

Schroder Multi-Asset Investments

Trusted Novus Bank – August 2025

The month in summary:

Strong corporate earnings, moderating inflation and the promise of lower interest rates enabled global equities to post positive returns in August. In fixed income, investment-grade credit posted solid gains, propelled by the number of companies whose earnings beat analyst estimates.

US

US shares, as measured by the S&P 500 Index, realised gains even amid concerns about a weaker-than-expected labour report, tariffs and persistent inflation. The July nonfarm payrolls report showed a steep decline in job creation, while also revising downward previous months' figures. While a US appeals court declared the Trump Administration's reciprocal tariffs illegal, it delayed enforcing its ruling until 14 October to give the Administration time to appeal to the US Supreme Court.

Markets were buoyed by the dovish tone Federal Reserve (Fed) Chair Jerome Powell took in a speech delivered at the Jackson Hole Economic Symposium. Powell noted the weakening labour market could justify a change in the Fed's policy stance, and that increased the market's expectations at the Fed will announce a rate cut at its mid-September meeting.

Information technology (IT) underperformed the broad market for the month. While the IT sector has had an exceptional year, some of that momentum might have been at least temporarily short-circuited by a report from the Massachusetts Institute of Technology that found 95% of corporate generative AI pilot projects failed to deliver a measurable financial return (although it noted the failure often resulted from poor execution rather than the technology itself). Materials was the strongest-performing sector for the month, as it benefited from progress toward trade agreements and expanding manufacturing activity. Health care also had a standout month, boosted by investors responding to attractive valuations and some favourable company-specific news.

A revised report revealed even stronger growth for the US economy in the second quarter, as the latest numbers showed a 3.3% annualised increase in GDP, up from the 3% originally reported. The personal consumption expenditures (PCE) price index showed that core inflation ran at a 2.9% annual rate in July. Even with that level of inflation, however, the Fed appears to see enough weakness in other economic indicators to warrant a rate cut in September.

Eurozone

Eurozone shares made a small gain in euro terms. Top performing sectors included energy and consumer discretionary. Within consumer discretionary, automotive stocks benefited from some relief that a tariff agreement with the US was reached in late July. The industrials and information technology sectors were among the main decliners. Among industrials, defence-related stocks declined amid some progress in security talks towards ending the war in Ukraine. Information technology stocks suffered from global weakness in the sector.

The HCOB flash eurozone purchasing managers' index (PMI) rose to 51.1 in August, up from 50.9 in July. This indicates a pick-up in business activity and new orders returned to positive growth. The PMI is based on a survey of companies in the manufacturing and service sectors. A reading above 50 indicates expansion.

French shares fell late in the month on concerns the government will collapse. French Prime Minister François Bayrou called a confidence vote for 8 September after his plans to tackle the country's widening deficit faced strong opposition in parliament.

UK

In the UK, the FTSE All-Share delivered a positive return in August. The best performing sectors were telecommunications, basic materials and energy. Technology suffered the sharpest declines amid some weakness in the sector globally. The large cap FTSE 100 outperformed the midcap FTSE 250 index.

The Bank of England cut interest rates by 25 basis points to 4.0%. However, the Monetary Policy Committee was split with four members voting for no change. Data from the Office for National Statistics showed inflation rose more than expected to 3.8% in July, casting further doubt on the likelihood of further imminent cuts.

Japan

The Japanese equity market extended its multi-month rally, with the TOPIX Total Return rising 4.5% and the Nikkei 225 up 4.0%. Early in the month, upside was capped by uncertainty around US policy and a cut to profit guidance cut at semiconductor tools maker Tokyo Electron. However, sentiment improved as softer US payrolls and Fed Chair Powell's Jackson Hole remarks reinforced US rate-cut expectations.

Domestically, June-quarter corporate results were broadly resilient, and consensus estimates improved. Japanese Q2 GDP returned to growth and July inflation data (CPI) confirmed a continuing shift toward moderate inflation. Together, these factors supported market strength, while AI-linked data-centre demand added momentum to related Japanese companies.

Emerging markets

Emerging market (EM) equities delivered a positive return in August, helped by a softer US dollar; however, the EM index lagged the MSCI World.

The Latin American markets of Colombia, Chile, Brazil and Peru were the top performers in the month. The Brazilian market appeared to shrug off news that exports to the US will face 50% tariffs, instead it was supported by local currency strength and ongoing improvements in inflation data, which should pave the way for monetary policy easing. South Africa also posted a strong performance in the month, helped by local currency appreciation and stronger precious metals prices.

