

Schroders

SCHRODER EMERGING MARKETS FUND

Semi-Annual Report & Financial Statements

June 2023



SCHRODER EMERGING MARKETS FUND

(a sub-fund of Schroder International Choice Portfolio)

Constituted under a Trust Deed in the Republic of Singapore on 25 May 1998

Manager

Schroder Investment Management (Singapore) Ltd
138 Market Street
#23-01 CapitaGreen
Singapore 048946
Company Registration No. 199201080H

Trustee

HSBC Institutional Trust Services (Singapore) Limited
10 Marina Boulevard
Marina Bay Financial Centre Tower 2
#48-01
Singapore 018983
Company Registration No. 194900022R

Auditor

KPMG LLP
12 Marina View, #15-01
Asia Square Tower 2
Singapore 018961

Solicitor to the Manager

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989

Solicitor to the Trustee

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

Further Information

Schroders is a Foreign Account Tax Compliance Act ("FATCA") compliant organisation. Please find the FATCA classification of this Fund and its Global Intermediary Identification Number ("GIIN") below.

FATCA entity classification: Nonreporting IGA FFI / Sponsored Investment Entity
GIIN: WM9S4Z.00007.SF.702

COMMENTARY

Fund performance

The Fund generated a positive return in US dollar terms and outperformed the MSCI Emerging Markets Index over the six month period before fees.

Country allocation was the key driver of outperformance. The overweights to Brazil and Greece were beneficial, as was the underweight to Thailand. The overweight to South Africa detracted.

Stock selection was negative, driven by China (overweight **JD.com** and **LONGi Green Energy**). Conversely, it was positive in South Africa (overweight **Gold Fields**), Korea (overweight **Samsung Electronics** and **SK Hynix**), Taiwan (overweight **TSMC**) and Brazil (zero-weight Vale).

Market performance

Emerging market (EM) equities gained over the 6-month period but lagged the MSCI World Index by some margin. The year started off on a positive note driven by optimism about China's re-opening, following the earlier and more comprehensive than expected relaxation of the dynamic zero-COVID policy in late 2022. However, sentiment deteriorated as 2023 progressed. US-China tensions re-escalated, a banking crisis was narrowly avoided as investors lost confidence in US and European banks, central banks continued to raise interest rates, and the recovery in China appeared weaker than expected.

Greece was the top-performing index market as the ruling New Democracy party won a second term in office in May, signalling a continuation of market friendly policies. The CE3 markets performed particularly well, despite rising recessionary fears in Europe. Central European markets began to anticipate rate cuts as inflation eased, and Hungary cut rates in June.

Taiwan and Korea delivered double-digit returns in US dollars against a backdrop of optimism about artificial intelligence growth. Brazil was ahead of the index amid easing fiscal policy concerns and growing optimism that monetary policy easing is imminent. Indonesia gained, as did Saudi Arabia.

Despite allegations of fraud and share price manipulation at a major conglomerate early in 2023, India outperformed. Improved macroeconomic data and signs that accommodative monetary policy will be ongoing were supportive.

Energy-related markets, including UAE, Qatar, Colombia and Kuwait underperformed. China lagged the index by some way, amid concerns about its anaemic economic recovery, ongoing US-China tensions, and as the prospects for global growth negatively impacted export demand.

South Africa was a significant underperformer. Allegations that the country sold arms to Russia, the worsening electricity situation, and the rand's slide to an all-time low against the US dollar weighed heavily on the market.

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Turkey was the worst-performing index market as investors took profits and political uncertainty rose ahead of May's presidential election. In the event, President Erdogan was re-elected, thus extending his two-decade rule, which prompted further market falls.

Outlook

Signs of a slowdown in global growth continue to feed through, as the lagged impact of monetary policy tightening from major central banks impacts. Headline global inflation is falling, but the extent to which this converges towards central bank targets remains unclear and uncertainty persists around the outcomes for growth this year and in 2024. Disinflation is projected to continue, underpinned by base effects, lower energy and food prices, lower tradable goods prices, and as the effects of policy tightening comes through. US labour market data has remained relatively firm though, and the economy continues to add jobs at the same time as disinflation comes through. As a result, the Federal Reserve (Fed) is increasingly expected to hike rates again in July, with further tightening not out of the question. This outlook could support the US dollar, at least on a short term basis.

