



Schroders Emerging Markets Lens: Emerging Market Debt

Strategic Research Unit

February 2024

Marketing material for
professional clients only.

Table of contents

01 [Emerging market debt: hard currency](#)

02 [Emerging market debt: local currency](#)

03 [Emerging market currencies](#)

Summary

Emerging market (EM) bonds had a mixed start to 2024. Strong US macroeconomic data raised doubts over the timing of Fed rate cuts, and US bond yields picked up, following sharp falls in Q4. Against this backdrop the US dollar strengthened. Continued weakness in China's economy also weighed on broader sentiment towards EM.

Hard currency emerging market debt (EMD):

- Both the sovereign EM bond index yield (slide 8) and, to a lesser extent, spread are elevated versus their long-term history.
- The above-median hard EMD spread is driven by the high yield (HY) sovereign index. The IG spread remains below its historical median and close to its post-GFC low (slide 9).
- In corporate EMD, both the IG and HY corporate spreads are below their historical median (slide 15).

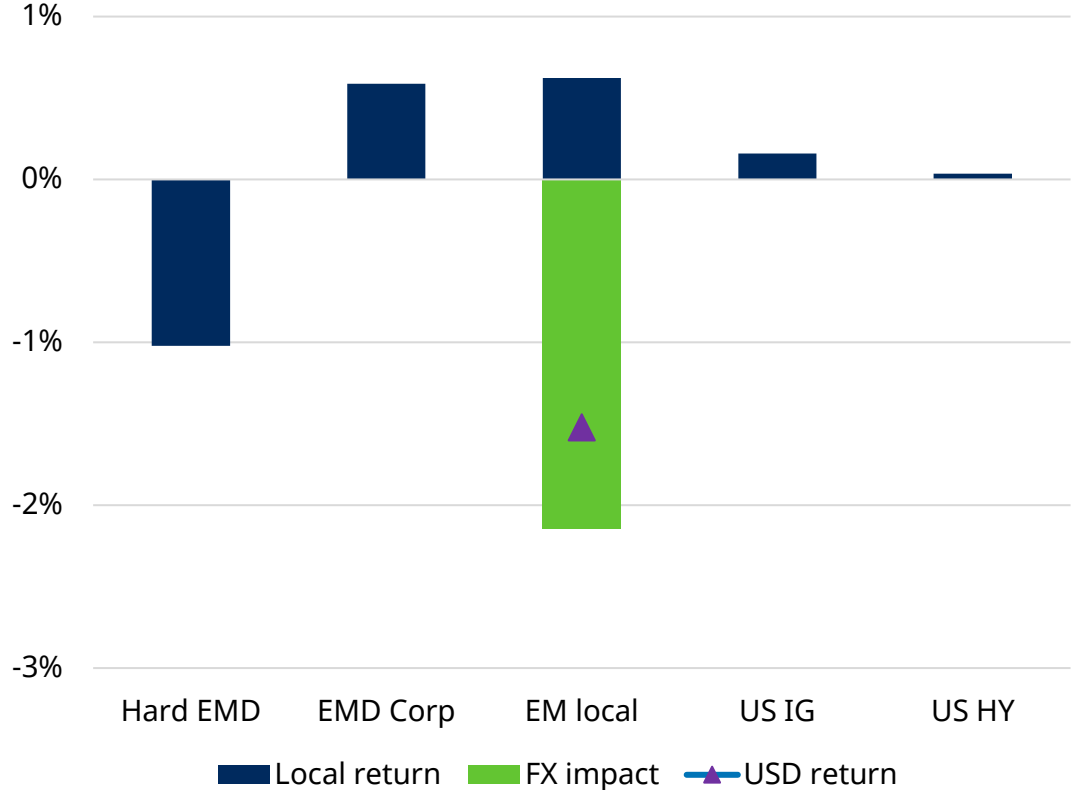
Local currency EMD:

- The average real yield premium of EM over DM has moved up from trough (slide 31). Both the average EM and DM real yields have lifted, with EM well into positive territory again; the average DM real yield is still negative (slide 32).
- The average local EM ex Turkey yield curve is no longer inverted (slide 30).
- There are undervalued **currencies** in all three EM regions (slide 36), but the degree of value varies significantly.

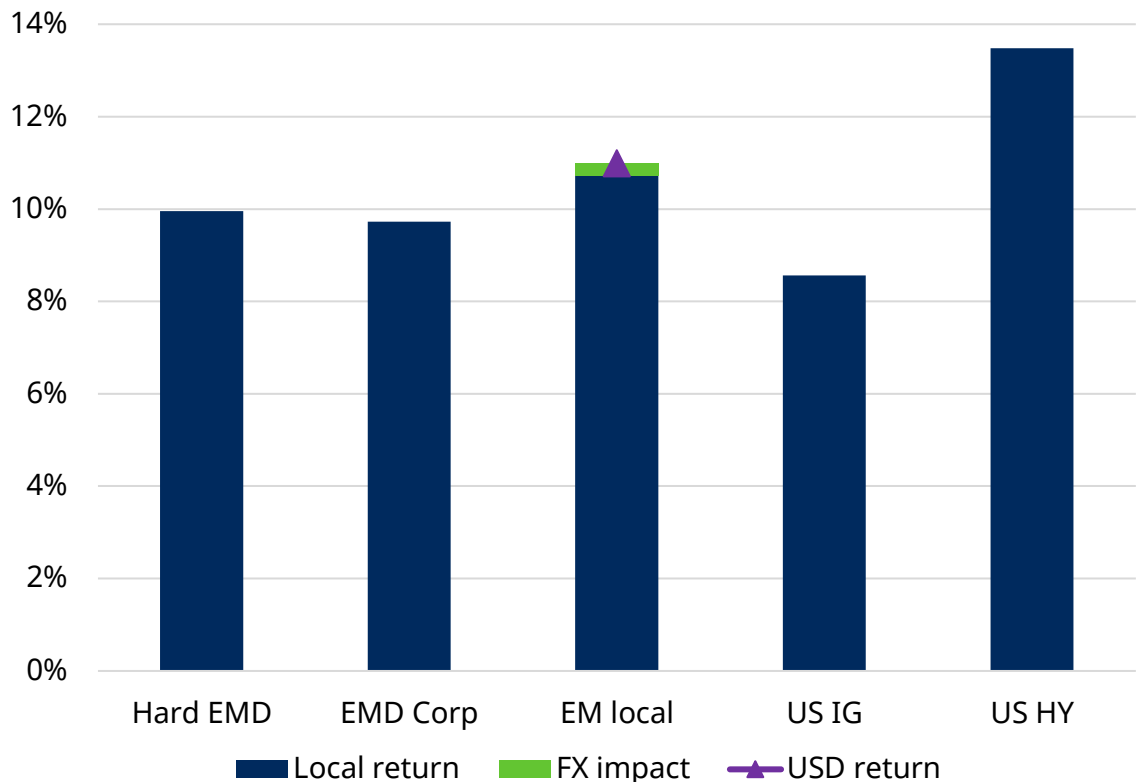
EM bonds made a mixed start to 2024

...only corporate EMD recorded a positive return in US dollar terms

Total return January 2024



Total return since start 2023



Longer term performance since the start of 2023 remains strong

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

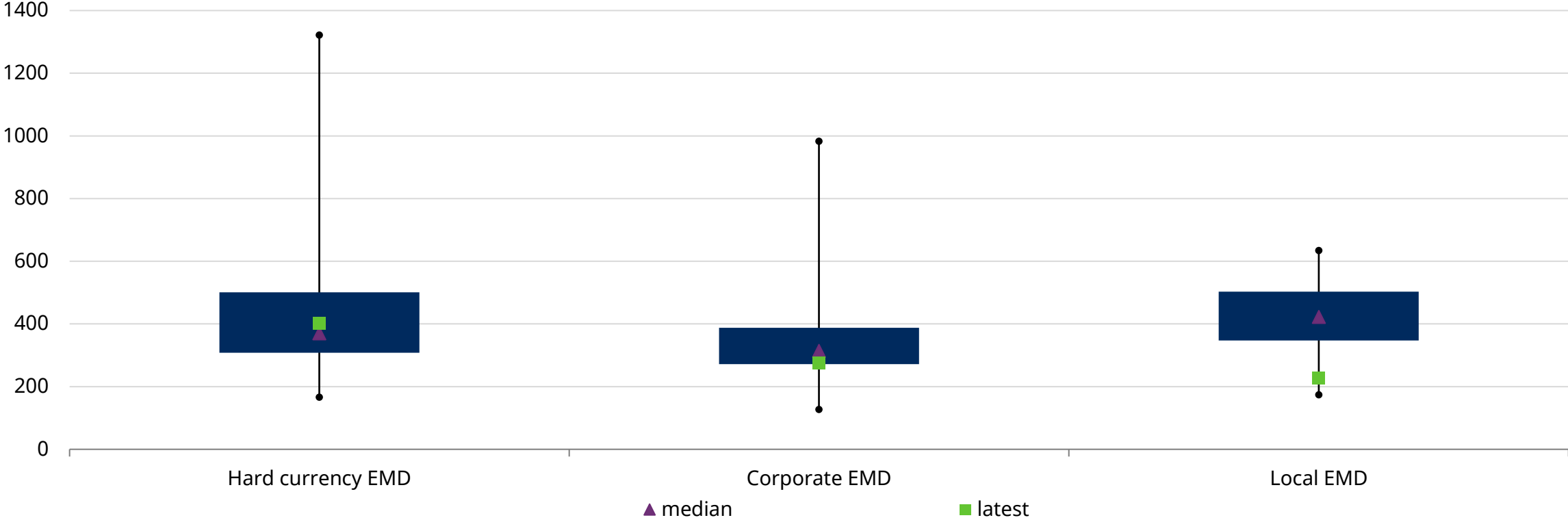
Note: Local currency = US dollar for all apart from local EMD which is in the relevant local EM currency.

Source: Schroders, LSEG Datastream, JP Morgan, Schroders Strategic Research Unit. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

EMD headline valuations

Spread percentiles

Spreads of key EMD indices (basis points)



Hard currency valuations remain cheapest versus history, but there is more to this story (slides 10-11)

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

Source: Schroders, LSEG Datastream, J.P. Morgan. Data as at 31 January 2024. Percentiles shows where the current spread is relative to the historical range of spreads, within a range of 0 to 100. The greater the percentile the higher the spread compared to history. Hard EMD =stripped spread, Local EMD =Spread to 5 year UST, Corporate EMD = spread to worst. Please see relevant disclaimers on page 41.



Emerging market debt:

Hard currency

Summary: hard emerging market debt

- Hard currency EMD lost value in January, following strong performance in Q4, with the IG component recording the largest falls. Renewed upward pressure in US yields and a pickup in the dollar were headwinds.
- The hard currency sovereign EMD index yield is elevated versus history. The slightly above-median spread is driven by the high yield (HY) index; HY has become the dominant driver of index spread over time.
- Sovereign EMD spreads have trended down since Q4 2022, primarily driven by the HY component, but dispersion between countries remains wide. This is evident at the regional level; despite its small size, Africa is the second largest contributor to spread after Latin America.
- In corporate EMD, both the IG and HY corporate spreads are below their historical median.
- Credit quality worsened post the pandemic and was compounded by the 2022 challenges for issuers included in major sovereign and corporate EMD benchmarks. Market access continues to be a challenge for EM HY issuers.

Source: Schroders, LSEG Datastream, JP Morgan, Schroders Strategic Research Unit. Data as at 31 January 2024.
Please see relevant disclaimers on page 41.

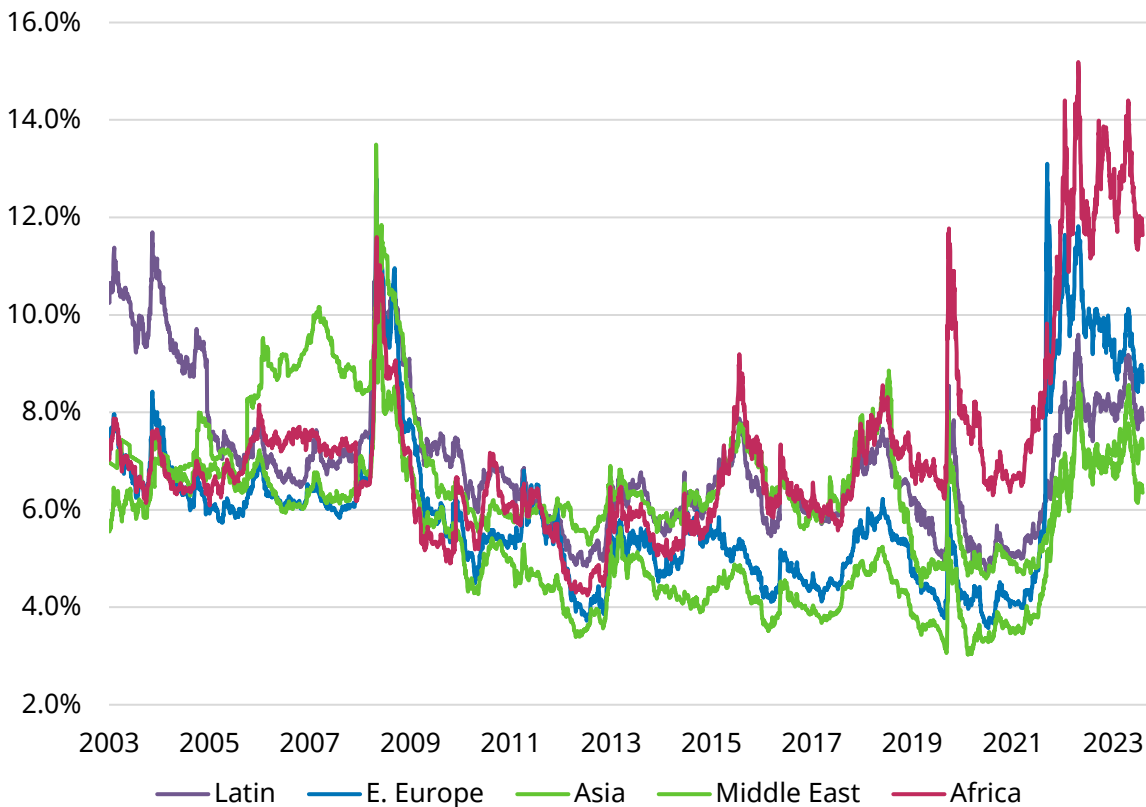
Hard EMD index yield is down from 2023 peak

...but still very elevated when compared to the last 15 years

Hard currency sovereign EMD index yield



Hard currency sovereign EMD index yield by region



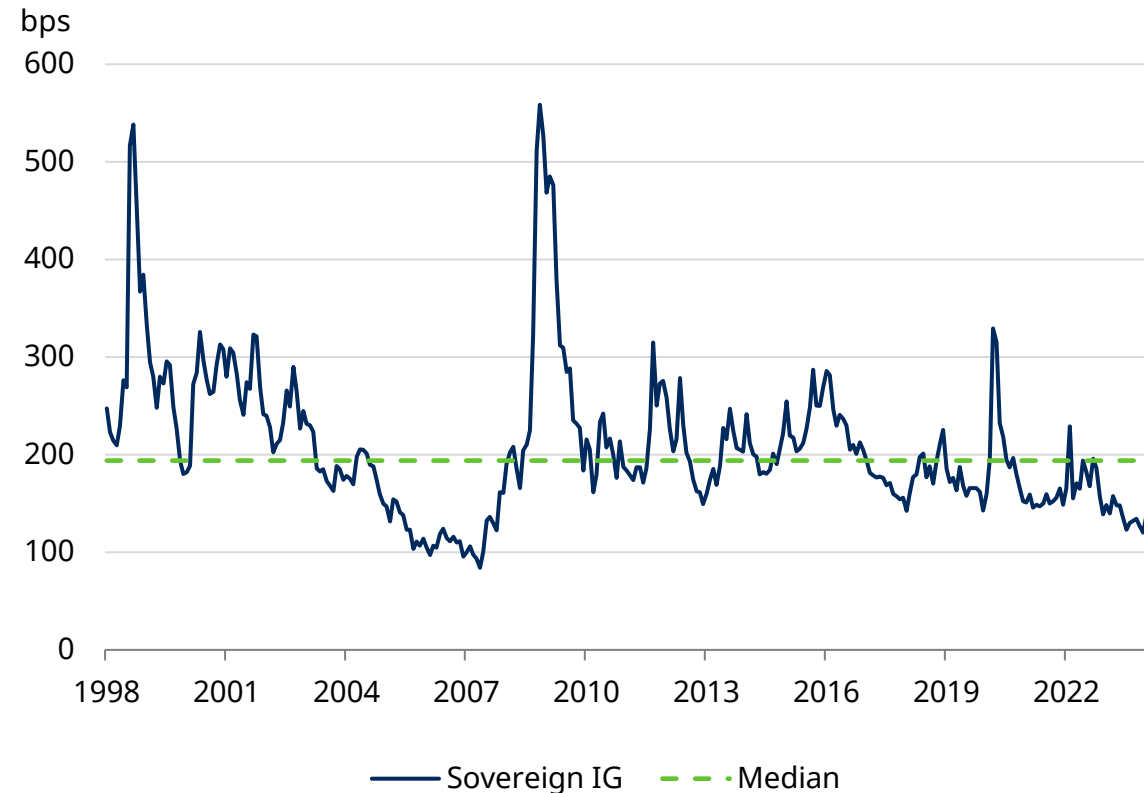
On a regional basis, yields are highest in Africa and Eastern Europe