China gained, outperforming the EM index, as US-China trade talks resulted in another 90-day pause on tariffs. A continued focus on the anti-involution policy was also beneficial for the market. Taiwan delivered negative returns in US dollar terms with the local currency depreciating over the month. Some of the Middle Eastern markets, including Saudi Arabia, Kuwait and UAE declined against a backdrop of weaker energy prices. Meanwhile, the Korean market was lower in US dollar terms on the back of investor concerns around the potential impact of an increase in the corporate tax rate. Rising US trade tariffs, which have increased to 50%, and foreign equity outflows weighed on India's market.

Asia (ex Japan)

The MSCI Asia ex Japan index made gains. Singapore was the strongest market in the index, followed by China, Malaysia and Hong Kong. India, Taiwan and Korea were laggards.

Singapore's gains were driven by some strong corporate earnings. Chinese stocks continued to benefit from the government's "anti-involution" campaign which aims to curb intense price competition and reduce overcapacity in certain industries. However, economic data remained lacklustre with an annual inflation rate of inflation 0% year-on-year in July.

Indian shares fell as the US raised the tariff rate to 50% (from 25%) in retaliation for India buying oil from Russia. The technology-heavy markets of Taiwan and Korea also underperformed in what was generally a weaker month for tech stocks. Worries over rising corporate taxes also weighed on Korean shares.

Global bonds

Global bond markets generated widely varying returns during August, buffeted by economic data and political developments.

US Treasury yields fell sharply at the start of August (yields move inversely to prices). This came as official figures showed a decline in new jobs created during July, with downward revisions for prior months. This negative economic development—which prompted the US President to immediately fire the head of the office responsible for the numbers—led markets to consider much more seriously the prospect of a near-term interest rate cut from the Fed.

Against a backdrop of increasing political pressure from the Trump Administration, comments from Fed principals later in the month—including Chair Jerome Powell in his speech at the Jackson Hole conference—appeared to move towards the idea of earlier cuts. They highlighted an increased focus on weakness on the labour market side of its dual mandate, rather than on inflation: the CPI report in mid-August duly came in lower than expected, defying widespread expectations for a tariff-driven rise.

While the shorter-dated end of the US Treasury market performed well in response, bonds with longer maturities continued to be plagued by concerns around the fiscal spending levels implied by last month's budget bill, as well as worries about the Fed's independence being compromised.

European government bond yields rose steadily through August (meaning prices fell). Survey data indicated a continued recovery in manufacturing and other cyclical sectors. With inflation broadly stable, the European Central Bank's view seems to be that the current interest rate policy is accommodative enough and that further cuts from here are not necessary. German fiscal expansion in coming years contributes another negative factor for European government bonds; a looming political showdown over fiscal policy in France also provides reason for concern.

Gilt yields rose too. The Bank of England cut rates to 4% but the voting in favour of the move was less clear-cut than observers expected, indicated that the Bank is likely to continue its gradual approach and that further cuts are not imminent. Inflation figures supported this stance by coming in slightly higher than expected, and positive signs of improving activity in the economy suggested that growth may be less stagnant than previously thought.

Japanese government bond yields also continued to sell off significantly. Inflation is now well above the Bank of Japan's 'neutral' level of 2%, with expectations continuing to rise (as consumers extrapolate their recent experience of higher rice prices in particular). Wage growth has reached 2% for the first time since the early 1990s—an era when policy rates were higher, and labour more plentiful. The government's weak position means it is under political pressure to increase public spending.

The performance of corporate bond markets was generally more robust during the month. A relatively benign corporate environment in the US (and lower concerns around tariff levels) meant that US corporates performed well, outperforming European and UK indices.

Commodities

In commodities, the S&P GSCI Index fell slightly in August. The energy component was weaker in the month while other components gained. Oil prices fell mid-month after the International Energy Agency lowered its forecast for demand in 2025, while the US Energy Information Administration reported a rise in crude oil stocks.

Among agricultural commodities, coffee prices surged amid poor weather in Brazil and worries over tariffs. Gold continued to draw in investors amid expectations of an imminent US interest rate cut and concerns over political pressure on the Fed.

Model portfolio positioning – August 2025

We continue to assign a low probability to a U.S. recession in the medium term. However, with markets pricing in a near-perfect macro backdrop—characterised by resilient growth and stable inflation—we believe the environment is increasingly vulnerable to macro disappointments over the coming months.

While tariff-related uncertainties have come down since "Liberation Day", the targeted effective tariff rate is now trending higher than our baseline scenario. The risk of sudden, more aggressive tariff actions from the U.S. administration remains a live concern. At the same time, questions around the reliability and consistency of labour data make it even more difficult to assess the potential lagged impact of tariffs on consumers. The current narrow balance between labour supply and demand appears unsustainable, increasing the chances of a negative growth surprise in the near term.

