



Schroder ISF* Emerging Markets Value

January 2024

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*Schroder International Selection Fund is referred to as Schroder ISF throughout this presentation.

Vera German

Fund Manager

Juan Torres

Fund Manager

What does the term Emerging Markets mean to you?

Maybe this?



Source: Schroders, Google Images, January 2024

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Past performance is not a guide to future performance and may not be repeated.

Source: Schroders, Refinitiv Eikon, in HKD, 31 December 2004 to 31 December 2023.

What does the term Emerging Markets mean to you?

Maybe this?



Source: Schroders, Google Images, January 2024.

What does the term Emerging Markets mean to you?

This is what it means to us



Juan Torres
Fund Manager

- Managed value portfolios at Schroders since 2018
- Joined Schroders in 2017
- Investment career commenced in 2005
- Previously worked at Pictet Asset Management from 2013, as an Investment Manager focussing on emerging markets
- Prior to this was responsible for building customized valuation models at Credit Suisse Group from 2011. Career began in 2005, as a syndicate loan Analyst at Bancolombia and then as an investment banking analyst at Corficolombiana
- MBA, Manchester Business School and Degree in Finance & Foreign Affairs, Universidad Externado de Colombia



Vera German
Fund Manager

- Managed value portfolios at Schroders since 2020
- Joined the Global Value team in December 2018
- Investment career commenced in 2012 at Baillie Gifford & Co on their graduate training scheme. Subsequently became an analyst for Emerging Markets equity and International equity. Promoted to fund manager on the Global Income Growth product in September 2017
- CFA Charter Holder
- Degree in European Social and Political Studies, University College London

Source: Schroders, January 2024.

A challenging decade for EM versus DM

The long-term trend of underperformance versus DM

EM vs. DM (total return, rebased to 100)



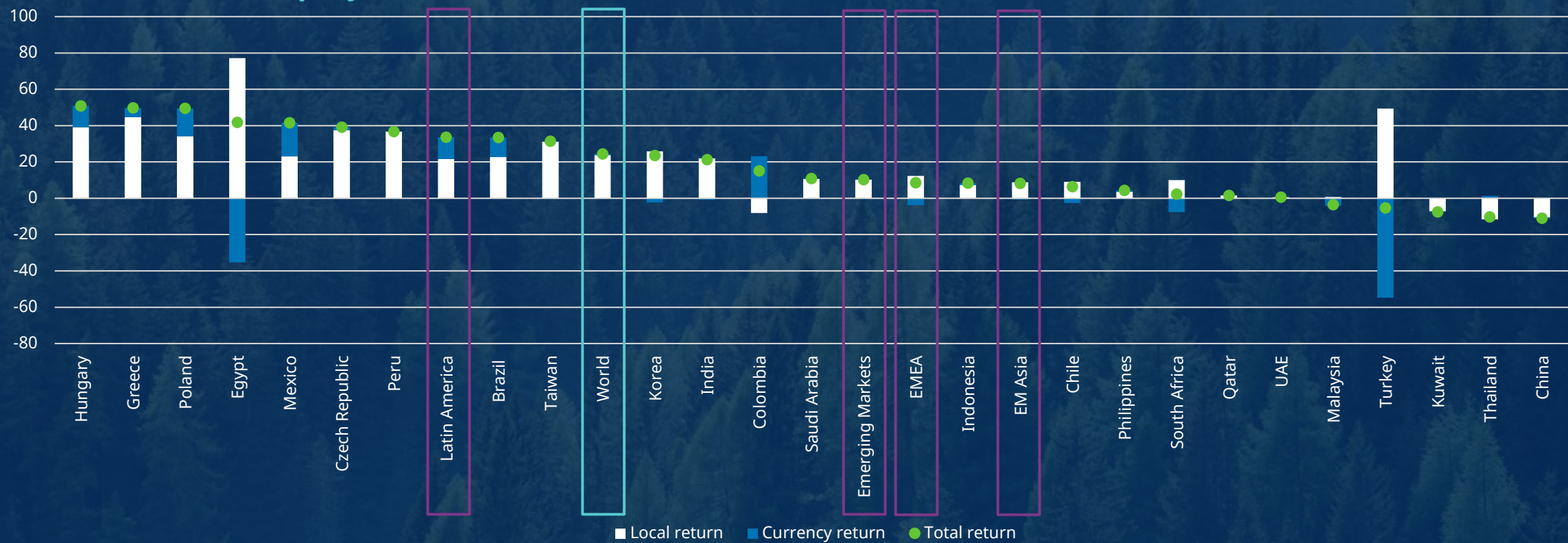
Past performance is not a guide to future performance and may not be repeated.