Past performance is not a guide to future performance and may not be repeated.
Russia was removed from all JP Morgan EMD indices from 31 March 2022.
Source: Schroders, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

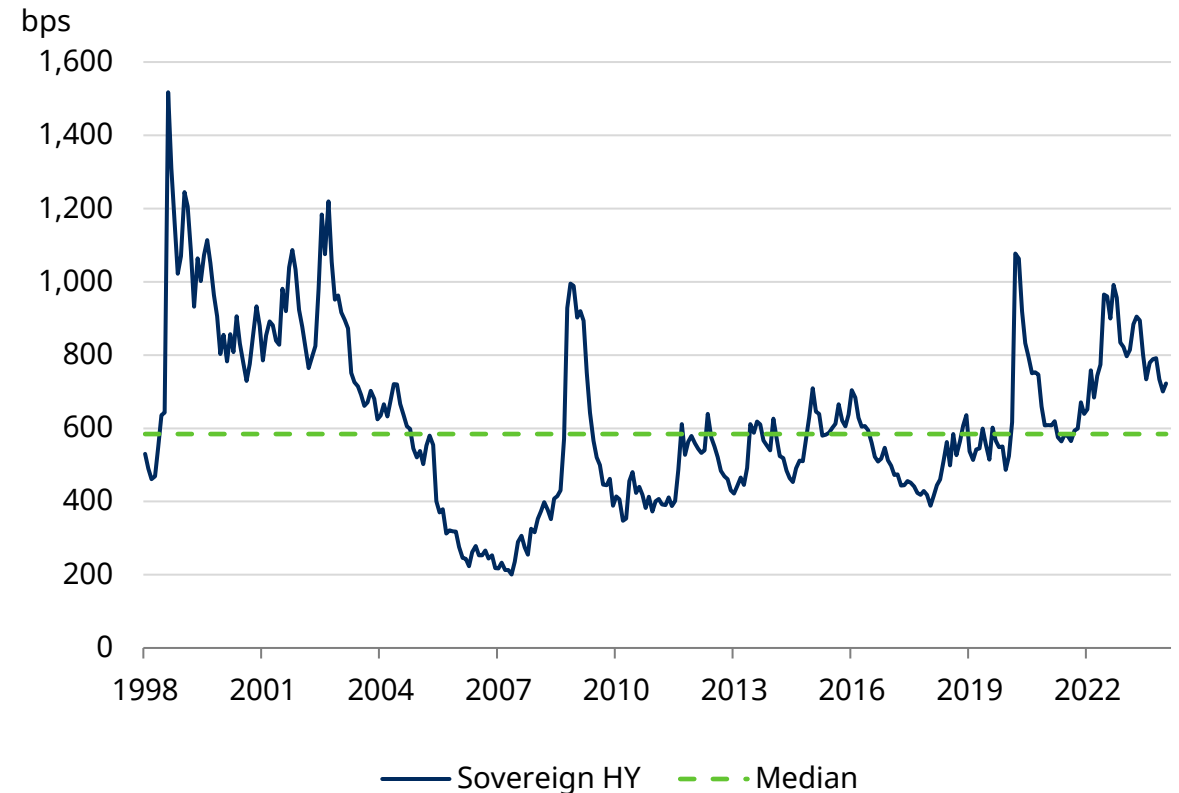
A contrasting picture in hard currency sovereign EMD...

IG spreads is well below its historical median, and HY above

Hard currency sovereign EMD IG spread



Hard currency sovereign EMD HY spread



The IG spread remains close to its post-GFC low

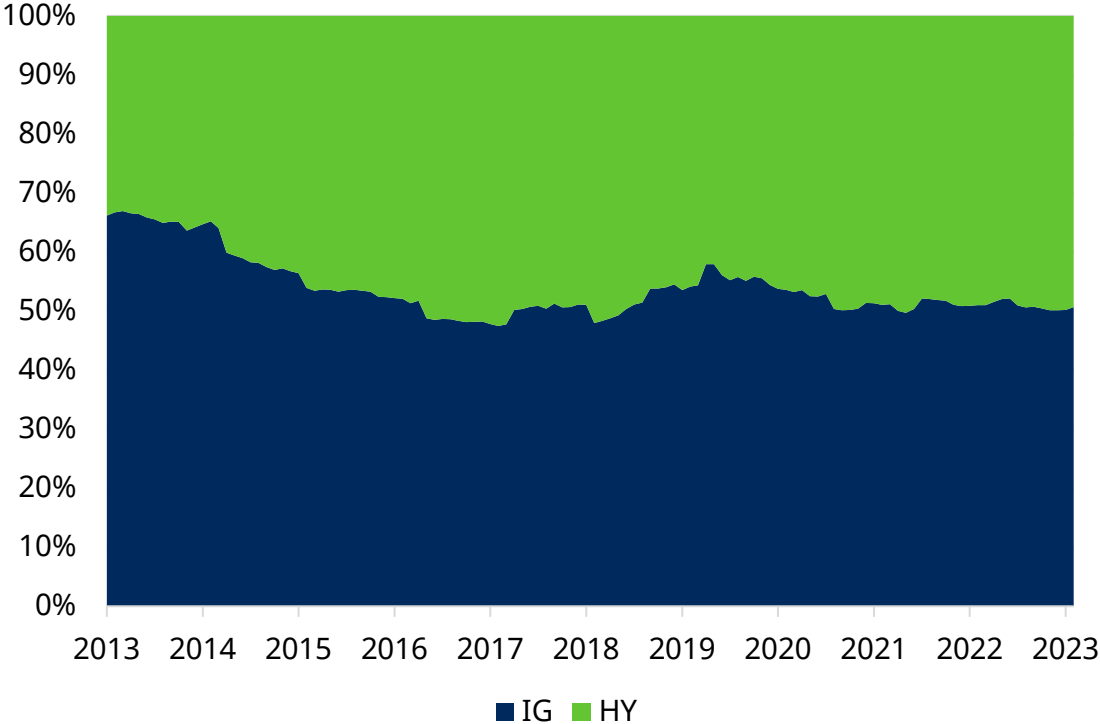
Past performance is not a guide to future performance and may not be repeated.

Source: LSEG Datastream, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

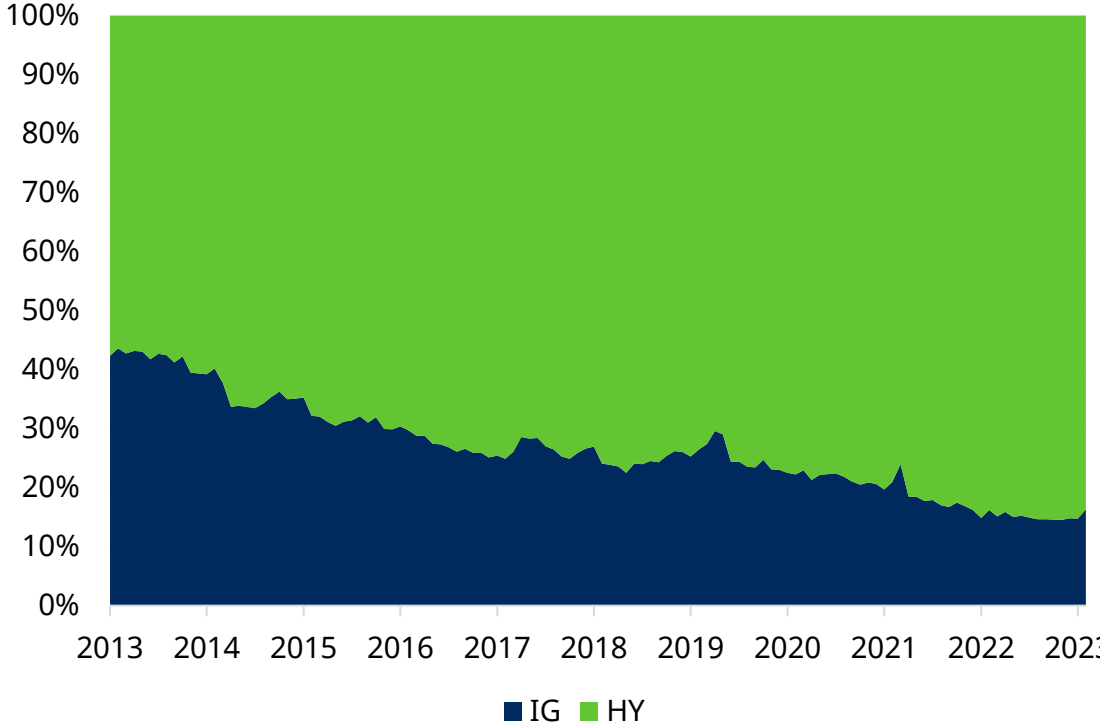
Hard currency spread increasingly driven by HY component

Despite HY and IG index weights remaining relatively stable over the past decade

HY and IG index weights relatively stable over time



HY share of spread contribution has increased

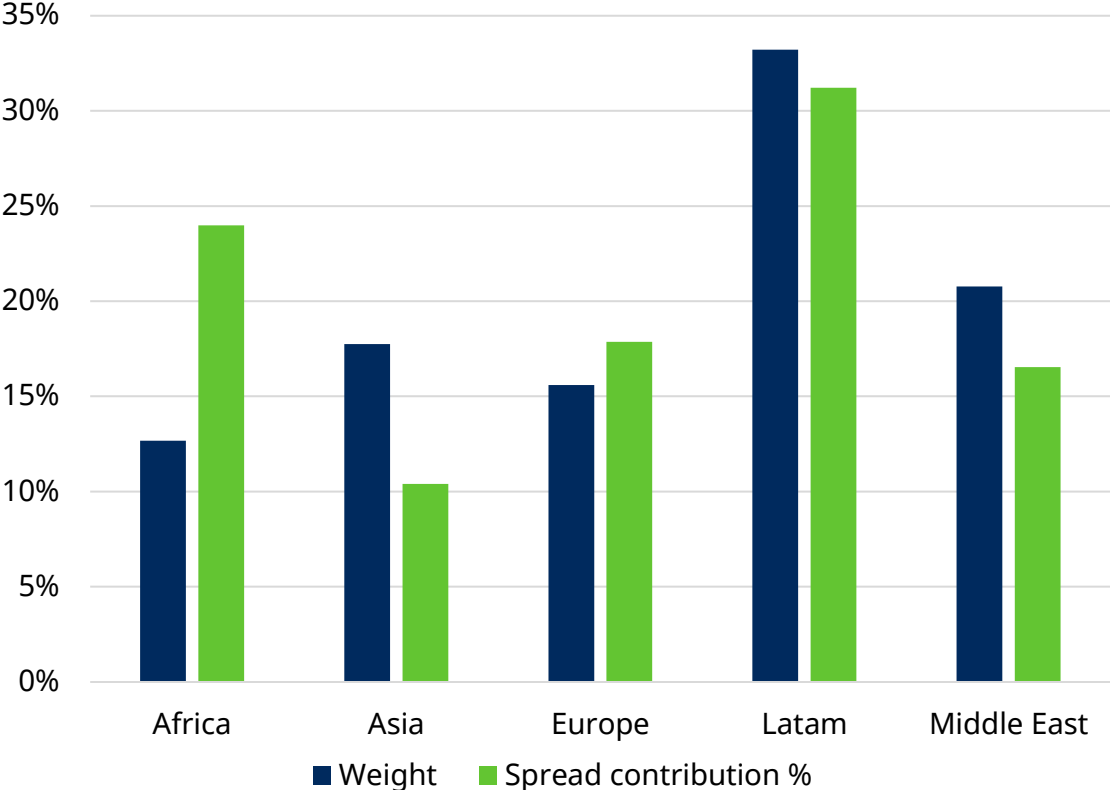


Source: LSEG Datastream, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41. Spread contribution calculated as HY spread multiplied by index weight, and equivalent for IG. Percentage contribution for IG and HY shown as share of total spread contribution (IG and HY).

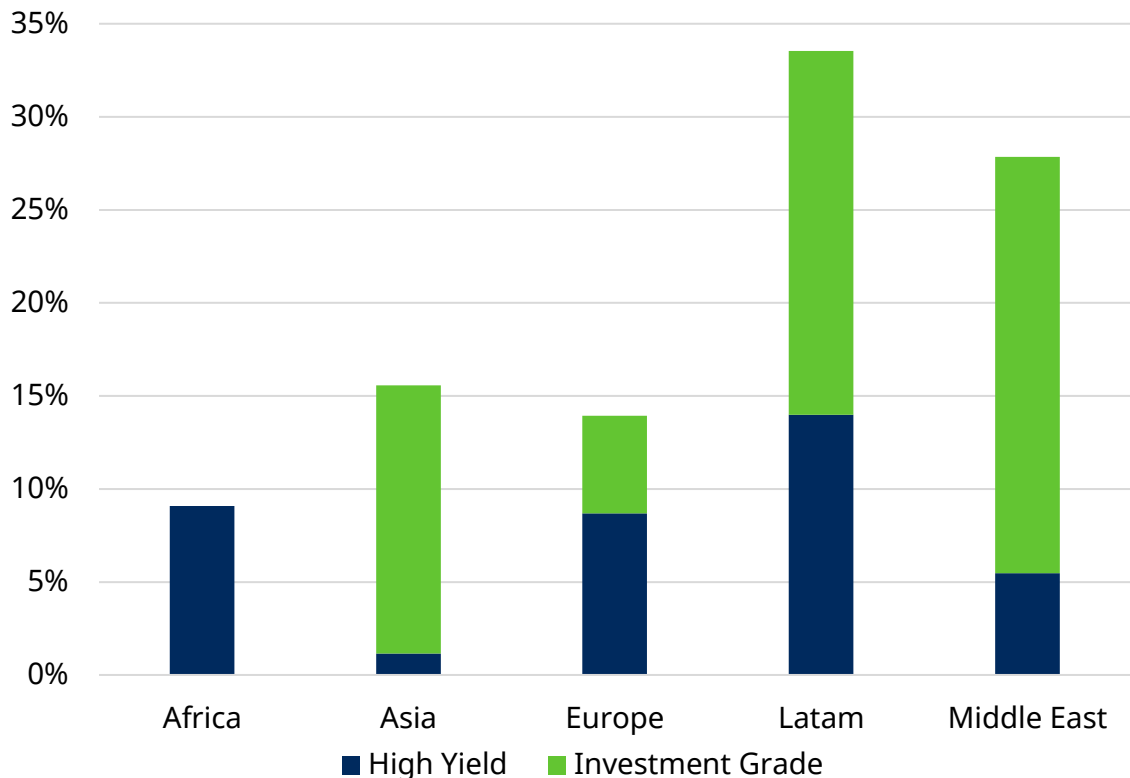
Latin America dominates the sovereign hard currency index

But Africa punches well above its weight when it comes to spread contribution...

Hard currency index weights and spread contributions



Hard currency weights split by HY/IG



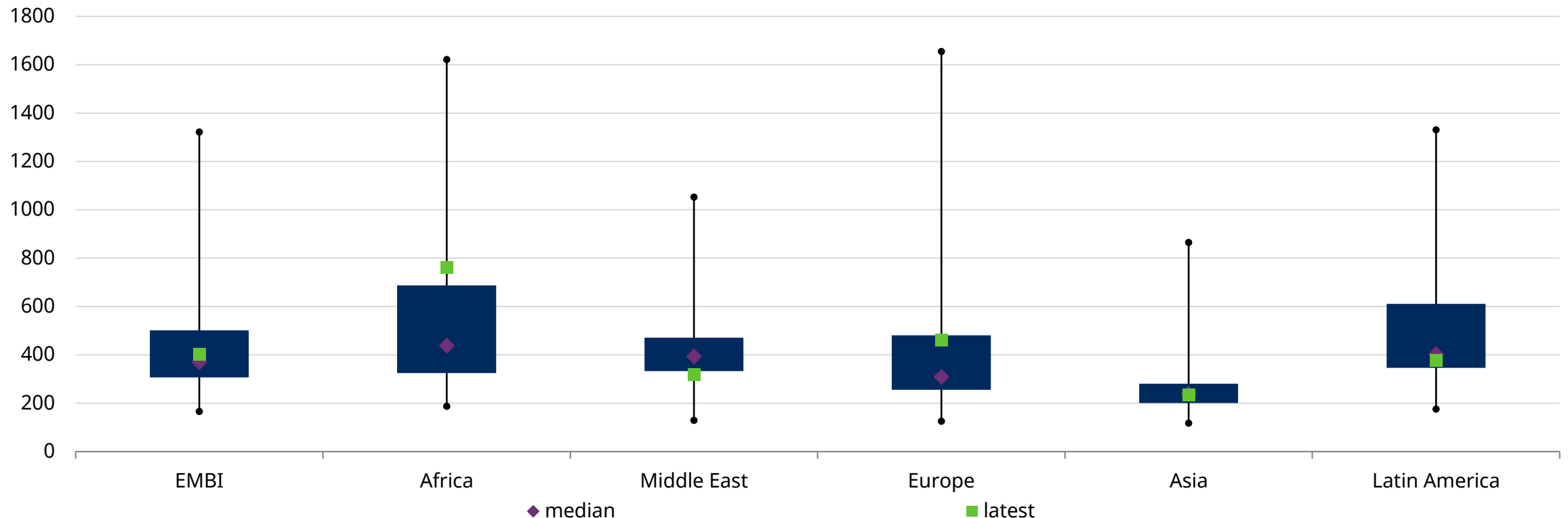
This is explained by the fact that Africa is all HY; Asia/Middle East is largely IG and LatAm more balanced

Source: Schroders, LSEG Datastream, ICE Data Indices, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41. Spread contribution calculated as weight of the region multiplied by the spread of that region.