In parallel, we see growing risks to inflation. The U.S. administration's increasing pressure on the Fed to cut rates, concerns around the central bank independence coupled with the persistence of aggressive fiscal stimulus, raises the likelihood of an inflation overshoot. We also remain concerned about the risk of stronger tariff passthrough, which could further exacerbate inflationary pressures.

Considering this backdrop, we have taken some profit on our long equity exposure, as we see the risk/reward profile for equities becoming less compelling in the near term.

In Fixed Income, we continue to prefer carry through European High Yield and we are cautious of concerns around both inflation risks and term premia repricing.

Despite recent strong performance, we maintain a positive view on gold, seeing it as a valuable diversifier in an environment of policy volatility, fiscal fragility, and growing investor uncertainty around the long-term role of Treasuries and the U.S. dollar. Its role as portfolio insurance remains intact.

In conclusion, with the market pricing in a near-perfect scenario, we do not believe we are adequately compensated for the risks we've identified—particularly on the inflation and growth fronts. As a result, we are moving tactically to a neutral stance on equities and remain cautious on duration. While we struggle in the short term to see the catalysts for the market to move significantly higher from here, we do not believe this marks the end of the cycle.

Portfolio Positioning – as at 31 August 2025

	Stable		Balanced		Dynamic		Growth	
	Portfolio (%)	Benchmark (%)						
Equities	22.0	19.9	42.0	39.9	71.9	69.9	92.0	90.0
Global Equities	9.0	-	20.0	-	46.7	-	60.2	-
Schroder ISF Global Equity Alpha	3.0		11.0		19.4		27.7	
Schroder ISF Global Recovery	3.0		4.0		5.1		6.0	
Schroder ISF Global Innovation	3.0		5.0		6.3		8.0	
Amundi MSCI World ETF	-		-		14.9		17.6	
iShares Core MSCI World ETF	-		-		1.0		1.0	
North American Equities	7.0	-	12.0	-	11.4	-	14.9	-
Schroder ISF US Large Cap	3.0		6.6		6.9		8.3	
S&P 500 ETF	4.0		5.5		4.5		6.5	
European Equities	3.4	-	5.9	-	6.8	-	8.8	-
Lyxor Euro Stoxx ETF	2.5		4.9		5.9		7.9	
Lyxor Stoxx Europe 600 Banks ETF	1.0		1.0		1.0		1.0	
Emerging Market Equities	2.5	-	4.0	-	7.0	-	8.0	-
Schroder ISF Global Emerging Market Opportunity	1.5		3.0		6.0		7.0	
Schroder ISF China	1.0		1.0		1.0		1.0	
Fixed Income	66.0	79.1	42.9	59.1	13.0	29.1	-	9.0
Government Bonds	36.5	49.1	18.5	34.1	5.0	16.6	-	9.0
iShares Global Government Bond ETF	26.0		14.0		-		-	
iShares USD Treasury 1-3Yr ETF	7.0		-		-		-	
iShares USD Treasury 20+Yr ETF	2.5		3.5		4.0		-	
Amundi US Curve Steepening 2-10 Year ETF	1.0		1.0		1.0		-	
Investment Grade Credit	26.5	30.0	16.5	20.0	-	7.5	-	-
Schroder ISF Global Corporate Bond	26.5		5.5		-		-	
iShares Global Corporate Bond ETF	-		11.0		-		-	
High Yield Debt	2.0	-	4.5	2.5	4.5	2.5	-	-
Schroder ISF Global High Yield	-		2.5		2.5		-	
Schroder ISF Euro High Yield	2.0		2.0		2.0		-	
Emerging Market Debt	1.0	-	3.5	2.5	3.5	2.5	-	-
Schroder ISF Emerging Market Bond	-		2.5		2.5		-	
iShares J.P. Morgan EM Local Government Bond ETF	1.0		1.0		1.0		-	
Alternatives	9.1	-	12.1	-	12.1	-	5.0	-
Schroder GAIA Cat Bond	3.0		3.0		3.0		2.0	
Schroder GAIA Egerton Equity	1.0		2.0		2.0		1.0	
Schroder GAIA Wellington Pagosa	1.0		2.0		2.0		1.0	
Schroder GAIA Two Sigma Diversified	1.0		2.0		2.0		1.0	
Amundi Physical Gold	3.1		3.1		3.1		-	
Cash	3.0	1.0	3.0	1.0	3.0	1.0	3.0	1.0

Source: Schroders, as at 31 August 2025. Schroder International Selection Fund is referred to as Schroder ISF.