Source: LSEG Datastream, MSCI, IBES, Schroders Strategic Research Unit. Data as at 31 December 2023. All returns in USD terms. Please see relevant disclaimers on page 47.

2023 return dispersion high: outperformers from all regions

EM Europe and Latin American markets led while China was the laggard

YTD returns in EM equity markets, US dollar terms



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Note: EMEA is Europe, the Middle East and Africa.

Source: Schroders, LSEG Datastream, MSCI, Schroders Strategic Research Unit. Data as at 31 December 2023. Please see relevant disclaimers on page 47.

Which rules do you follow?

Traditional EM Rule Book

- Top down macro guides country allocations.
High GDP growth => high portfolio allocations
- Growth/Quality is what works
- Privately owned companies > State owned enterprises

Our Rule Book

- *Being contrarian pays off.*
Low GDP growth => low valuations
- *Valuation is the only reliable guide*
- *Evaluate the risks and rewards on a case-by-case basis*

Value is not a factor... it is a timeless universal philosophy

Value was born in the 30's in the US when the market had these characteristics which influenced its success



These same characteristics are present in Emerging Markets today, and should be embraced as a source of opportunity within a Value strategy

Five flavours of Value

Diversified Portfolio that is very different from the benchmark



Fallen Angels

- Alibaba
- Megacable
- Aspen Pharmacare



Cyclicals

- Johnson Electric
- Hankook Tyres
- Hoschild Mining



Special Situations

- Yangzijiang Shipbuilding
- Kunlun Energy
- Compañía Sud Americana de Vapores



Structural challenge

- Telkom
- Asustek



Hidden Growth

- Airtel Africa
- Banco Bradesco
- Equity Group Holdings

Active share 90.6% – Tracking error 7.8% – SISF Emerging Markets Value CAPE 7.7x

Source: Schroders, as at 31 December 2022. Stocks listed are for illustrative purposes only and should not be viewed as a recommendation to buy to buy or sell.

Our 'Rule Book' – Aguas Andinas

~~Top-down macro guides country allocations. High GDP growth => high portfolio allocations~~

Being contrarian pays off. Low GDP growth => low valuations.



- Chilean water utility company
- Chile has eked out ~2% real GDP growth p/a in the past 5ys AND has seen substantial political instability

BUT

- Political risk overblown
- Compelling valuation: P/E 7x; Dividend Yield 16%

Past performance is not a guide to future performance and may not be repeated.

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Source: Schroders, Refinitiv Eikon, in USD, 07 June 2021 to 31 December 2023.

Our 'Rule Book' – Thungela Resources

~~Growth Quality is what works~~

Valuation is the only reliable guide



- Spin-off of Anglo-American coal assets
 - Neither growth, nor quality
- BUT**
- Unlevered balance sheet
 - Minimum contract coal prices for 2 years after IPO
 - Very compelling valuation: P/E 3x; Dividend Yield 10%

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Source: Schroders, Refinitiv Eikon, in USD, 07 June 2021 to 31 December 2023.

Our 'Rule Book'

~~Privately Owned Companies~~ → State Owned Enterprises
Evaluate the risks and reward on a case by case basis