Where are the cheap valuations in hard currency EMD?

Africa and Europe offer the highest spreads versus history

Spreads of key regional hard currency EMD indices (basis points)



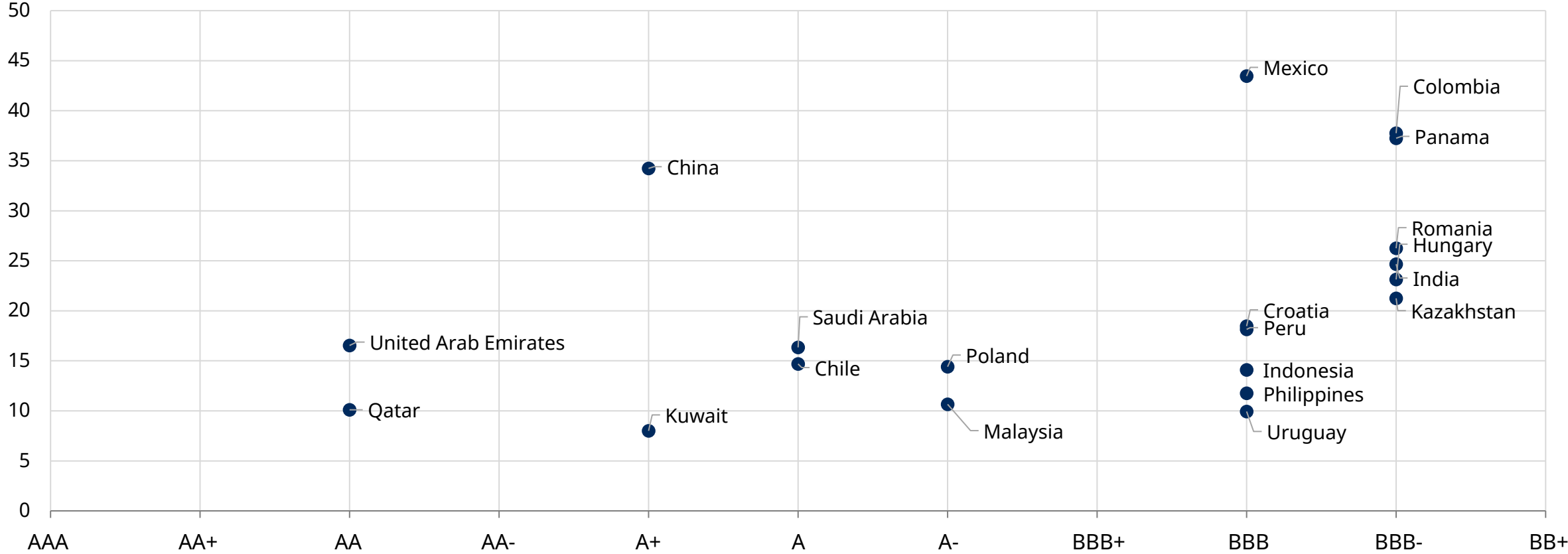
Past performance is not a guide to future performance and may not be repeated.

Percentiles show where the current stripped spread is relatively to the historical range of spreads, within a range of 0 to 100. The greater the percentile the higher the spread compared to history.

Source: Schroders, LSEG Datastream, ICE Data Indices, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

Duration adjusted spreads of IG countries

Hard currency sovereign EMD IG: spread vs. duration vs. credit rating

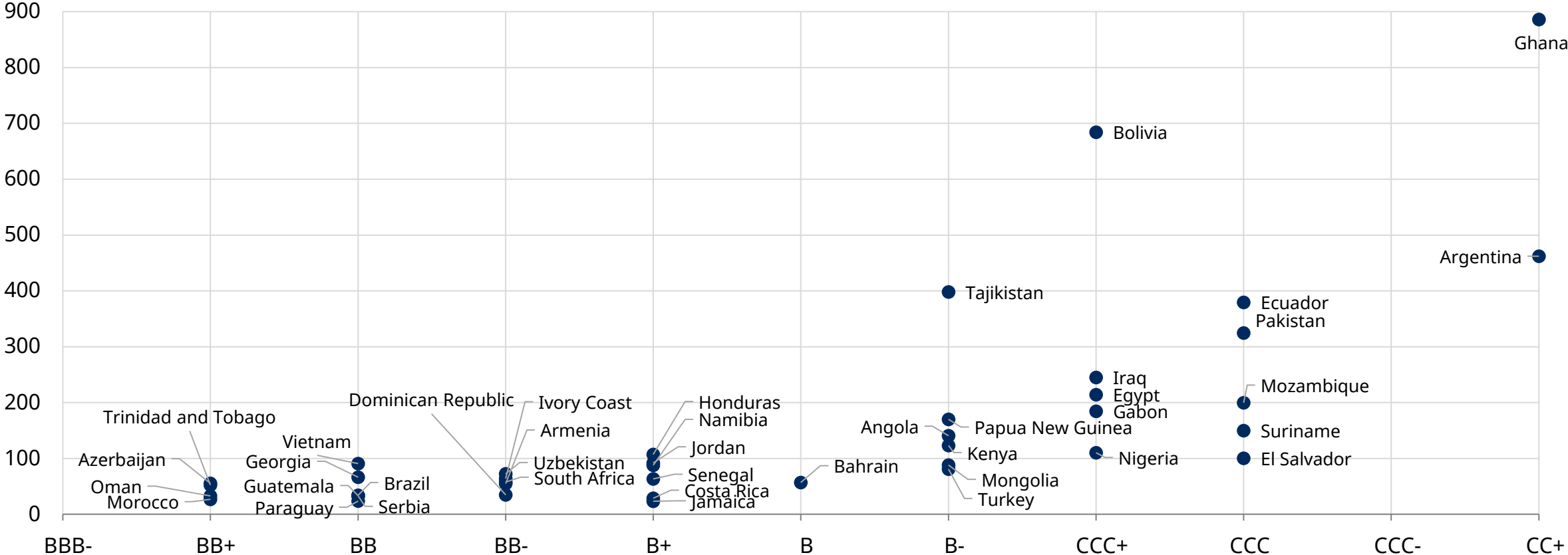


¹The JPMorgan EMBI Global Diversified Index includes both sovereign and quasi-sovereign bonds.
 The y-axis shows spread per unit of duration, in basis points.
 Source: Schroders, LSEG Datastream, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

Duration adjusted spreads of HY countries

Significant variability between the countries

Hard currency sovereign EMD HY: spread vs. duration vs. credit rating

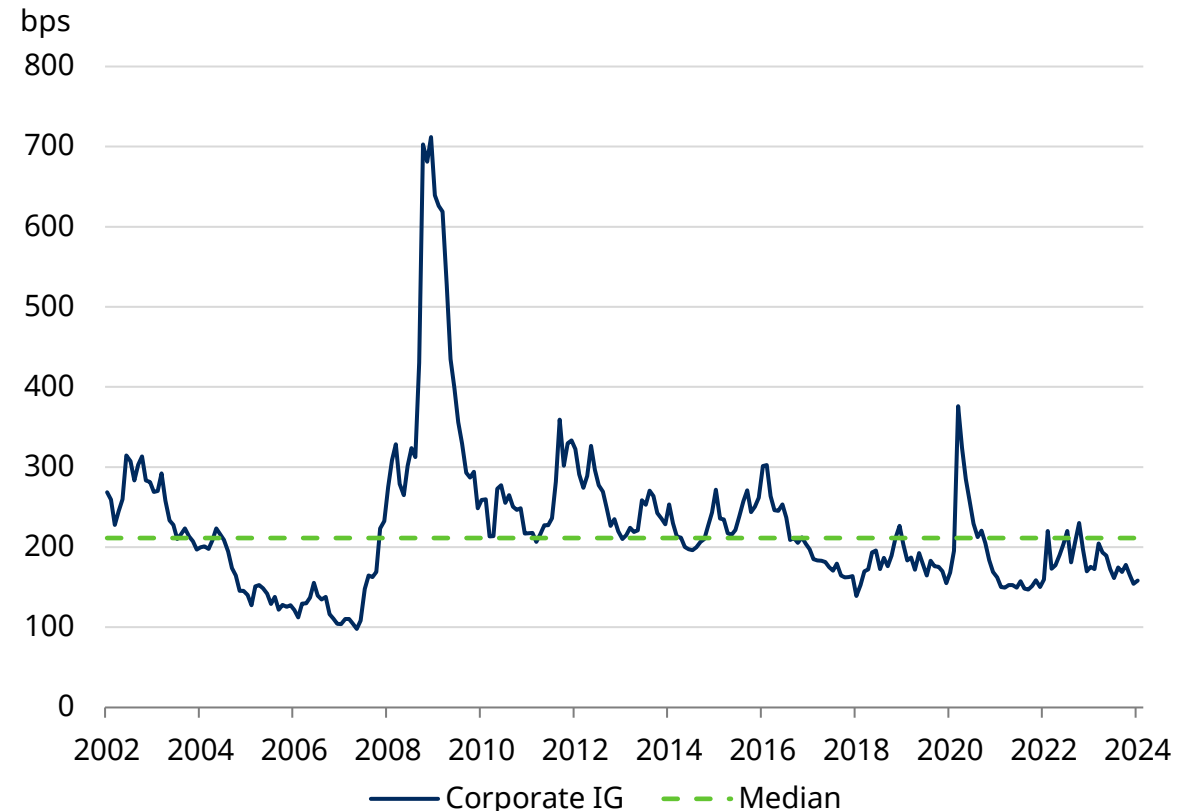


The y-axis shows spread per unit of duration, in basis points.
 Source: Schroders, LSEG Datastream, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

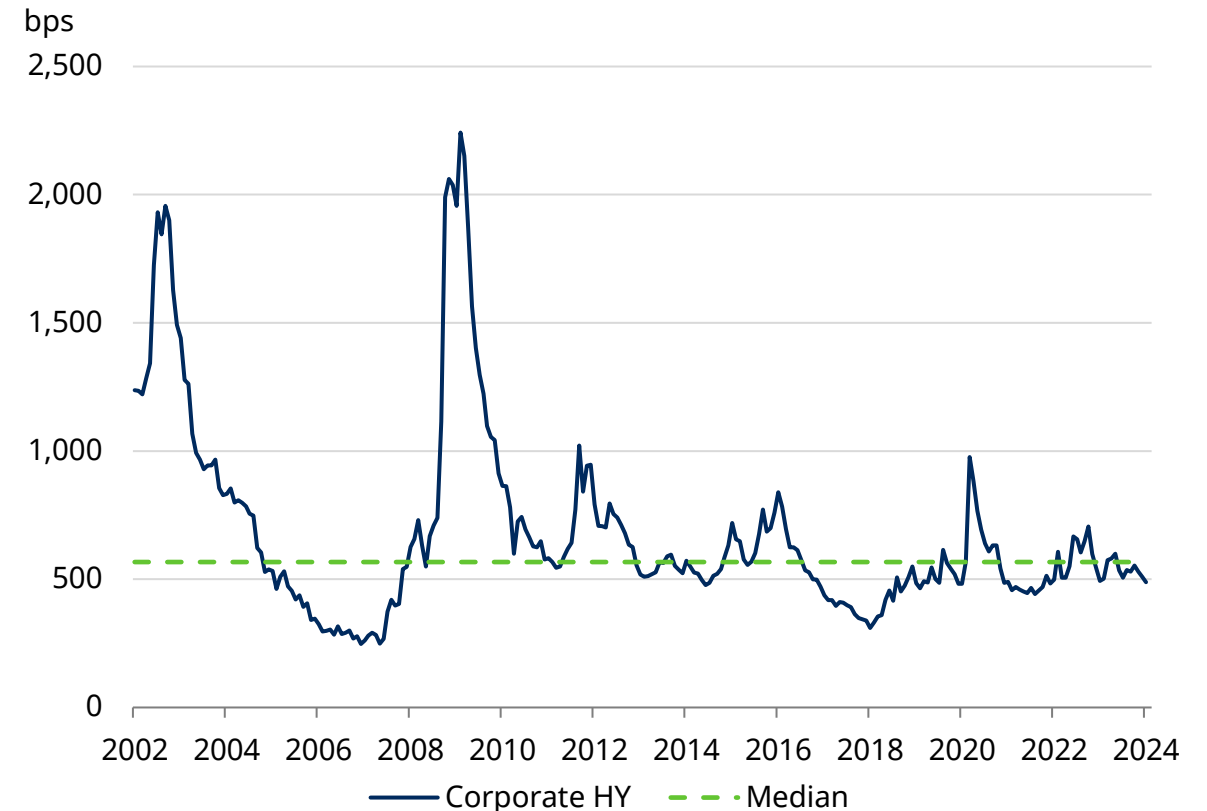
Valuation of hard currency corporate EMD

The IG and HY corporate spreads are below the historical median

Hard currency corporate EMD IG spread



Hard currency corporate EMD HY spread



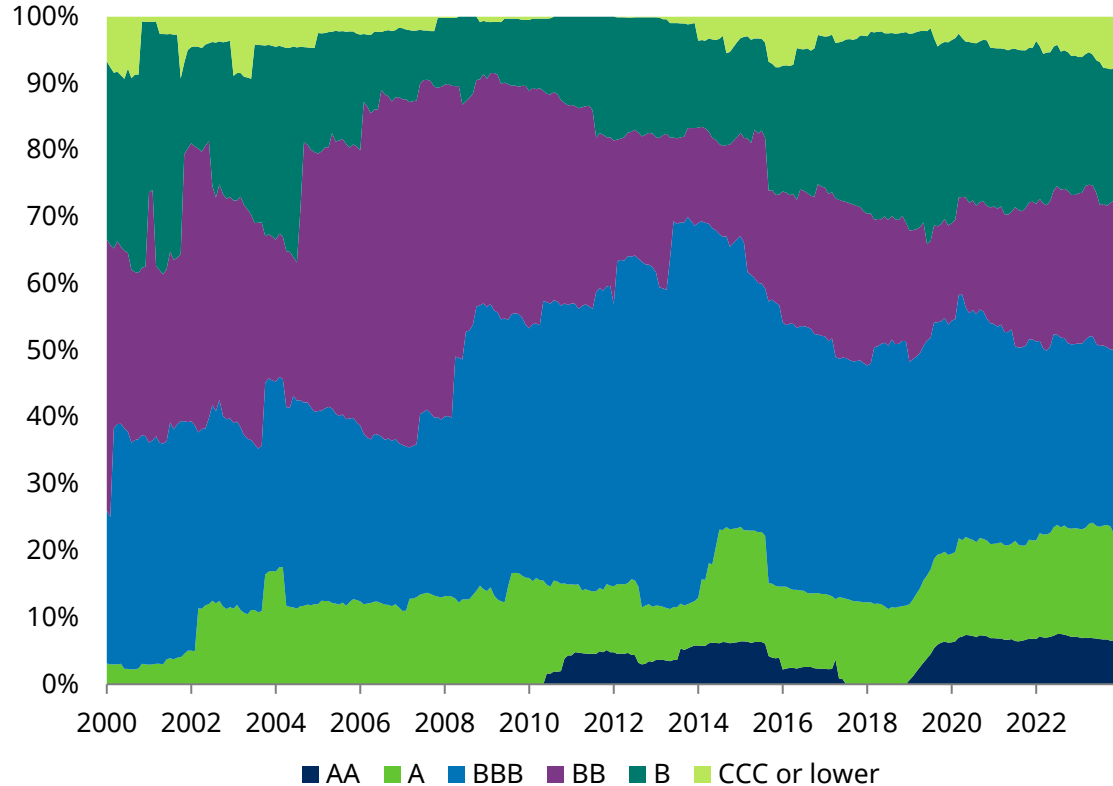
Past performance is not a guide to future performance and may not be repeated.

