of vaccines and distribution issues. However, the picture is not uniform across EM.

– The main risk revolves around vaccines and whether new strains develop which are more resistant to existing formulae. We are also closely monitoring inflation. The path for US-China relations remains a further area of focus.

Calendar year performance (%)*

Year	Fund	MSCI Emerging Markets Net TR
2020	21.6	18.3
2019	29.8	18.4
2018	-16.4	-14.6
2017	38.6	37.3
2016	8.6	11.2

Source: Schroders, as at 31 December 2020. 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 2020. 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.

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

Risk considerations

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.

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.

Currency risk / hedged shareclass: The hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.

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 macro economic environment, investment objectives may become more difficult to achieve.