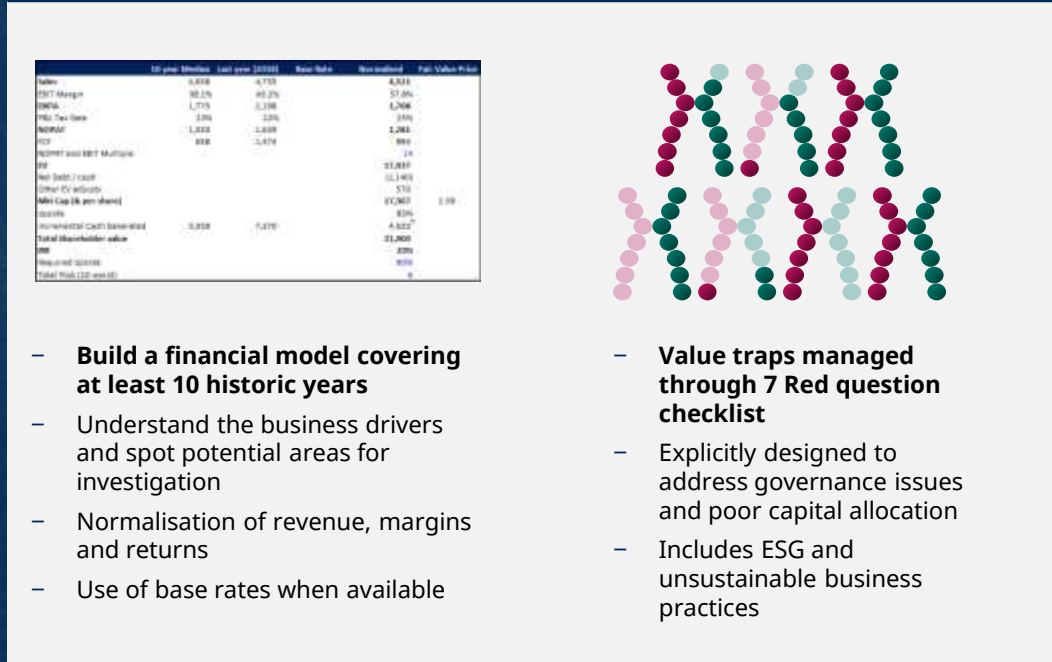
- Eregli Demir: Turkish State Owned Steel Manufacturer
- Alibaba: Chinese Privately Owned E-commerce Platform
- Halyk Savings Bank: Biggest Bank in Kazakhstan. Owned by the former President's Daughter and Son-in-Law
- All Risks are important, not just the shareholder structure

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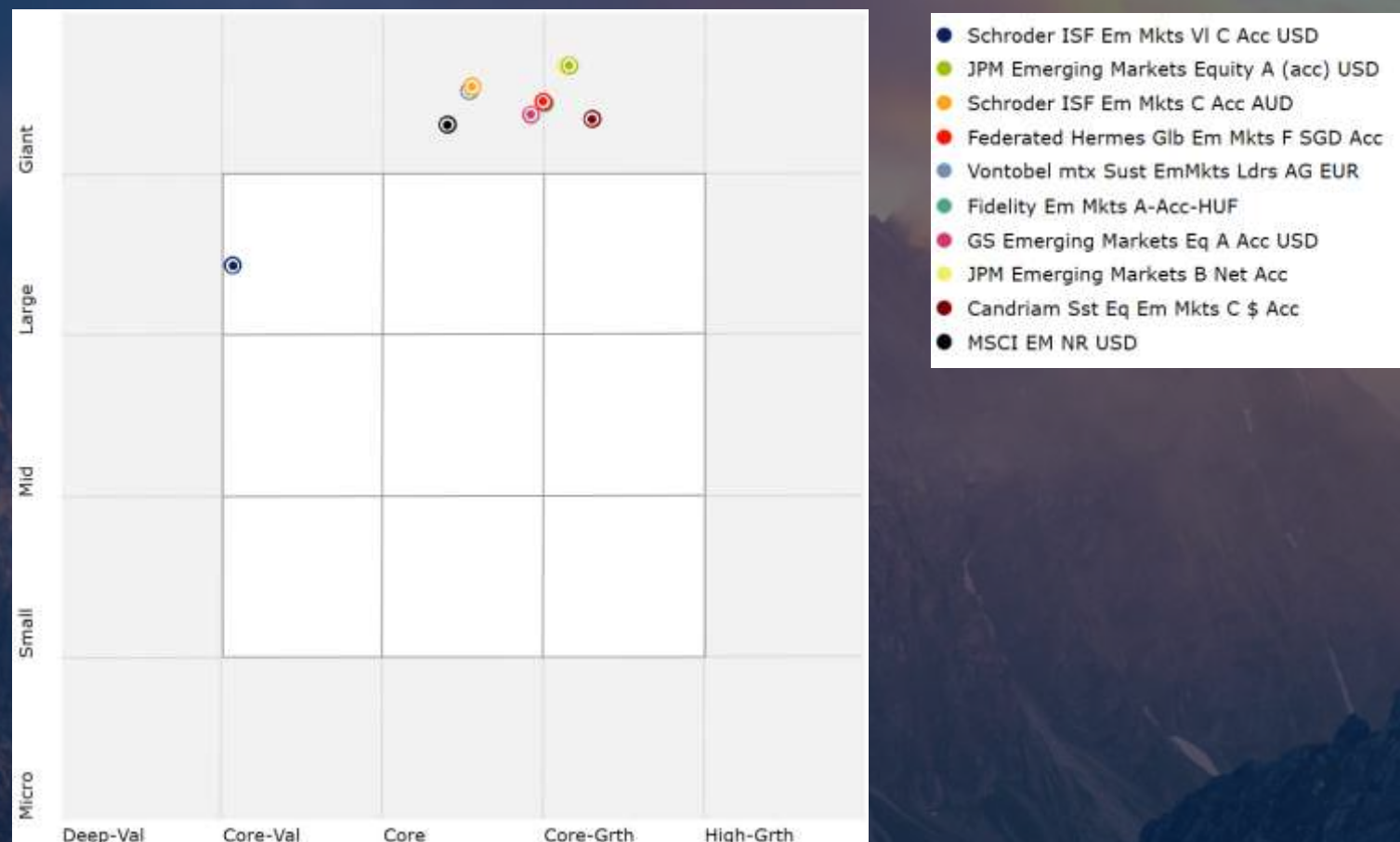
Source: Schroders, Refinitiv Eikon, in USD, 31 December 2020 to 31 December 2023. Rebased to 100.