Source: LSEG Datastream, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

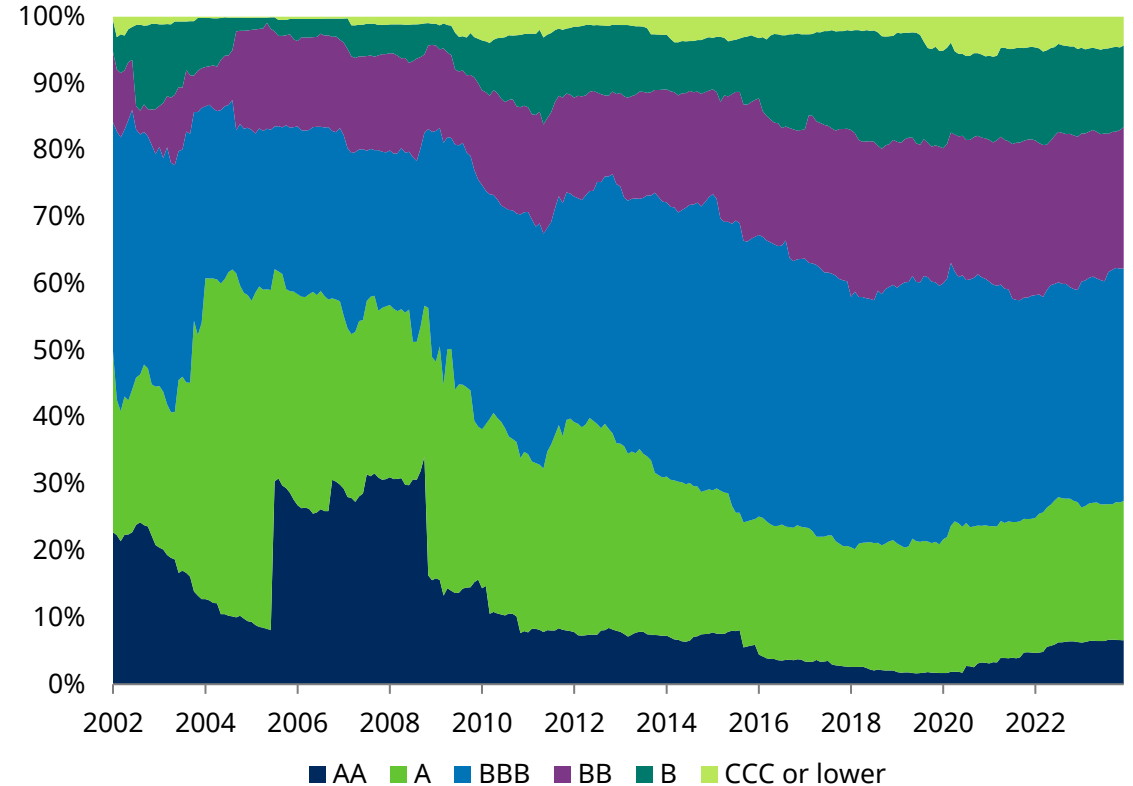
EMD historical ratings split

Share of IG bonds has fallen in the sovereign and corporate indices in the last decade

Sovereign EMD ratings split



Corporate EMD ratings split



Source: Schroders, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

Characteristics of EM hard currency issuers

Hard currency corporate issuers



■ Financials ■ Nonfinancials

Hard currency sovereign issuers



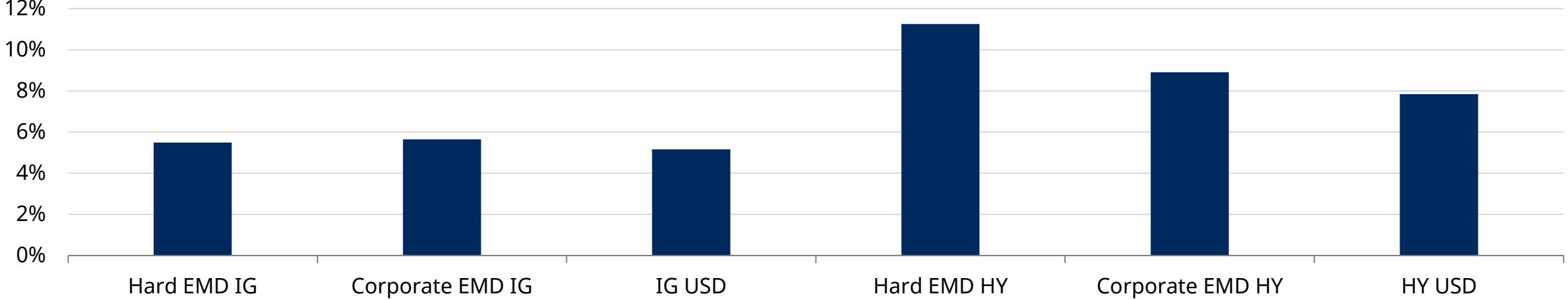
■ Sovereign ■ Quasi Sovereign

Source: LSEG Datastream, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

Hard and corporate EMD offer a yield and spread pick-up over equivalent rated US corporate debt

	Hard EMD IG	Corporate EMD IG	IG USD	Hard EMD HY	Corporate EMD HY	HY USD
Yield	5.5%	5.6%	5.2%	11.3%	8.9%	7.8%
Spread (bps)	138	158	102	723	489	359
Duration	7.8	4.8	7.0	5.5	3.3	4.1
Rating	A3	A3	A3	B1	B1	B1
Percentage of EMD index	50.7%	59.5%	-	49.3%	40.5%	-

EM vs. DM yields

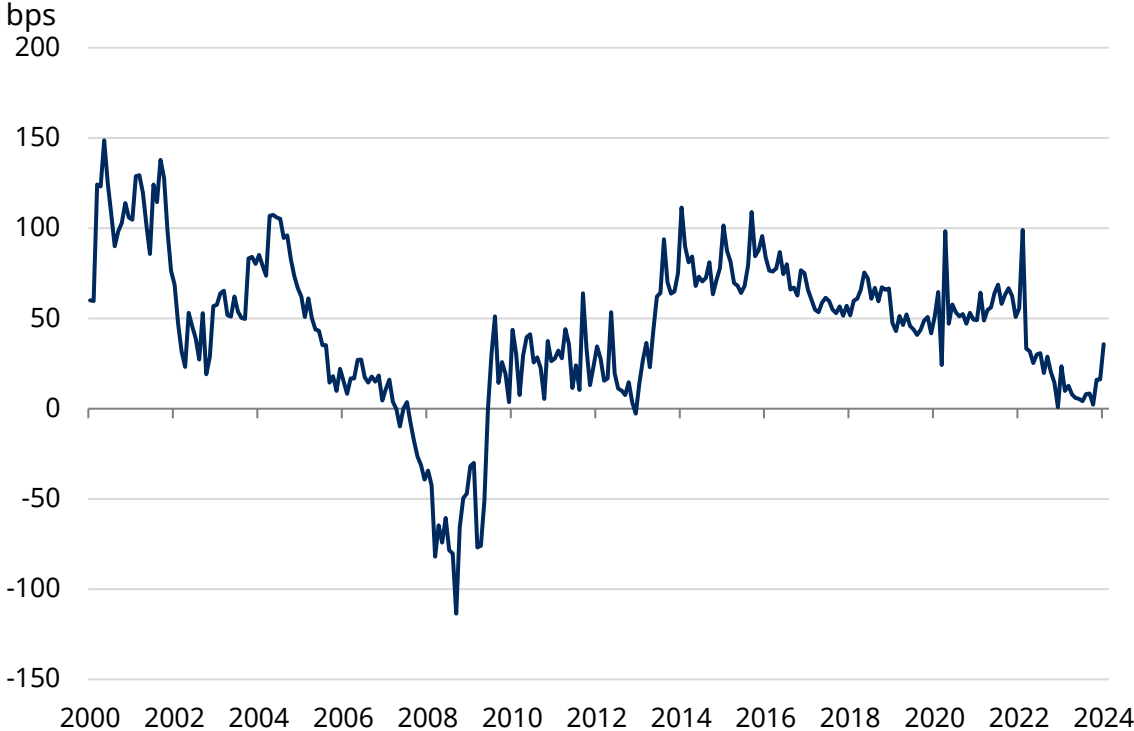


Source: Schroders, LSEG Datastream, ICE Data Indices, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

EM dollar debt: sovereign EMD vs. US corporates

Sov. EMD IG spread premium to US corp. has picked up; due to falling US IG spread

Sovereign EMD IG spread minus US IG spread



Sovereign EMD HY spread minus US HY spread

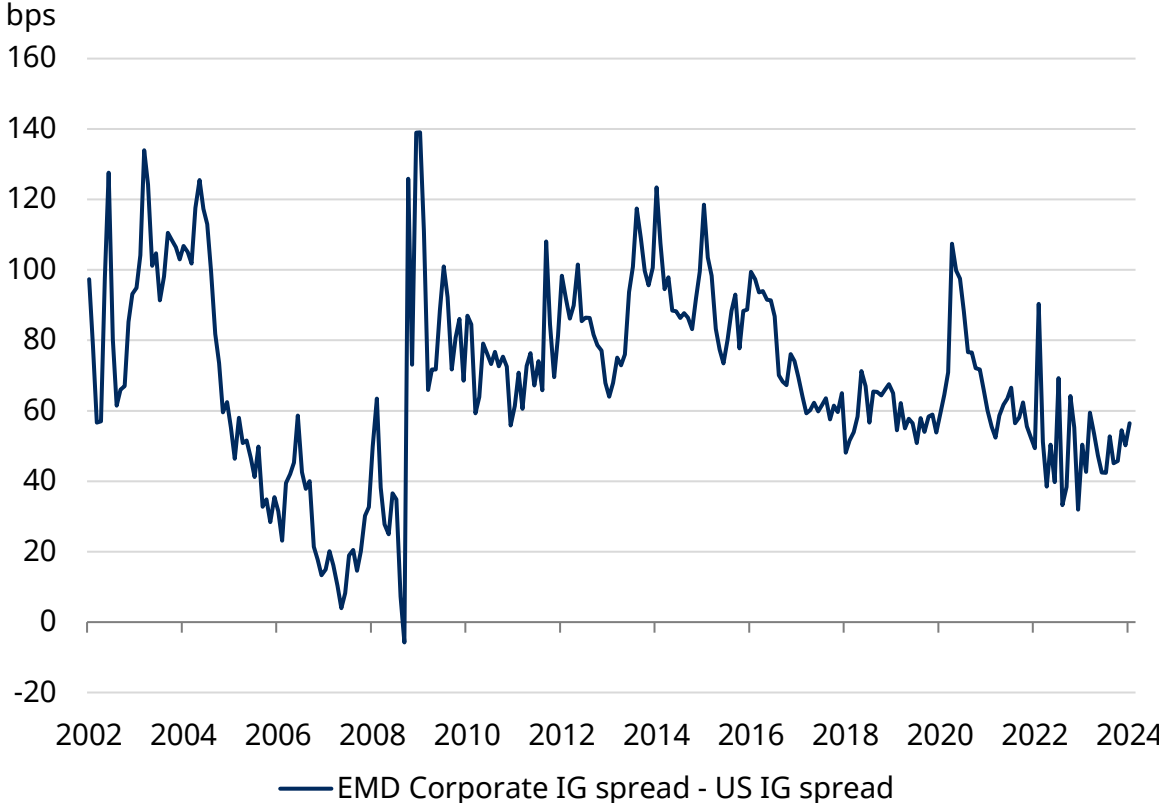


Sovereign EMD HY spread premium versus US remains elevated versus history

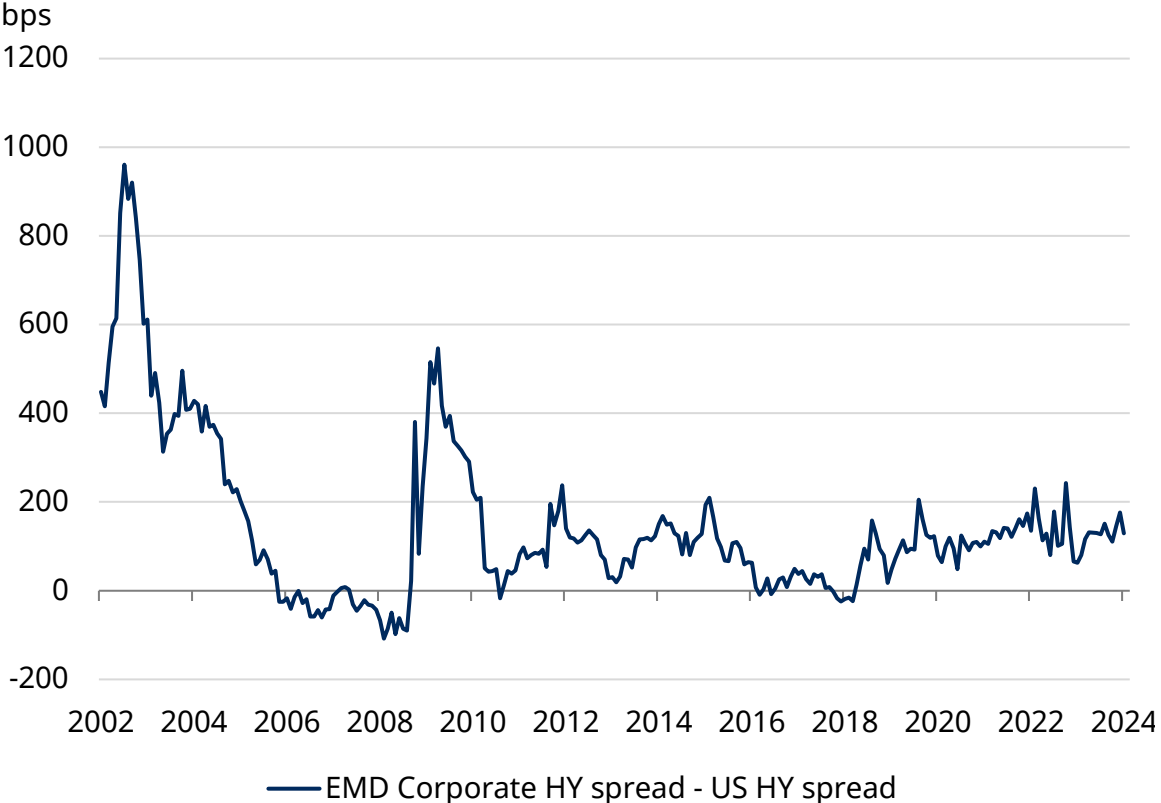
Past performance is not a guide to future performance and may not be repeated.
Source: Schroders, LSEG Datastream, ICE Data Indices, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

EM dollar debt: corporate EMD vs. US corporates

Corporate EMD IG spread minus US IG spread



Corporate EMD HY spread minus US HY spread



Past performance is not a guide to future performance and may not be repeated.
Source: Schroders, LSEG Datastream, ICE Data Indices, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.



Emerging market debt:

Local currency

Summary: local currency emerging market debt

- Local EM bonds posted a negative return in January, with US dollar strength a key drag.
- The yield on the local EM bond index was stable at 6.2%, but there remains significant variation between regions. Yields in Latin America are markedly higher than in EM Asia.
- EM ex Turkey inflation continues to fall, after a solid decline in 2023. This has opened the door to interest rate cuts, led by Latin America, but also underway in EM Europe.
- Turkey is the exception, where a renewed vein of orthodoxy saw the central bank hike its policy rate by almost 37 percentage points between June and January 2024. It has now signalled a peak in the hiking cycle.
- The average local EM ex Turkey yield curve is no longer inverted.
- The average real yield premium of EM over DM has moved up from its trough. Both the average EM and DM real yields have lifted, with EM well into positive territory again; the average DM real yield is still negative.

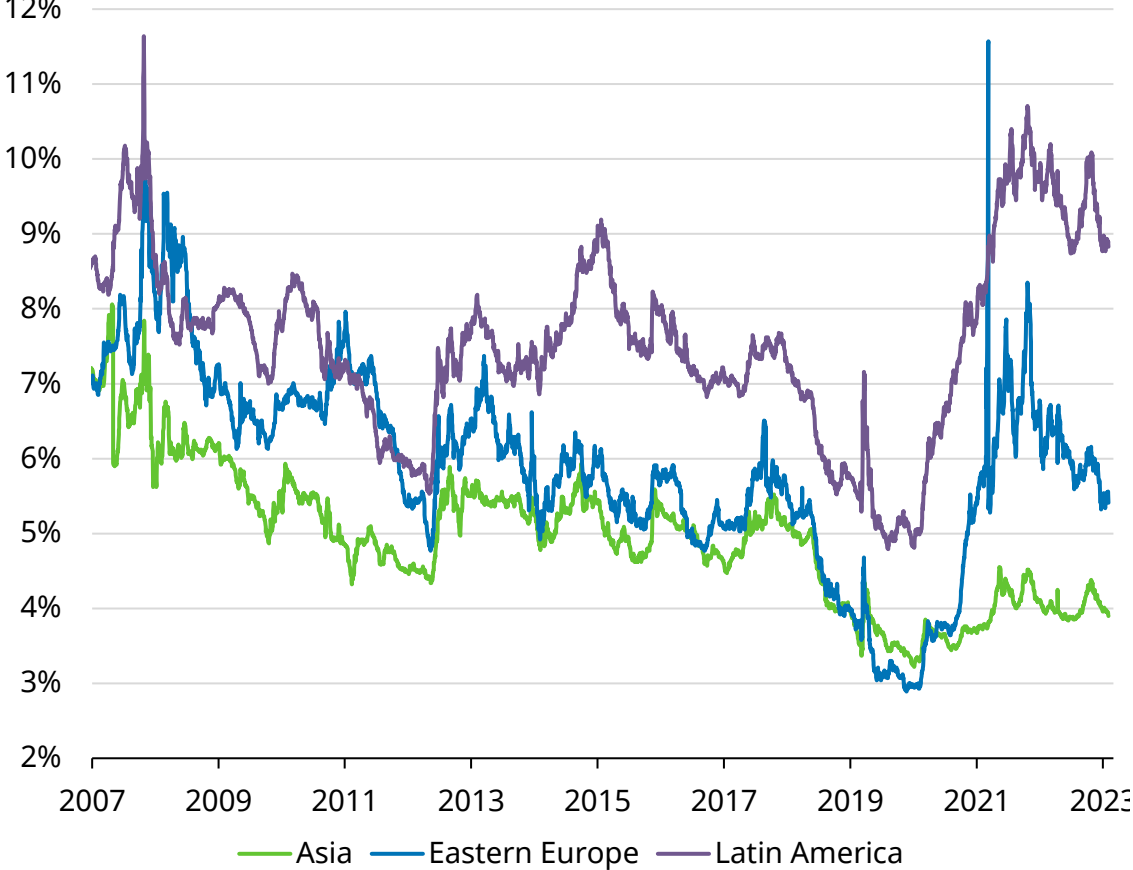
EM local currency index yield was stable at 6.2% in January