China's economy is rebounding but softness in several indicators has raised questions about the strength of the recovery. Confidence is fragile, due to COVID scarring with lower income groups having run down savings, and ongoing weakness in labour markets and in the real estate sector. While high frequency data provides mixed signals, it is clear that economic growth remains imbalanced. This has created speculation around the potential for stimulus measures. While the government may well take steps to improve confidence, we do not expect a major stimulus announcement at this point. Meanwhile, geopolitical tensions with the US continue to overshadow the outlook. The US administration has shown willingness to improve communications, though this is yet to bear fruit.

The backdrop of slowing global growth continues to weigh on the outlook for the most cyclical and export-oriented emerging markets (EM) economies. The prospect of an inventory cycle remains, though a US recession would likely extend the downcycle. After the interest rate rises of the last 18 months, falling EM inflation is creating space for policy easing in the second half of this year. Latin American central banks, notably Brazil, look likely to be at the forefront. Looking into 2024, El Nino is a risk to monitor. For now, uncertainty over the Fed policy outlook lingers on, but should we see greater confidence that US rates are at peak, together with a weaker US dollar, this would ease pressure on financial conditions in EM.

Aggregate EM valuations are somewhat mixed. On a price-earnings basis, EM is slightly above the historical mean (since 1995). The price-book ratio is close to the historical mean while on a dividend yield basis EM is cheap. Growth stocks overall continue to be rich, and Value's discount to Growth is towards the top of its long term range. With the exception of India, and on certain measures South Korea, EM valuations at the market level remain reasonable. EM yields and currencies in general are broadly at attractive levels. The US dollar continues to look expensive on a real effective exchange rate basis and we expect it to soften through time given wide twin deficits; a softer US dollar and a fall in the US 10-year bond yield would typically be supportive of EM currencies, yields, and financial conditions.

June 2023

SCHRODER EMERGING MARKETS FUND**(a sub-fund of Schroder International Choice Portfolio)***Constituted under a Trust Deed in the Republic of Singapore on 25 May 1998***STATEMENT OF TOTAL RETURN***For the financial period ended 30 June 2023 (Unaudited)*

	30 Jun 2023	30 Jun 2022
	\$	\$
Expenses		
Trustee fees	29,759	29,339
Valuation fees	13,152	13,008
Audit fees	7,329	7,289
Transaction costs	200	252
Others	10,770	12,299
	61,210	62,187
Net expense	(61,210)	(62,187)
Net gains or losses on value of investments and financial derivatives		
Net gains/(losses) on investments	9,258,234	(30,375,255)
Net losses on spot foreign exchange contracts	(14,495)	(2,368)
Net foreign exchange gains/(losses)	11,123	(8,371)
	9,254,862	(30,385,994)
Total return/(deficit) for the period	9,193,652	(30,448,181)

SCHRODER EMERGING MARKETS FUND**(a sub-fund of Schroder International Choice Portfolio)***Constituted under a Trust Deed in the Republic of Singapore on 25 May 1998***STATEMENT OF FINANCIAL POSITION***As at 30 June 2023 (Unaudited)*

	30 Jun 2023 \$	31 Dec 2022 \$
ASSETS		
Portfolio of investments	154,219,045	137,521,594
Bank balances	2,183,779	1,810,085
Receivables	523,062	716,902
Total assets	156,925,886	140,048,581
LIABILITIES		
Purchases awaiting settlement	504,485	501,103
Payables	293,370	158,781
Total liabilities	797,855	659,884
EQUITY		
Net assets attributable to unitholders	156,128,031	139,388,697

SCHRODER EMERGING MARKETS FUND**(a sub-fund of Schroder International Choice Portfolio)***Constituted under a Trust Deed in the Republic of Singapore on 25 May 1998***STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS***For the financial period ended 30 June 2023 (Unaudited)*

	30 Jun 2023	31 Dec 2022
	\$	\$
Net assets attributable to unitholders at the beginning of the financial period/year	139,388,697	158,152,781
Operations		
Change in net assets attributable to unitholders resulting from operations	9,193,652	(39,395,446)
Unitholders' contributions/(withdrawals)		
Creation of units	15,390,197	31,627,716
Cancellation of units	(7,844,515)	(10,996,354)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	7,545,682	20,631,362
Total increase/(decrease) in net assets attributable to unitholders	16,739,334	(18,764,084)
Net assets attributable to unitholders at the end of the financial period/year	156,128,031	139,388,697

SCHRODER EMERGING MARKETS FUND**(a sub-fund of Schroder International Choice Portfolio)***Constituted under a Trust Deed in the Republic of Singapore on 25 May 1998***STATEMENT OF PORTFOLIO***As at 30 June 2023 (Unaudited)***Primary**