Risk/reward relationship central to every decision



We provide something genuinely different

In a peer group where EM assets are crowded away from Value



Source: Morningstar Direct, 30 September 2023. Funds shown are those with the largest assets under management as at 12 October 2023 in the Morningstar Global Emerging Markets Equity peer group (excluding index funds and ETFs). For illustrative purposes only and not a recommendation to buy or sell shares.

Portfolio characteristics

Schroder ISF Emerging Markets Value

	Schroder ISF Emerging Markets Value
Number of holdings	41 (30 – 70 range)
Upside capture ¹	118%
Downside capture ¹	42%
Predicted tracking error p.a.	7.4%
Active share	90%
Beta	0.93
Turnover	Typically 30% per annum
Yield	7.5%
Maximum stock position	10%
Maximum GICS level 1 sector position	35%
Maximum single country position	15% (35% for China)
Cash	Max 10%

Market cap	Portfolio weight %	Bmk weight %
>€30bn	20.8	49.9
€10bn < €30bn	16.7	27.4
< €10bn	56.1	22.7
Cash	6.4	-
	100	100

Source: Schroders, Aladdin, as at 31 December 2023. Data shown is for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

¹Data is from inception on 30 September 2020 to 31 December 2023. Benchmark is MSCI Emerging Markets Index (Net)

Schroder ISF Emerging Markets Value performance

Periods to 31 December 2023

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 amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise. Performance data does not take into account any commissions and costs, if any, charged when units or shares of any fund, as applicable, are issued and redeemed.

Performance in USD %	3 months	6 months	1 year	2 year annualised	Since inception* annualised
Schroder ISF Emerging Markets Value C Acc	9.2	7.7	16.7	3.4	16.2
MSCI EM NR	7.9	4.7	9.8	-6.3	0.7
Relative	+1.3	+3.0	+6.9	+9.7	+15.5
MSCI EM Value NR	8.1	7.2	14.2	-2.0	6.6
Global Emerging Markets Equity category average	7.7	4.1	10.2	-7.3	0.3
Peer group quartile	1	1	1	1	1
Peer group percentile	17	9	10	2	1

Calendar year performance in USD %	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Schroder ISF Emerging Markets Value C Acc	16.7	-8.4	23.0	-	-	-	-	-	-	-
MSCI EM NR	9.8	-20.1	-2.5	-	-	-	-	-	-	-
MSCI EM Value NR	14.2	-15.8	4.0	-	-	-	-	-	-	-
Global Emerging Markets Equity category average	10.2	-21.9	-2.5	-	-	-	-	-	-	-

Source: Morningstar. Performance is based on 'C' class shares, bid to bid, net of fees.

The fund's performance should be assessed against its target benchmark being to exceed the MSCI EM (Net TR) index and compared against the MSCI EM Value (Net TR) index and the Morningstar Global Emerging Markets Equity sector. *Fund launch date: 30 September 2020.

Schroder ISF Emerging Markets Value

Risk considerations

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.

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.

Stock connect risk: The fund may be investing in China "A" shares via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect which may involve clearing and settlement, regulatory, operational and counterparty risks.

Derivatives risk – efficient portfolio management: 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.

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.

Emerging markets & frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.

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.

Concentration risk: 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.