Yields vary by region, but are notably higher in Latin America

Local EMD index yield



Local EMD yield by region



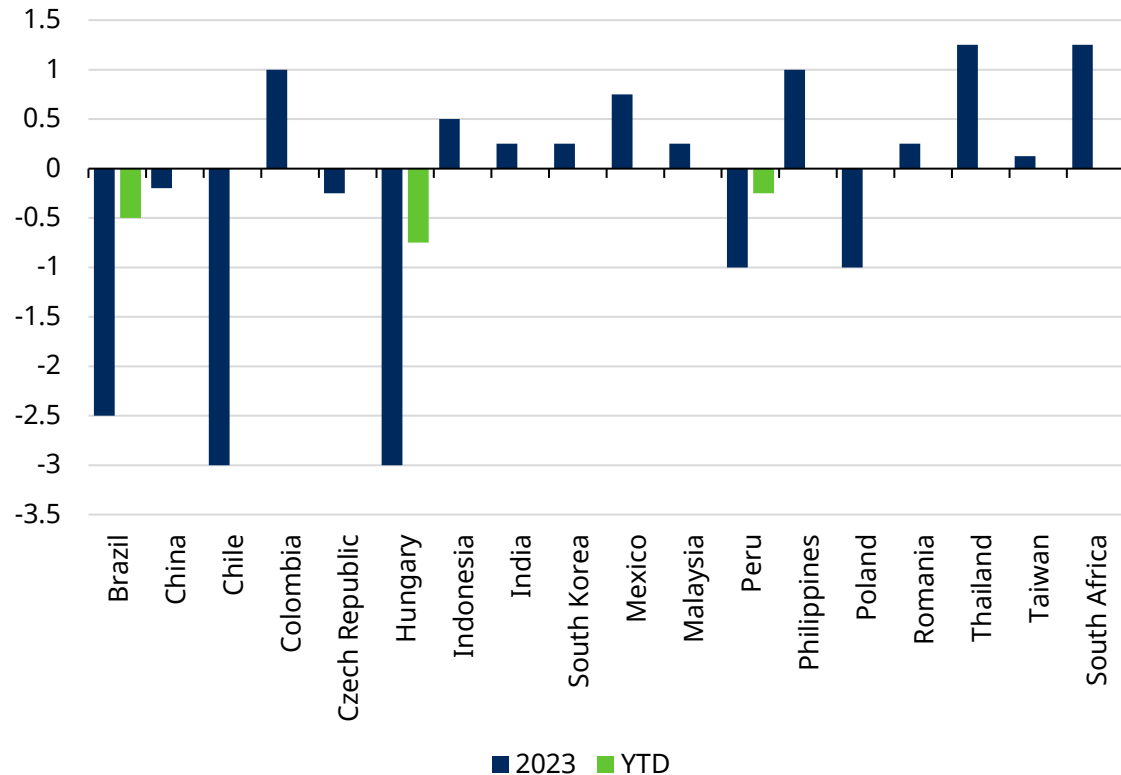
Past performance is not a guide to future performance and may not be repeated.

Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Russia was removed from all JP Morgan EMD indices from 31 March 2022. Please see relevant disclaimers on page 41.

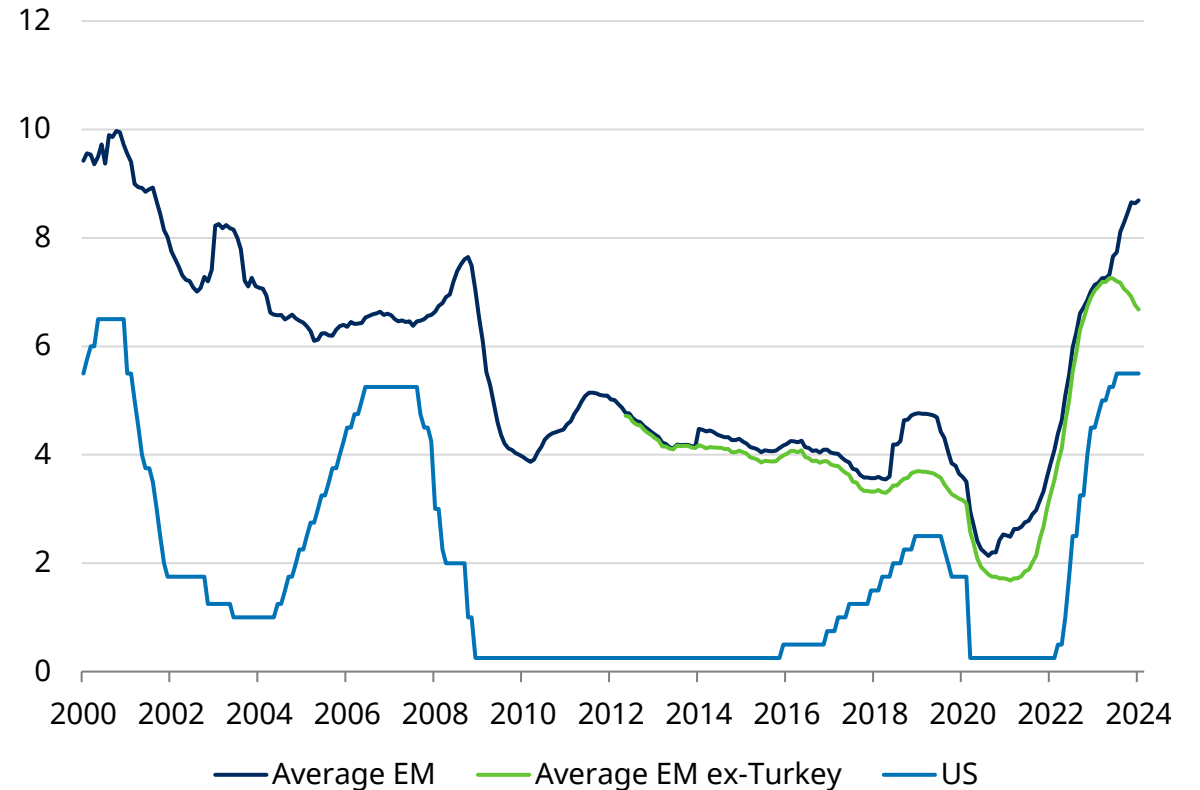
EM ex Turkey policy rates are falling

EM central banks have begun easing cycles...

Change in EM policy rates 2023/YTD(%)*



Average EM policy rate¹ (%)



Turkey's central bank has signalled the end of its hiking cycle after lifting rates by almost 37 percentage points

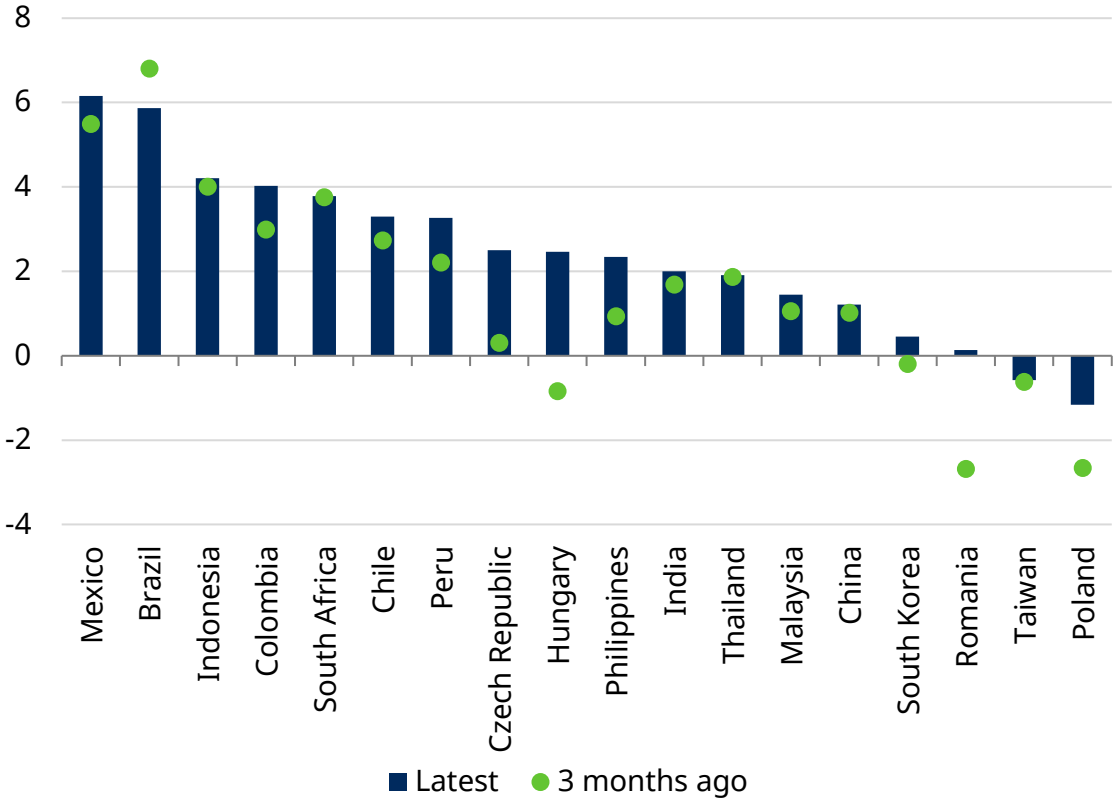
Source: Schroders, LSEG Datastream. Data as at 31 January 2024. ¹Based on 19 major EM countries. Please see relevant disclaimers on page 41.

*Turkey is excluded from the bar chart due to scale of hikes compared to the rest of EM.

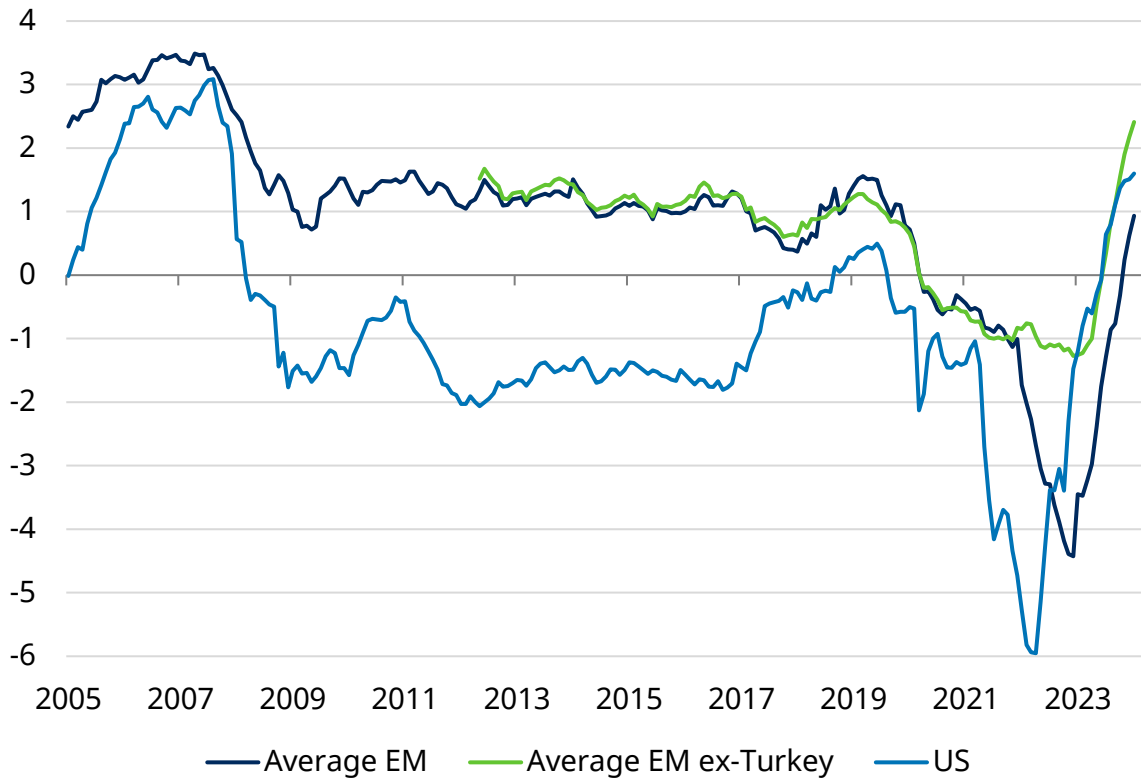
Majority of EM real policy rates have turned positive

Eastern Europe real rates have lagged, but are catching up

EM real policy rates (%)



Average EM real policy rate¹ (%)

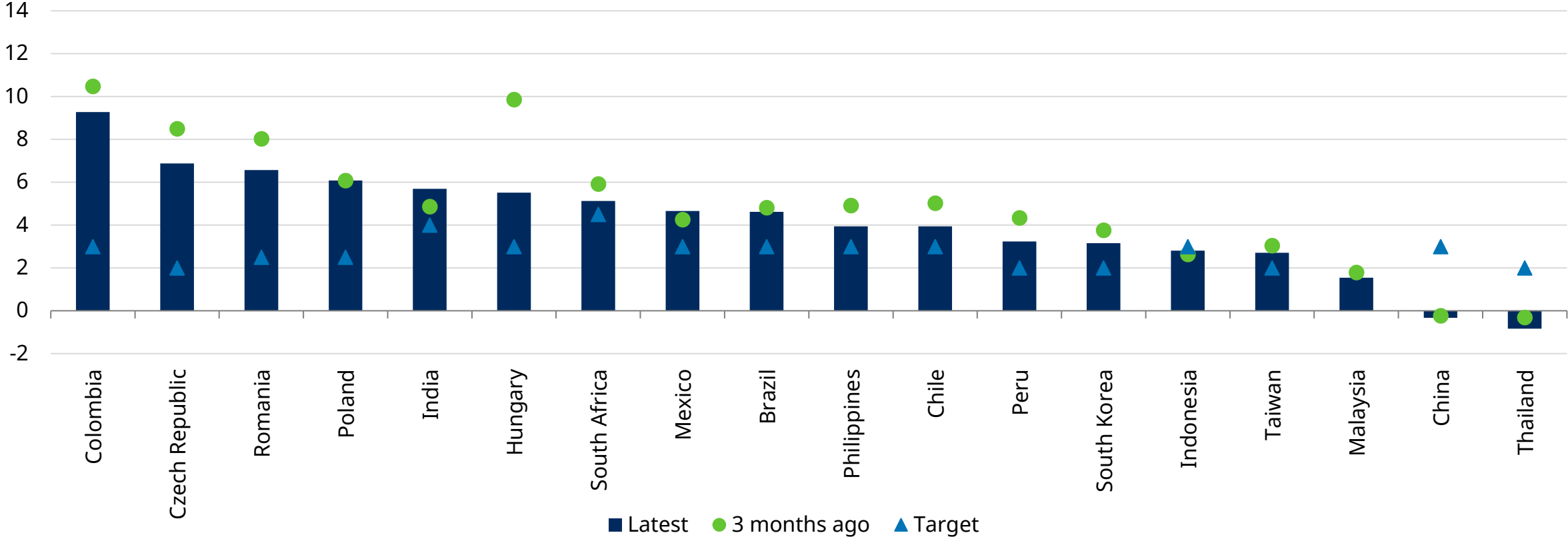


¹Based on 19 major EM countries. Turkey has very high inflation at the moment, with the annual core inflation at 71%. Despite large rate hikes recently, Turkey's policy rate of 45.0% is well below core inflation. Hence, Turkey's real policy rate is very negative at -26%, skewing the EM average. Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Nominal policy rate minus annual core inflation. Please see relevant disclaimers on page 41.