	Holdings at 30 Jun 2023	Fair value at 30 Jun 2023 \$	Percentage of total net assets attributable to unitholders at 30 Jun 2023 %
By geography			

Quoted**Collective investment scheme****LUXEMBOURG**

(country of domicile)

Schroder Intl Selection Fund

- Emerging Markets

A Accumulation Share Class

Portfolio of investments	7,266,705	154,219,045	98.78
Other net assets		1,908,986	1.22
Net assets attributable to unitholders		156,128,031	100.00

SCHRODER EMERGING MARKETS FUND**(a sub-fund of Schroder International Choice Portfolio)***Constituted under a Trust Deed in the Republic of Singapore on 25 May 1998***STATEMENT OF PORTFOLIO***As at 30 June 2023 (Unaudited)***Primary** (continued)

	Percentage of total net assets attributable to unitholders at 30 Jun 2023 %	Percentage of total net assets attributable to unitholders at 31 Dec 2022 %
By geography (summary)		

Quoted

Luxembourg	98.78	98.66
Portfolio of investments	98.78	98.66
Other net assets	1.22	1.34
Net assets attributable to unitholders	100.00	100.00

As the Fund invests wholly into an underlying collective investment scheme, it is not meaningful to show any secondary segmentation analysis.

SCHRODER EMERGING MARKETS FUND**(a sub-fund of Schroder International Choice Portfolio)***Constituted under a Trust Deed in the Republic of Singapore on 25 May 1998***UNITS IN ISSUE***For the financial period ended 30 June 2023 (Unaudited)*

	30 Jun 2023	31 Dec 2022
	Units	Units
At the beginning of the financial period/year	82,155,294	70,773,081
Created	8,760,456	17,239,711
Cancelled	(4,458,195)	(5,857,498)
At the end of the financial period/year	86,457,555	82,155,294
	\$	\$
Net assets attributable to unitholders	156,128,031	139,388,697
Net assets attributable to unitholders per unit	1.81	1.70

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FINANCIAL RATIOS

For the financial period ended 30 June 2023 (Unaudited)

	30 Jun 2023	30 Jun 2022
Expense ratio ¹ (excluding underlying fund's unaudited expense ratio)	0.08%	0.08%
Expense ratio ² (including underlying fund's unaudited expense ratio)	1.92%	1.91%
Turnover ratio ³	1.77%	-

- ¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio was based on total operating expenses divided by the average net asset value for the year. The total operating expenses do not include brokerage and other transaction costs, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The respective values used in the calculation of the expense ratio are disclosed below. The average net asset value is based on the daily balances.

Expense ratio calculations	30 Jun 2023	30 Jun 2022
	\$	\$
Total operating expenses	119,482	132,073
Average net asset value	141,835,564	155,815,930

- ² The expense ratio is the sum of the Fund's expense ratio and the underlying fund's unaudited expense ratio. The unaudited expense ratio of the underlying fund, a Luxembourg domiciled fund, is obtained from Schroder Investment Management (Europe) SA. There is no requirement for the expense ratio of this Luxembourg domiciled fund to be published or audited.
- ³ The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower value of purchases or sales of the underlying investments divided by the average daily net asset value.

Turnover ratio calculations	30 Jun 2023	30 Jun 2022
	\$	\$
Lower of purchases or sales	2,630,211 (sales)	- (sales)
Average net asset value	148,893,059	147,277,558

REPORT TO UNITHOLDERS

30 June 2023

The following is a report on the Schroder Emerging Markets Fund (the "Fund"):

1. The only security holding of the Fund as at 30 June 2023:

	Fair value \$	Percentage of total net assets attributable to unitholders %
Schroder Intl Selection Fund		
- Emerging Markets A Accumulation Share Class	154,219,045	98.78

The only security holding of the Fund as at 30 June 2022:

	Fair value \$	Percentage of total net assets attributable to unitholders %
Schroder Intl Selection Fund		
- Emerging Markets A Accumulation Share Class	133,408,781	98.52

The Fund was not invested in other unit trusts, mutual funds or collective investment schemes as at 30 June 2023 other than as stated in the Statement of Portfolio.