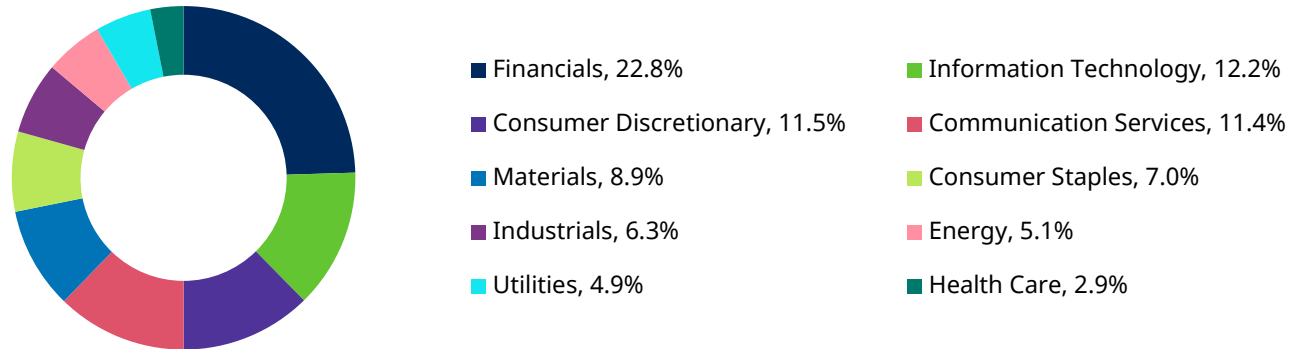
Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

Sector portfolio and benchmark positions

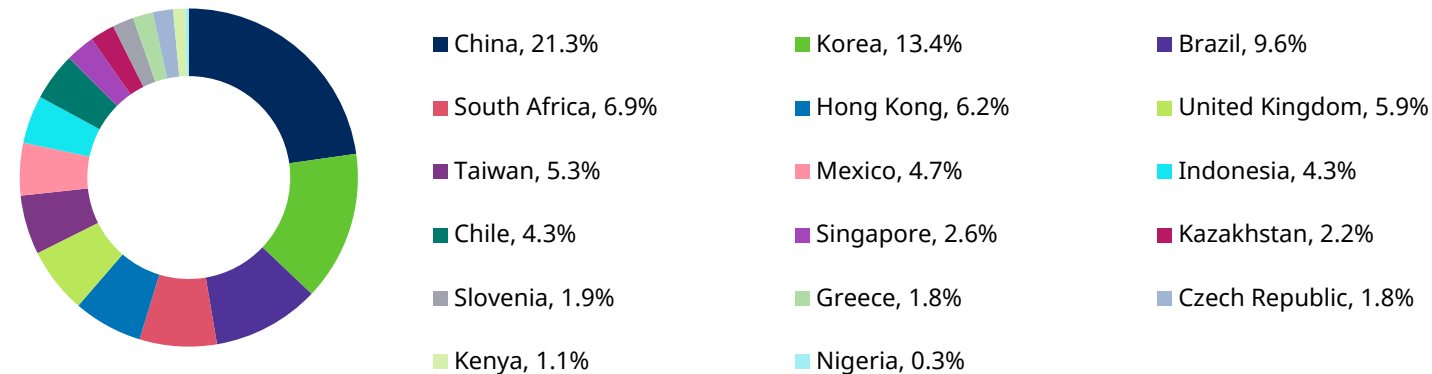
Schroder ISF Emerging Markets Value

As at 31 December 2023

Sector portfolio exposure



Country portfolio exposure



Top 20 Holdings	Portfolio weight %
Samsung	4.2
Alibaba Group	3.7
Shinhan Financial	3.6
Telefonica Brasil	3.5
Banco Bradesco	3.2
Hankook Tire & Tec	3.1
Anhui Conch Cement	3.0
Petrobras	2.9
Aspen Pharmacare	2.9
Airtel Africa	2.9
Kunlun Energy Comp	2.7
Asustek Computer	2.7
Vtech Holdings	2.7
Kb Financial Group	2.6
Yangzijiang Shipbu	2.6
Tiger Brands	2.6
Ternium S A	2.4
Johnson Elec Hldgs	2.4
Compania Cerveceri	2.3
Megacable Holdings	2.3

Source: Schroders, FactSet. Data shown for the Schroder ISF Emerging Markets Value. The accounting data used by FactSet is un-audited, therefore any subsequent cleaning of data will not be reflected in FactSet. The sectors and securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

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