EM headline inflation is moving towards target in most EM

China and Thailand are notable exceptions where inflation is below target

Headline inflation (%)

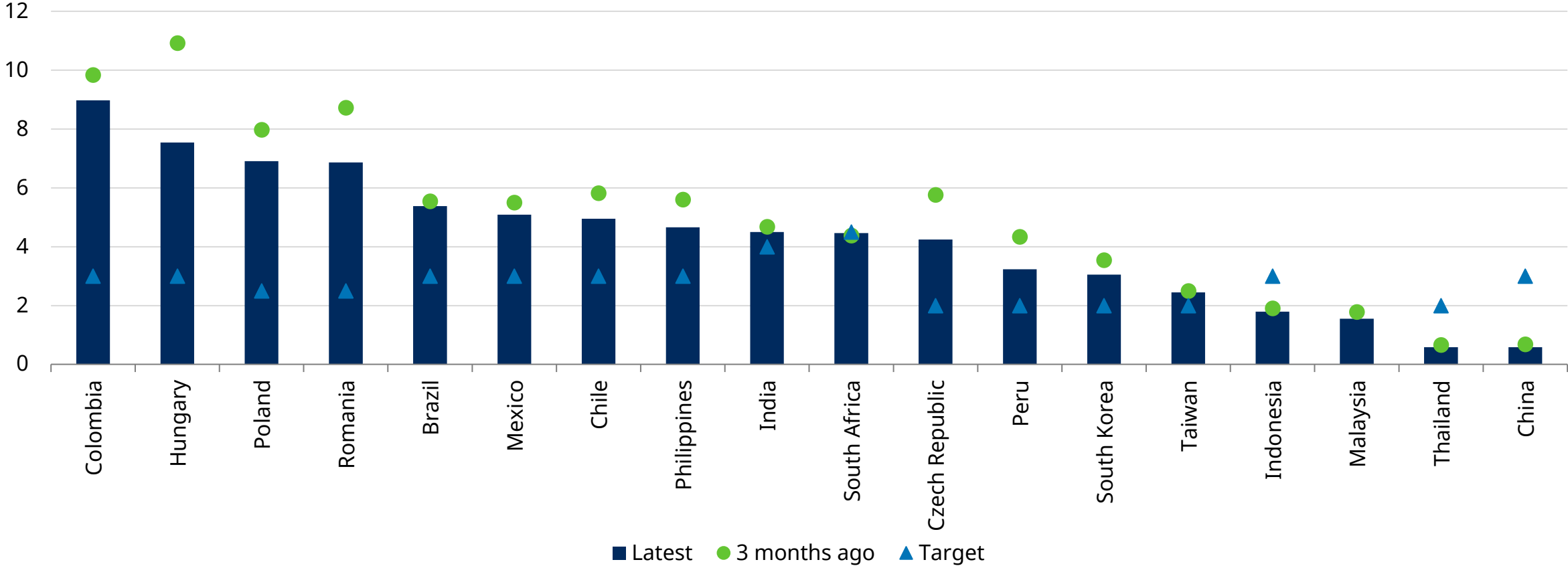


Turkey's annual headline inflation (65%) omitted from the figure.
Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

Core inflation is also falling in most EM

Core inflation in China, as well as in Thailand and Indonesia, is below target

Core inflation (%)

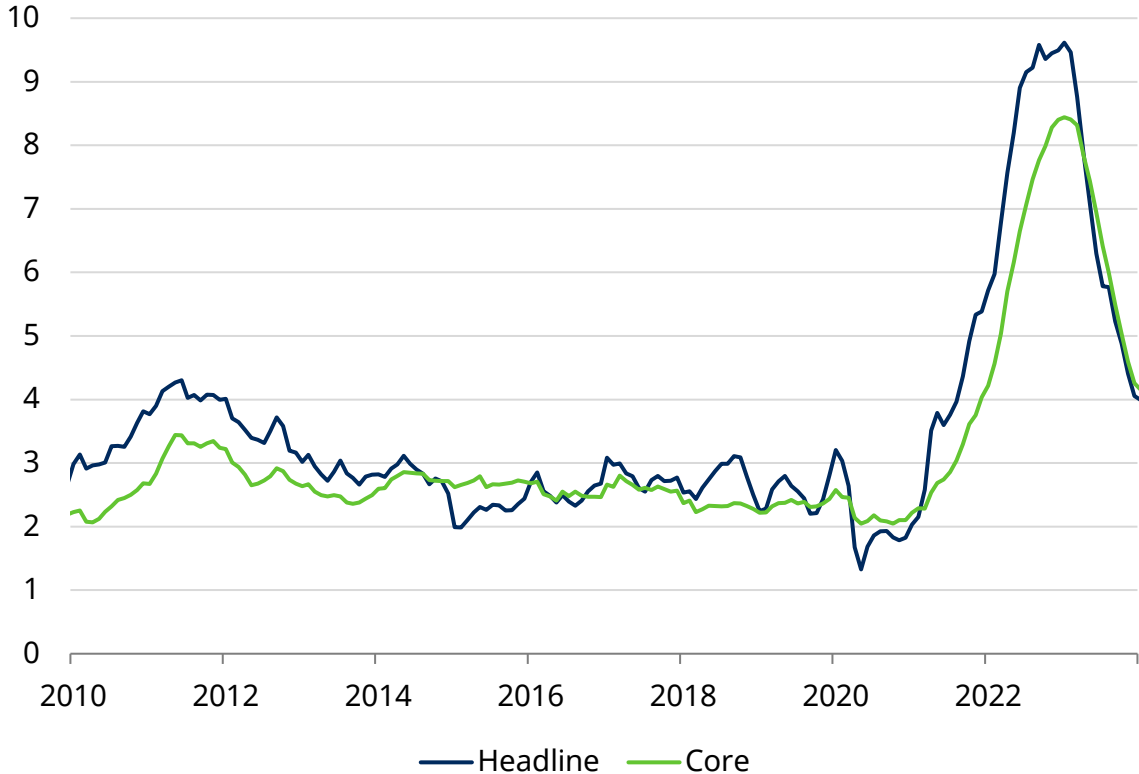


Turkey's annual core inflation (71%) omitted from the figure.
Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

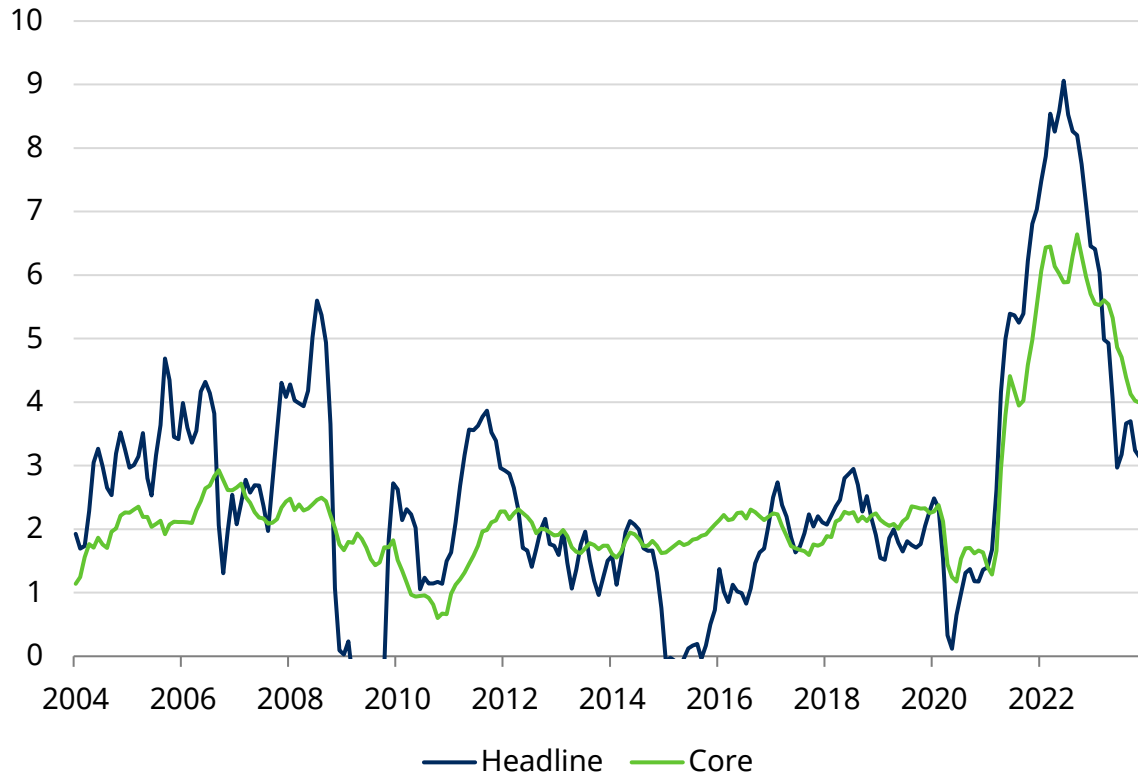
Headline and core EM inflation has fallen significantly

...but remains above the range seen over the last decade

Average EM inflation ex Turkey¹ (%)



US inflation (%)

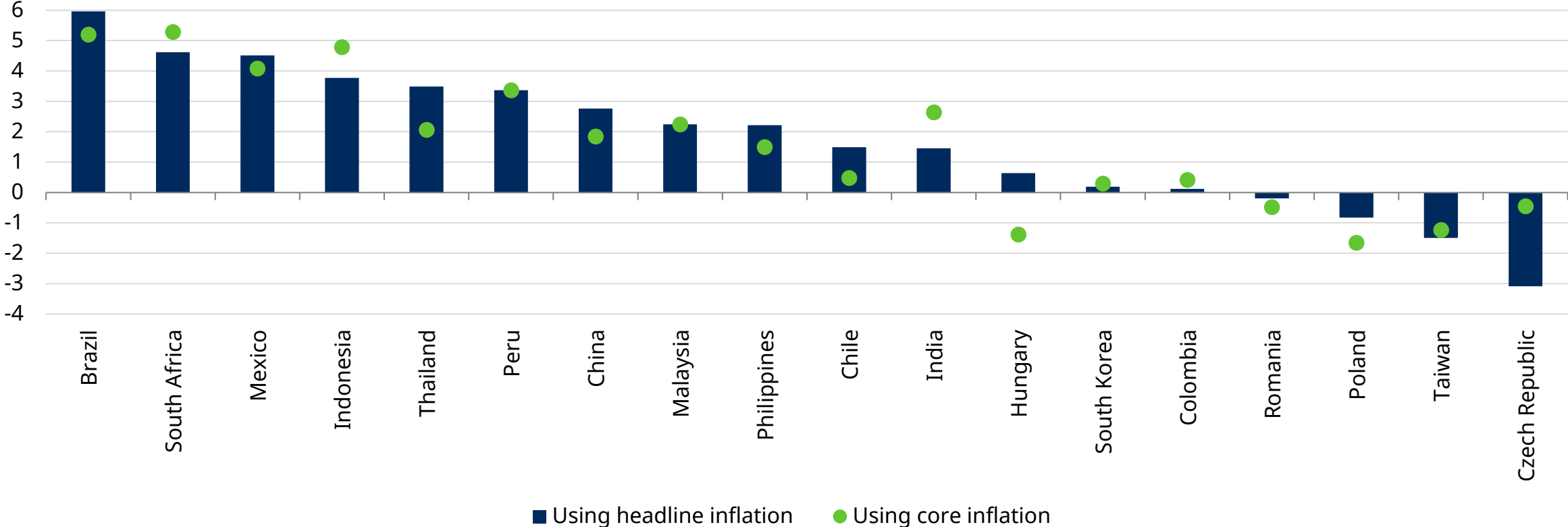


¹Based on 19 major EM countries. Turkey excluded because of significantly higher inflation in the country compared to the rest of the EM. Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

Real bond yields are positive in most EM...

EM Europe and Taiwan are the exceptions

Real 10-year yield

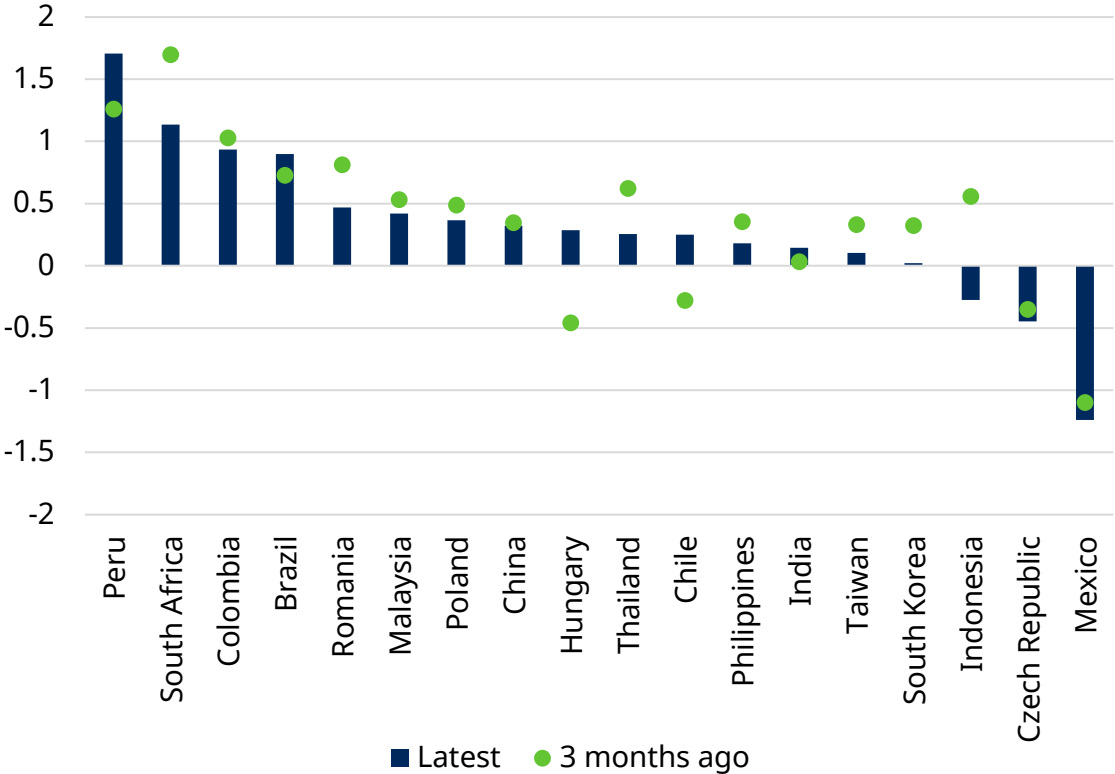


Real bond yields are highest in Brazil, South Africa, and Mexico

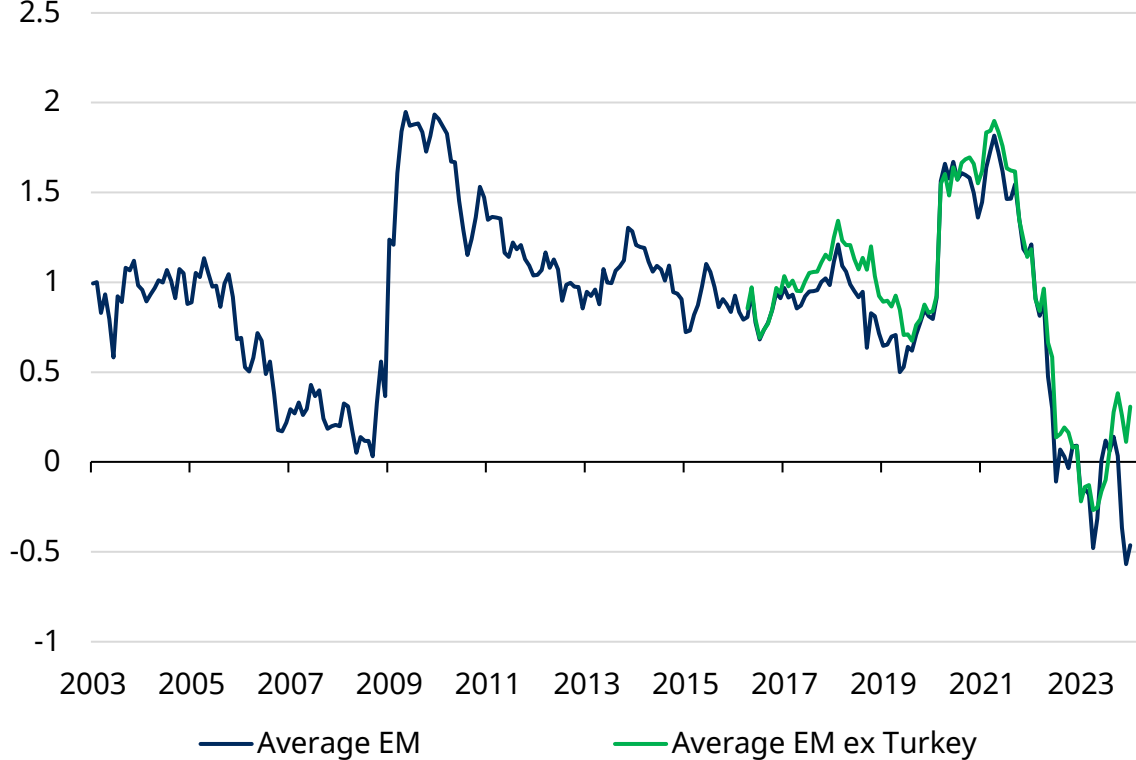
Nominal 10 year yield minus annual headline or core inflation. Turkey's real 10-year yield (-40% using headline inflation and -45% using core) omitted from the figure. Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

EM yield curve shape

Yield curve steepness (10y yield – 2y yield)



Average EM yield curve steepness (10y yield – 2y yield)¹



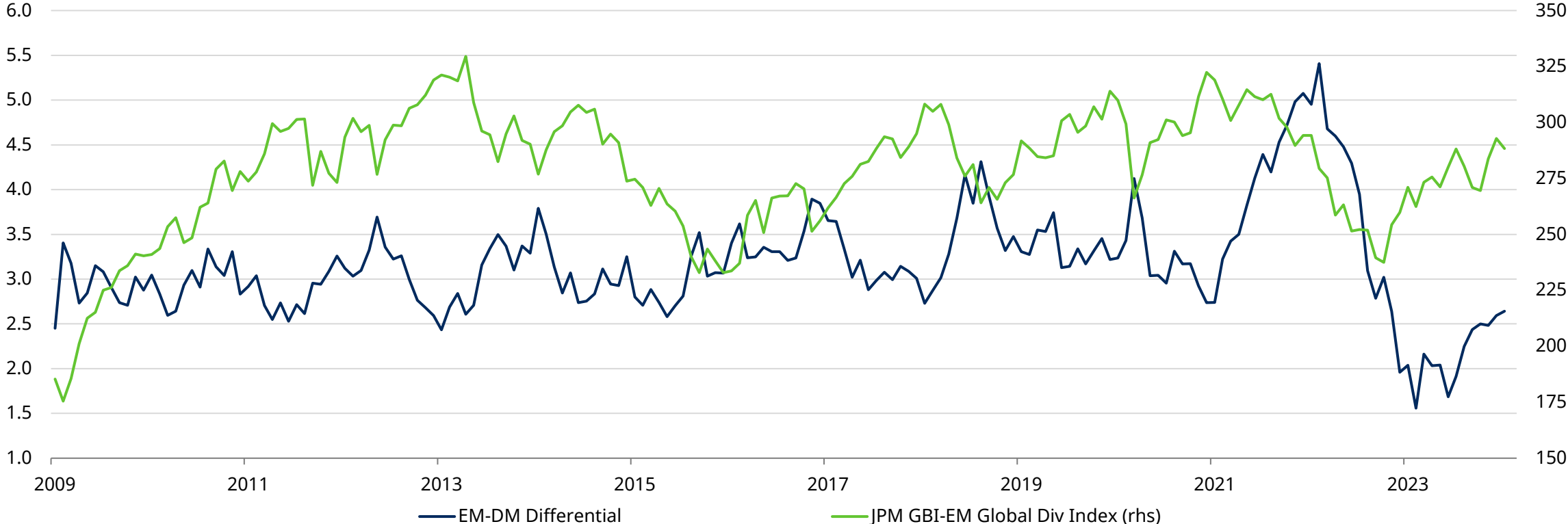
The average local EM ex Turkey yield curve is no longer inverted