Model Portfolio Performance

GBP Hedged

	1 Month %	3 Months %	1 Year %	3 Years %	Since Inception %
TNB GBP Stable	0.6	3.5	5.5	15.8	12.9
Benchmark	0.5	2.8	5.4	16.0	14.3
TNB GBP Balanced	0.3	4.9	8.2	23.3	20.1
Benchmark	0.5	4.3	7.6	22.8	21.9
TNB GBP Dynamic	0.2	7.1	11.5	35.1	31.4
Benchmark	0.4	6.3	10.4	32.0	32.6
TNB GBP Growth	-0.1	8.4	13.2	41.5	39.5
Benchmark	0.4	7.6	11.9	37.4	39.3

Euro Hedged

	1 Month %	3 Months %	1 Year %	3 Years %	Since Inception %
TNB EUR Stable	0.4	2.4	3.3	11.7	7.9
Benchmark	0.3	1.8	3.4	11.8	9.2
TNB EUR Balanced	0.1	3.3	5.8	19.9	15.8
Benchmark	0.3	2.7	5.4	19.7	17.0
TNB EUR Dynamic	0.1	4.8	8.7	31.7	26.2
Benchmark	0.3	4.0	7.7	30.4	28.0
TNB EUR Growth	-0.2	5.7	10.3	38.2	33.0
Benchmark	0.2	4.8	9.0	36.6	34.8

USD Hedged

	1 Month %	3 Months %	1 Year %	3 Years %	Since Inception %
TNB USD Stable	1.1	3.6	6.1	21.5	16.4
Benchmark	1.0	2.9	6.0	21.1	17.4
TNB USD Balanced	1.2	5.0	9.2	32.5	24.7
Benchmark	1.4	4.4	8.7	31.7	26.0
TNB USD Dynamic	1.7	7.2	13.4	49.0	36.1
Benchmark	1.9	6.5	12.5	47.3	38.3
TNB USD Growth	1.7	8.3	15.6	58.4	43.0
Benchmark	2.3	7.8	14.7	57.4	46.1

Source: Schroders, as at 31 August 2025. Performance calculated daily at close of business prices. Benchmark indices are as follows: Equities = MSCI All Countries World Index, Government Bonds = Bloomberg Global Treasury G7, Bloomberg 1-3 Year G7 Total Return Index, Investment Grade = Bloomberg Global Aggregate Corporate Bond, High Yield = Bloomberg Global High Yield, Emerging market Debt = Bloomberg Barclays EM Hard Currency Aggregate. These indices are hedged to the base currency of the model portfolio. The composition of the weighting of the indices in each benchmark vary with the risk profile of each portfolio. Inception date is 22/04/2022.

Market Performance

Total returns (net) % – to end August 2025

Equities	1 month			12 months		
	USD	EUR	GBP	USD	EUR	GBP
MSCI World	2.6	0.3	0.5	15.7	9.4	12.5
MSCI World Value	3.6	1.3	1.5	11.9	5.9	8.9
MSCI World Growth	1.7	-0.5	-0.4	19.3	12.8	16.1
MSCI World Smaller Companies	5.2	2.8	3.0	13.5	7.3	10.4
MSCI Emerging Markets	1.3	-1.0	-0.8	16.8	10.5	13.6
MSCI AC Asia ex-Japan	1.1	-1.1	-1.0	19.0	12.5	15.7
S&P500	2.0	-0.2	-0.1	15.9	9.6	12.7
MSCI EMU	2.7	0.4	0.6	19.9	13.3	16.6
FTSE Europe ex UK	3.3	1.0	1.2	14.0	7.9	10.9
FTSE All-Share	3.0	0.8	0.9	15.7	9.4	12.6
TOPIX*	7.1	4.8	4.9	15.3	9.0	12.1

Government bonds	1 month			12 months		
	USD	EUR	GBP	USD	EUR	GBP
JPM GBI US All Mats	1.0	-1.2	-1.0	2.4	-3.2	-0.4
JPM GBI UK All Mats	1.1	-1.2	-1.0	0.5	-5.0	-2.3
JPM GBI Japan All Mats**	2.2	-0.1	0.1	-5.9	-11.0	-8.4
JPM GBI Germany All Traded	2.0	-0.2	-0.1	5.3	-0.4	2.4
Corporate bonds						
BofA ML Global Broad Market Corporate	1.4	-0.8	-0.7	5.9	0.1	3.0
BofA ML US Corporate Master	1.0	-1.2	-1.0	4.2	-1.4	1.4
BofA ML EMU Corporate ex T1 (5-10Y)	2.3	0.0	0.2	10.8	4.7	7.7
BofA ML £ Non-Gilts	1.7	-0.6	-0.4	6.2	0.4	3.3
Non-investment grade bonds						
BofA ML Global High Yield	1.5	-0.8	-0.6	9.3	3.4	6.3
BofA ML Euro High Yield	2.4	0.1	0.3	13.2	7.0	10.1

Source: LSEG DataStream. Local currency returns in August 2025: *4.5%, **-0.3%.

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

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