2. The Fund did not have any exposure to financial derivatives as at 30 June 2023.
3. The Fund did not have any borrowings as at 30 June 2023.
4. The amount of subscriptions and redemptions in the period 1 January 2023 to 30 June 2023 were as follows:

	\$
Subscriptions	15,390,197
Redemptions	7,844,515

5. Expense Ratio (including underlying fund)

1 July 2022 to 30 June 2023	1.92%
1 July 2021 to 30 June 2022	1.91%

REPORT TO UNITHOLDERS

30 June 2023

6. Turnover of Portfolio

1 January 2023 to 30 June 2023	1.77%
1 January 2022 to 30 June 2022	-

7. Soft dollar commissions/arrangements:

The Fund invests substantially into the underlying fund. In the management of the underlying fund, the manager may enter into soft dollar commission arrangements only where there is a direct and identifiable benefit to their clients, and where the manager is satisfied that the transactions generating the soft dollar commissions are made in good faith, in strict compliance with applicable regulatory requirements and in the best interests of the underlying fund on terms commensurate with best market practice.

In the management of the Fund, the Manager currently does not receive or enter into any soft dollar commissions or arrangements.

8. Related Party Transactions

The Manager of the Fund is Schroder Investment Management (Singapore) Ltd. The Trustee is HSBC Institutional Trust Services (Singapore) Limited. The Registrar for the Fund is The Hongkong and Shanghai Banking Corporation Limited. Both Trustee and Registrar are subsidiaries of the HSBC Group. The management fees payable by the Fund to the Manager is currently waived by the Manager. The registration fees payable by the Fund to the Registrar has been waived by the Registrar. The trustee fees and valuation fees charged by the HSBC Group are shown in the Statement of Total Return.

As at reporting date, the Fund maintained with the HSBC Group, the following bank balances:

	30 Jun 2023	31 Dec 2022
	\$	\$
Current accounts	<u>2,183,779</u>	<u>1,810,085</u>

In addition to the above, the respective management fees are chargeable by:

- i) Schroder Investment Management (Europe) SA as Management Company of the following underlying fund:

Underlying fund	Per annum of Net Asset Value
Schroder Intl Selection Fund - Emerging Markets A Acc	1.500%

REPORT TO UNITHOLDERS

30 June 2023

9. Performance of Fund for periods ended 30 June 2023

	3 mths	6 mths	1 yr	3 yrs*	5 yrs*	10 yrs*	Since Launch**
Fund	3.4%	6.4%	-0.6%	0.0%	0.0%	3.2%	2.8%
Benchmark**	2.7%	5.8%	-1.1%	1.3%	0.8%	3.6%	4.5%

* Returns of more than 1 year are annualised

Since launch figures from 6 April 2000

** Benchmark: MSCI Emerging Markets Net TR

Source

Fund: Morningstar (\$, bid to bid, net income reinvested, net of fees)

Benchmark: Schroders (\$)

10. The Fund invests more than 30% of its assets in Schroder International Selection Fund - Emerging Markets A Accumulation Share Class. The following are the key information on the underlying fund:

i. Top 10 holdings as at 30 June 2023:

	Market value US\$	Percentage of total net assets %
Taiwan Semiconductor Manufacturing Co Ltd	458,514,737	9.66
Samsung Electronics Co Ltd	327,510,526	6.90
Tencent Hldg Ltd	224,985,492	4.74
Alibaba Group Hldg Ltd	151,414,287	3.19
ICICI Bank Ltd	92,082,670	1.94
HDFC Bank Ltd	88,760,099	1.87
AIA Group Ltd	85,912,182	1.81
Hon Hai Precision Industry Co Ltd	78,792,387	1.66
Midea Group Co Ltd	75,944,470	1.60
Axis Bank Ltd	73,571,205	1.55

REPORT TO UNITHOLDERS

30 June 2023

Top 10 holdings as at 30 June 2022:

	Market value US\$	Percentage of total net assets %
Taiwan Semiconductor Manufacturing Co Ltd	370,469,572	8.56
Tencent Hldg Ltd	238,900,939	5.52
Samsung Electronics Co Ltd	218,992,527	5.06
Alibaba Group Hldg Ltd	147,581,921	3.41
JD.com Inc	122,480,010	2.83
AIA Group Ltd	102,571,599	2.37
ICICI Bank Ltd	97,378,100	2.25
Midea Group Co Ltd	76,171,314	1.76
Hon Hai Precision Industry Co Ltd	72,708,981	1.68
LONGi Green Energy Technology Co Ltd	72,276,190	1.67

ii. Expense Ratio

1 July 2022 to 30 June 2023	1.86%
1 July 2021 to 30 June 2022	1.85%

Brokerage and other transaction costs, performance fees, interest expense, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds, tax deducted at source or arising out of income received and dividends paid to unitholders are not included in the expense ratio.

iii. Turnover of Portfolio

1 July 2022 to 30 June 2023	44.96%
1 July 2021 to 30 June 2022	32.40%