¹Based on 19 major EM countries. Turkey omitted from chart on left due to degree of inversion – latest yield curve steepness is -11.6 percentage points. Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

Real yield differential has moved off long term lows

EM local currency bond valuation

EM-DM real yield differential (%)



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

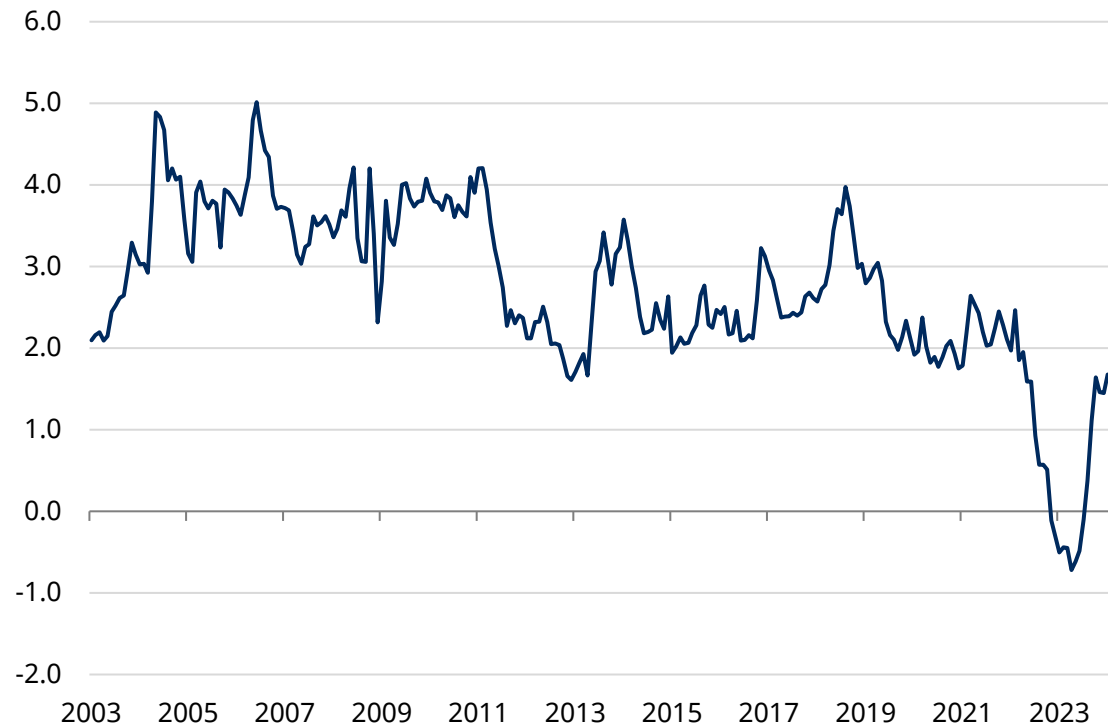
EM real yield is weighted average of individual JPM GBI-EM index nominal yields deflated by core inflation. DM real yield is 5Y government bond yields of US, UK, Euro zone, Japan deflated by core inflation, weighted by the size of individual government bond market.

Source: Schroders, LSEG Datastream, ICE Data Indices, JP Morgan. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

Average EM and DM real yields have picked up

Individual drivers of the real yield differential

EM real yield (%)



DM real yield (%)



Source: Schroders, LSEG Datastream, ICE Data Indices, JP Morgan. Data as at 31 January 2024. EM real yield is weighted average of individual JPM GBI-EM index nominal yields deflated by core inflation. DM real yield is 5Y government bond yields of US, UK, eurozone, Japan deflated by core inflation, weighted by the GDP PPP of each country. Please see relevant disclaimers on page 41.



Emerging market currencies

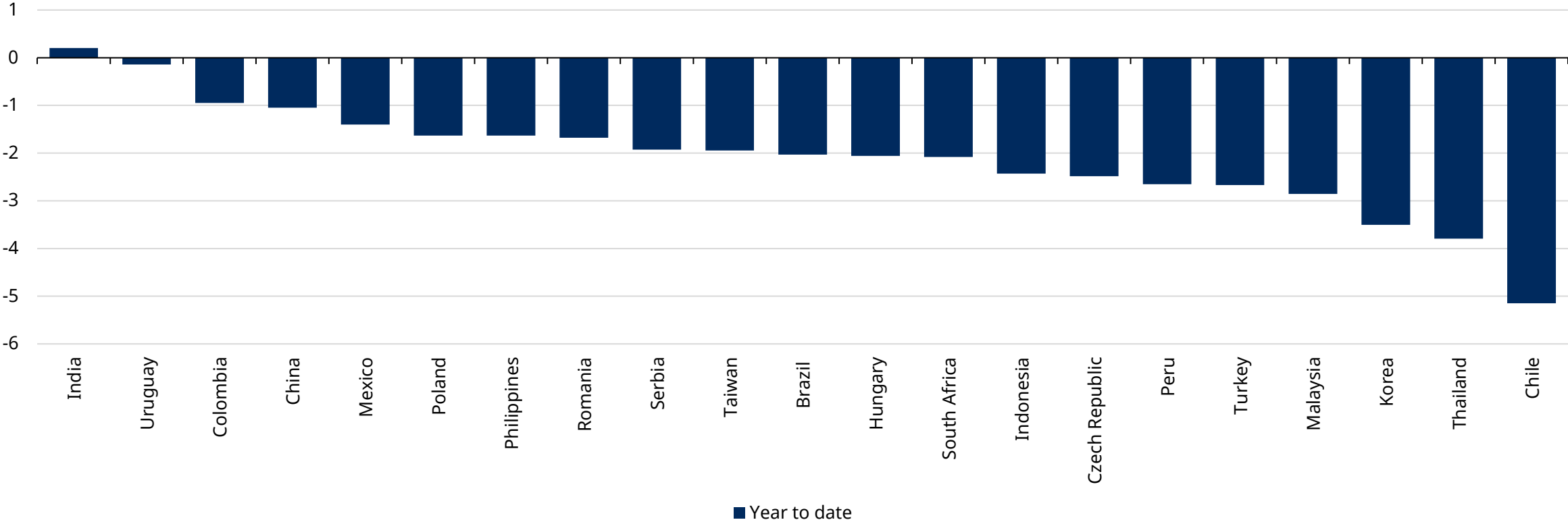
Summary: emerging market currencies

- EM currency performance versus the US dollar has been broadly weak YTD. Indian rupee was the only currency to eke out a positive return in January.
- There are undervalued currencies in all three EM regions, though the degree of value in EM currencies varies significantly.
- The Czech koruna is notably above its long term and five-year averages. Currencies in Uruguay, Romania and India are also expensive versus history. Turkey, South Africa, and Malaysia are among the cheapest EM currencies relative to the long-term average.
- EM FX carry, the strategy of buying higher-yielding EM currencies against lower-yielding currencies to earn the interest rate differential, made a comeback in 2022 because of EM rate hikes but has faded.

EM FX broadly weak YTD

EM currency performance vs. US dollar

EM currency returns (%)



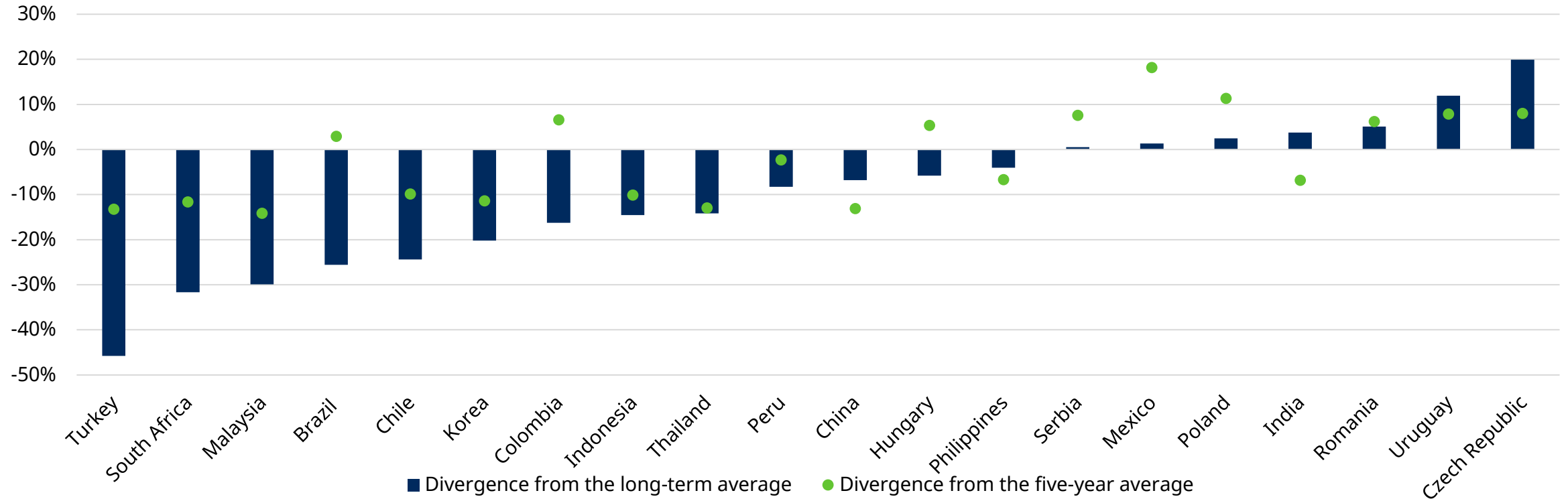
Indian rupee the most resilient EM currency YTD

Past performance is not a guide to future performance and may not be repeated.
Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

Some currencies are significantly undervalued

Notably EMEA and Latin American currencies

Real exchange rate: deviation from average



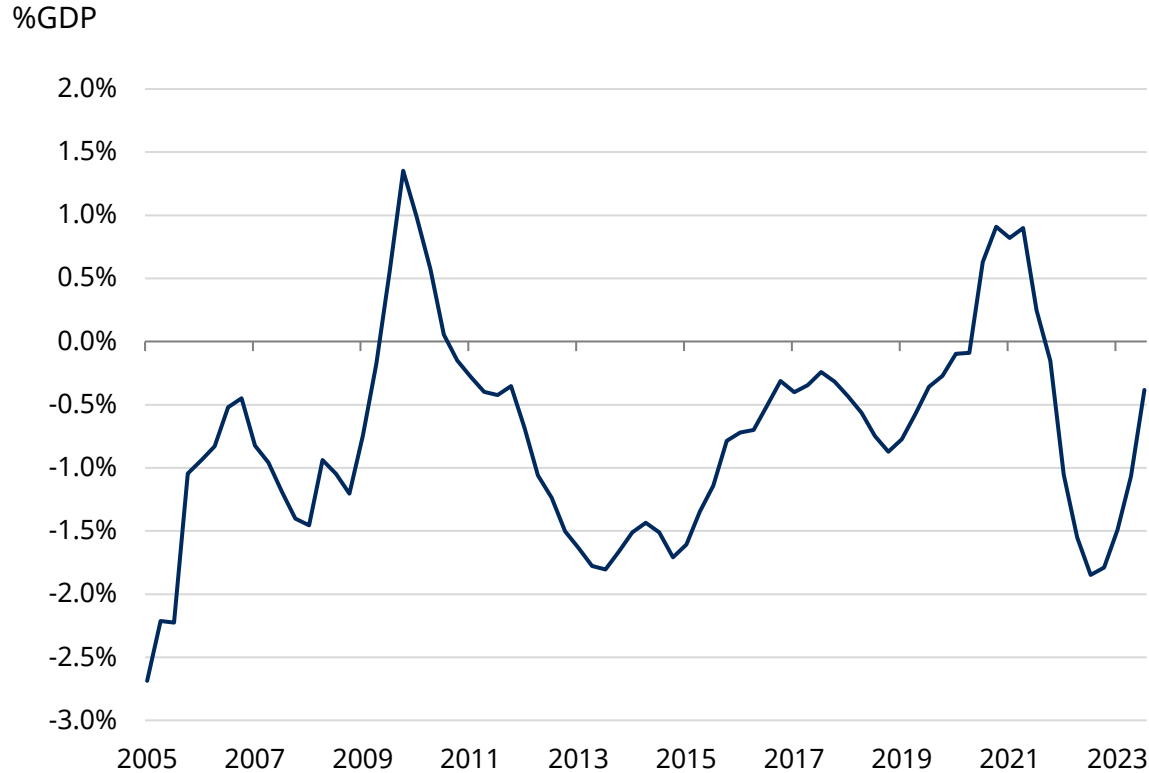
Turkey, South Africa and Malaysia are among the cheapest currencies; Czech Republic, Uruguay, and Romania have real exchange rates well above the long-term average

Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Real exchange rate is the nominal dollar exchange rate deflated by the consumer price index (CPI) of each EM country vs. US. Long-term average is since January 1995. Please see relevant disclaimers on page 41.

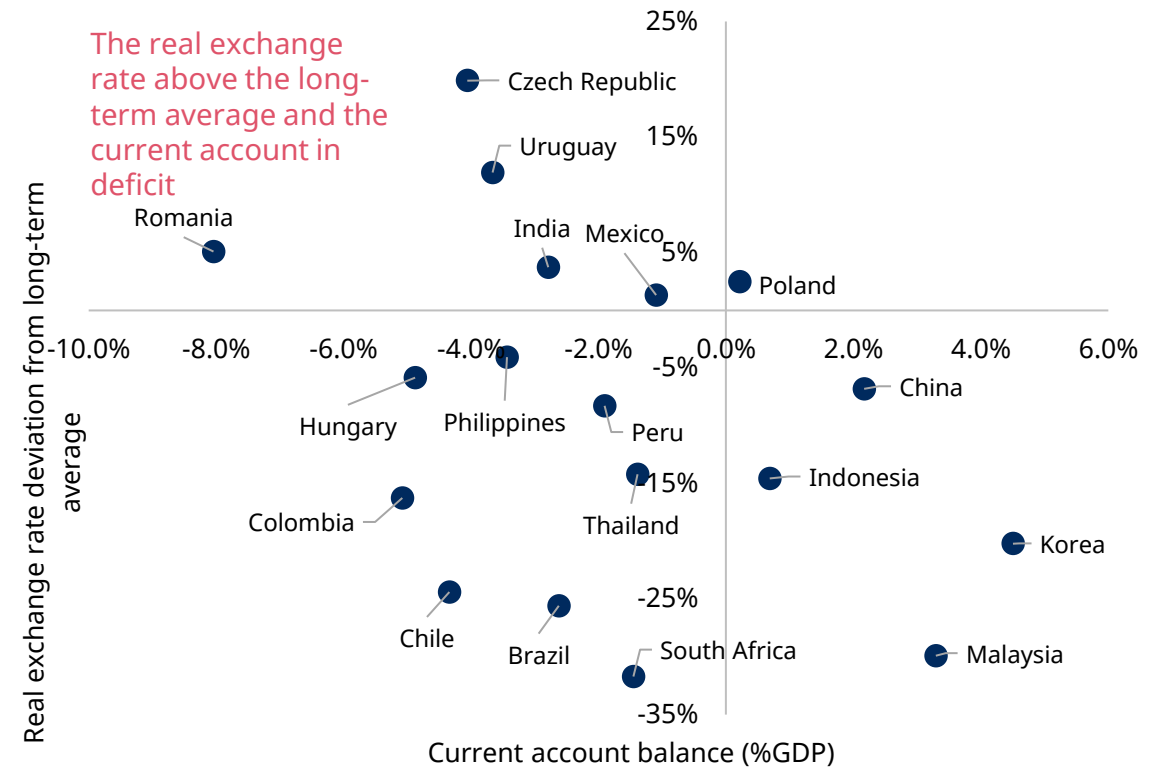
EM fundamentals: current account vs. currency valuation

Romania, Czechia, and Uruguay are among most vulnerable to currency weakness

Average EM current account balance¹



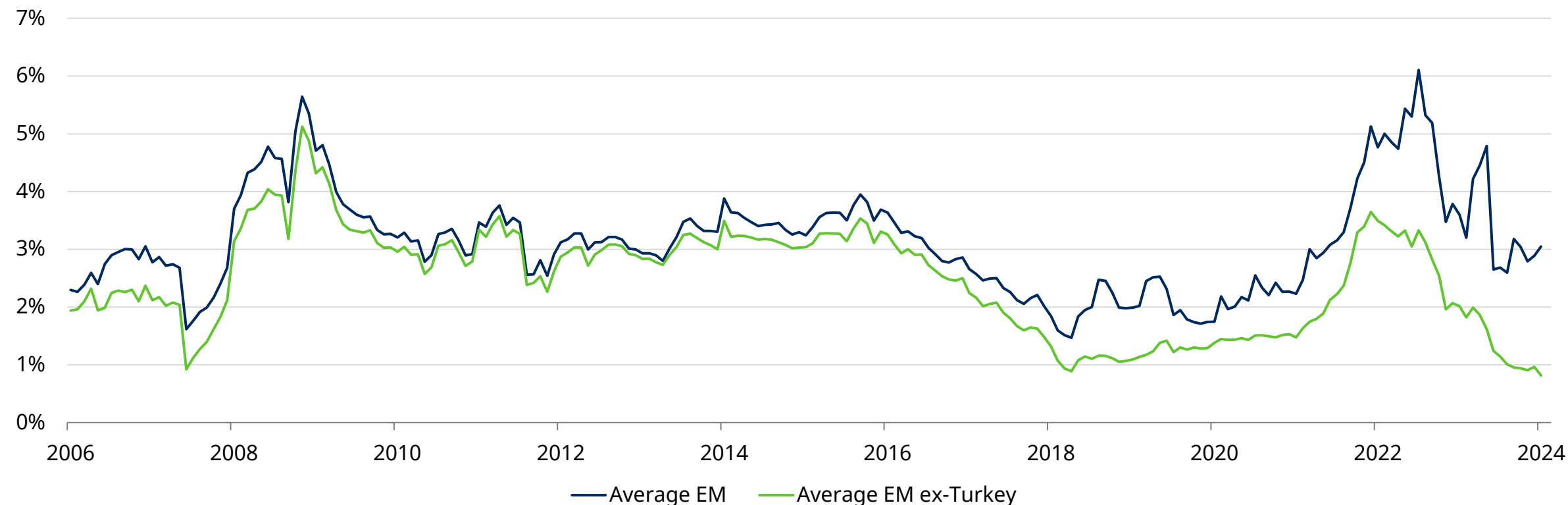
EM currency value² vs. current account balance



¹Based on the historical country weights of the JPM GBI-EM Global Diversified Index. ²Currency value is the deviation of the real exchange rate from the long-term average since 1995. Source: Schroders, LSEG Datastream. Current account data as at Q3 2023, currency value data as at 31 January 2024. Please see relevant disclaimers on page 41.

The EM FX carry trade made a comeback on the back of EM rate hikes but has faded

Average EM carry¹



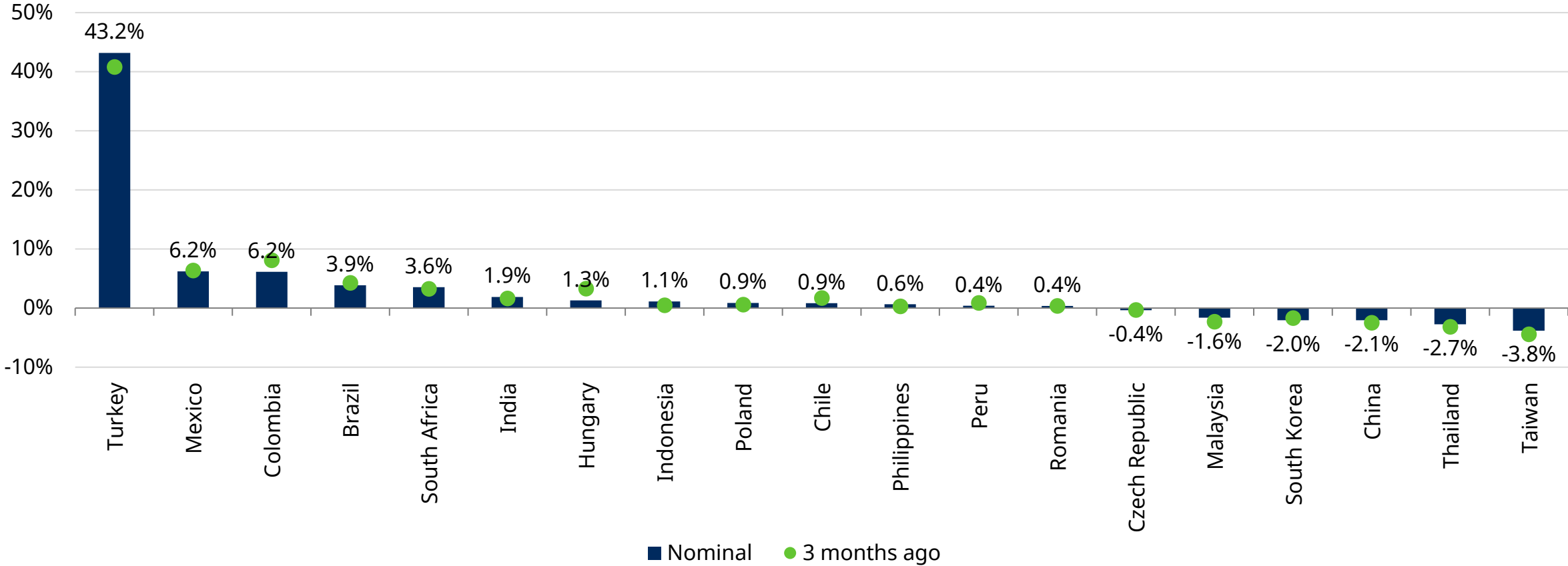
Average EM ex-Turkey carry is close to multi-decade lows

¹The return of holding 1-year FX forward vs. US dollar to maturity. Based on 19 major EM countries.
Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

FX Carry varies significantly between the countries

FX carry trade in Turkey remains elevated, despite recent decrease

EM FX carry¹



¹The return of holding 1-year FX forward vs. US dollar to maturity.
 Source: Schroders, LSEG Datastream. Data as at 31 January 2024. Please see relevant disclaimers on page 41.

List of indices

- **Sovereign EMD** – The JPM EMBI Global Diversified Composite Index
- **Corporate EMD** – The JPM CEMBI Broad Diversified Index
- **Local EMD** – The JPM GBI-EM Global Diversified Index
- **US IG** - ICE BofA US High Yield Index
- **US HY** - ICE BofA US Corporate Index

Relevant Disclosures

All investments involve risk including the loss of principal. The information presented is current as of the date of this publication.

The views and opinions shared are those of the authors of this publication and are subject to change due to market and other conditions. The opinions stated may include some forward looking views. We believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that they will be realized.

The value of any debt instrument may decline as a result of a number of factors, including interest rate risk, credit risk, inflation/deflation risk, government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk and liquidity risk. Foreign debt instruments involves special risks including among others, risks related to political or economic instability, foreign currency (such as exchange, valuation, and fluctuation) risk, market entry or exit restrictions, illiquidity and taxation. These risks exist to a greater extent in emerging markets than in developed markets.

Any analysis or illustration of trends whether current or historical should not be solely relied upon to predict future events or results. Trends may not continue or lead to favorable investment conditions.

This publication is intended to be for information purposes only and it is not intended as promotional material in any respect. The material is not intended as an offer or solicitation for the purchase or sale of any investment service or financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Information herein is believed to be reliable but Schroder Investment Management North America Inc. does not warrant its completeness or accuracy. **See 'Important Information' slide for additional disclosures.**

Important information (1 of 4)

Marketing material for professional investors or advisers only. It is not to be provided to retail clients.

The views and opinions contained herein are those of the authors as at the date of publication and are subject to change due to market and other conditions. Such views and opinions may not necessarily represent those expressed or reflected in other Schroders communications, strategies or funds.

This presentation is intended to be for information purposes only. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument or security or to adopt any investment strategy. The information provided is not intended to constitute investment advice, an investment recommendation or investment research and does not take into account specific circumstances of any recipient. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. Any references to securities, sectors, regions and/or countries are for illustrative purposes only.

Information herein is believed to be reliable but Schroders does not represent or warrant its completeness or accuracy. No responsibility or liability is accepted by Schroders, its officers, employees or agents for errors of fact or opinion or for any loss arising from use of all or any part of the information in this document. No reliance should be placed on the views and information in the document when taking individual investment and/or strategic decisions. Schroders has no obligation to notify any recipient should any information contained herein change or subsequently become inaccurate. Unless otherwise authorised by Schroders, any reproduction of all or part of the information in this document is prohibited.

Any data contained in this document have been obtained from sources we consider to be reliable. Schroders has not independently verified or validated such data and they should be independently verified before further publication or use. Schroders does not represent or warrant the accuracy or completeness of any such data.

All investing involves risk including the possible loss of principal.

This material has not been reviewed by the regulators.

Exchange rate changes may cause the value of any overseas investments to rise or fall. Past Performance is not a guide to future performance and may not be repeated. This document may contain 'forward-looking' information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised. For your security, communications may be taped or monitored.

Third party data is owned or licensed by the data provider and may not be reproduced or extracted and used for any other purpose without the data provider's consent. Third party data is provided without any warranties of any kind. The data provider and issuer of the document shall have no liability in connection with the third party data. The Prospectus and/or www.schroders.com contains additional disclaimers which apply to the third party data.

The forecasts stated in this presentation are the result of statistical modelling, based on a number of assumptions. Forecasts are subject to a high level of uncertainty regarding future economic and market factors that may affect actual future performance. The forecasts are provided to you for information purposes as at today's date. Our assumptions may change materially with changes in underlying assumptions that may occur, among other things, as economic and market conditions change. We assume no obligation to provide you with updates or changes to this data as assumptions, economic and market conditions, models or other matters change.

Important information (2 of 4)

For readers/viewers in Argentina: Schroder Investment Management S.A., Ing. Enrique Butty 220, Piso 12, C1001AFB - Buenos Aires, Argentina. Registered/Company Number 15. Registered as Distributor of Investment Funds with the CNV (Comisión Nacional de Valores). Nota para los lectores en Argentina: Schroder Investment Management S.A., Ing. Enrique Butty 220, Piso 12, C1001AFB - Buenos Aires, Argentina. Inscripto en el Registro de Agentes de Colocación y Distribución de PIC de FCI de la Comisión Nacional de Valores con el número 15.

Note to readers/viewers in Australia: Issued by Schroder Investment Management Australia Limited Level 20, Angel Place, 123 Pitt Street, Sydney NSW 2000 Australia ABN 22 000 443 274, AFSL 226473.

For readers/viewers in Bahrain: The material has not been approved by the Central Bank of Bahrain which takes no responsibility for its contents. No offer to the public to purchase funds will be made in the Kingdom of Bahrain and this invite is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

For readers/viewers in Brazil: Schroder Investment Management Brasil Ltda., Rua Joaquim Floriano, 100 – cj. 142 Itaim Bibi, São Paulo, 04534-000 Brasil. Registered/Company Number 92.886.662/0001-29. Authorised as an asset manager by the Securities and Exchange Commission of Brazil/Comissão de Valores Mobiliários ('CVM') according to the Declaratory Act number 6816.

For readers/viewers in Canada: Schroder Investment Management North America Inc., 7 Bryant Park, New York, NY 10018-3706. NRD Number 12130. Registered as a Portfolio Manager with the Ontario Securities Commission, Alberta Securities Commission, the British Columbia Securities Commission, the Manitoba Securities Commission, the Nova Scotia Securities Commission, the Saskatchewan Securities Commission and the (Quebec) Autorité des marchés financiers.

For readers/viewers in the People's Republic of China: Issued by Schroder Investment Management (Shanghai) Co., Ltd. Unit 33T52A, 33F Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, Shanghai, China, AMAC registration NO. P1066560. Regulated by Asset Management Association of China ('AMAC') This material has not been reviewed by the AMAC.

For readers/viewers in the European Union/European Economic Area: Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy or on request should you not have access to this webpage. Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799

Note to readers/viewers in Hong Kong S.A.R.: Issued by Schroder Investment Management (Hong Kong) Limited. Level 33, Two Pacific Place, 88 Queensway, Hong Kong. This material has not been reviewed by the Securities and Futures Commission.

Note to readers/viewers in Indonesia: Issued by PT Schroder Investment Management Indonesia Indonesia Stock Exchange Building Tower 1, 30th Floor, Jalan Jend. Sudirman Kav 52-53 Jakarta 12190 Indonesia PT Schroder Investment Management Indonesia is licensed as an Investment Manager and regulated by the Indonesian Financial Services Authority (OJK). This material has not been reviewed by the OJK.

For readers/viewers in Israel: Note regarding the Marketing material for Qualified Clients and Sophisticated Investors only. This communication has been prepared by certain personnel of Schroder Investment Management (Europe) S.A (Registered No. B 37.799) or its subsidiaries or affiliates (collectively, 'SIM'). Such personnel are not licensed nor insured under the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995 (the 'Investment Advice Law'). This communication is directed at persons (i) who are Sophisticated Investors as listed in the First Schedule of the Israel Securities Law (ii) Qualified Clients ('Lakoach Kashir') as such term is defined in the Investment Advice Law; and (iii) other persons to whom it may otherwise lawfully be communicated. No other person should act on the contents or access the products or transactions discussed in this communication. In particular, this communication is not intended for retail clients and SIM will not make such products or transactions available to retail clients

Important information (3 of 4)

Note to readers/viewers in Japan: Issued by Schroder Investment Management (Japan) Limited 21st Floor, Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-Ku, Tokyo 100-0005, Japan Registered as a Financial Instruments Business Operator regulated by the Financial Services Agency of Japan ('FSA'). Kanto Local Finance Bureau (FIBO) No. 90 This material has not been reviewed by the FSA.

For readers/viewers in Kuwait: This invite is not for general circulation to the public in Kuwait. No Schroders' products have been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. Any offering of Schroders products in Kuwait could be only on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of Schroders' products is being made in Kuwait, and no agreement relating to the sale of Schroders' products will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market products in Kuwait.

Note to readers/viewers in Malaysia: This presentation has not been approved by the Securities Commission Malaysia which takes no responsibility for its contents. No offer to the public to purchase any fund will be made in Malaysia and this presentation is intended to be read for information only and must not be passed to, issued to, or shown to the public generally. Schroder Investment Management (Singapore) Ltd does not have any intention to solicit you for any investment or subscription in any fund and any such solicitation or marketing will be made by an entity permitted by applicable laws and regulations.

For readers/viewers in Oman: The information contained in this material neither constitutes a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy Non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued by Decision No.1/2009). Additionally, this private placement memorandum is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the Sultanate of Oman.

For readers/viewers in Qatar: The invite does not constitute an offer to the public and is for the use only of the named addressee and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). No transaction will be concluded in your jurisdiction and any inquiries regarding the presentations should be made to SIM Ltd, UK.

For readers/viewers in Saudi Arabia: Schroder's products may only be offered and sold in the Kingdom of Saudi Arabia in accordance with Article 4 of the Investment Funds Regulations issued on December 24, 2006 (the 'Regulations'). Article 4(b)[(1)/(4)]* of the Regulations states that, if investment fund units are offered to [certain persons specified in the Regulations/no more than 200 offerees in the Kingdom of Saudi Arabia]* and the minimum amount payable per offeree is not less than Saudi Riyals 1 million or an equivalent amount in another currency, such offer of investment fund units shall be deemed a private placement for purposes of the Regulations. Investors are informed that Article 4(g) of the Regulations places restrictions on secondary market activity with respect to such investment fund units.

Note to readers/viewers in Singapore: For Accredited and or Institutional Clients only, where appropriate Issued by Schroder Investment Management (Singapore) Ltd (Co. Reg. No. 199201080H) 138 Market Street #23-01 CapitaGreen, Singapore 048946 This advertisement or publication has not been reviewed by the Monetary Authority of Singapore

Note to readers/viewers in South Korea: Issued by Schroders Korea Limitedn26th Floor, 136, Sejong-daero, (Taepyeongno 1-ga, Seoul Finance Center), Jung-gu, Seoul 100-768, South Korea . Registered and regulated by Financial Supervisory Service of Korea ('FSS')This material has not been reviewed by the FSS.

Important information (4 of 4)

For readers/viewers in Switzerland: Marketing material for professional clients and qualified investors only. This document has been issued by Schroder Investment Management (Switzerland) AG, Central 2, CH-8001 Zurich, Switzerland a fund management company authorised and supervised by the Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Bern.

Note to readers/viewers in Taiwan: Issued by Schroder Investment Management (Taiwan) Limited 9F., No. 108, Sec. 5, Xinyi Road, Xinyi District, Taipei 11047, Taiwan. Tel +886 2 2722-1868 Schroder Investment Management (Taiwan) Limited is independently operated. This material has not been reviewed by the regulators.

Note to readers/viewers in Thailand: This presentation has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase any fund will be made in Thailand and this presentation is intended to be read for information only and must not be passed to, issued to, or shown to the public generally. Schroder Investment Management (Singapore) Ltd does not have any intention to solicit you for any investment or subscription in any fund and any such solicitation or marketing will be made by an entity permitted by applicable laws and regulations.

For readers/viewers in the United Arab Emirates: Schroder Investment Management Limited, located on 1st Floor, Gate Village Six, Dubai International Financial Centre, PO Box 506612 Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority. This document is not subject to any form of regulation or approval by the DFSA. The DFSA has no responsibility for reviewing or verifying any Prospectus or other documents in connection with this Fund. Accordingly, the DFSA has not approved any associated documents nor taken any steps to verify the information set out in the Prospectus for the fund, and has no responsibility for it. This document is intended to be for information purposes only and it is not intended as promotional material in any respect. This document is intended for professional investors only as defined by the DFSA rules which can be accessed from their website www.dfsa.ae

For readers/viewers in the United Kingdom: Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy or on request should you not have access to this webpage. Issued by Schroder Investment Management Limited, 1 London Wall Place, London EC2Y 5AU. Registered Number 1893220 England. Authorised and regulated by the Financial Conduct Authority.

For readers/viewers in the United States: For financial professionals and consultant only. Schroder Investment Management North America Inc., 7 Bryant Park, New York NY 10018-3706. CRD Number 105820. Registered as an investment adviser with the US Securities and Exchange Commission.