

## Schroder ISF\* Italian Equity

Fund Manager: Timothy Pedroni | Fund update: Q2 2025

within the broader luxury goods sector.

## Performance overview

- Italian equities made strong gains in Q2. The fund outperformed the FTSE Italia All-Share index.

## Drivers of fund performance

- Gaming and sports betting operator **Lottomatica** was the leading individual contributor in Q2. It is one of our highest conviction holdings in the fund and the company is making promising strides as it continues to gain market share in a growing domestic market, and the private equity overhang is now over which has further boosted the shares.
- Small cap technical and medical gas company **Sol** was also amongst the leading contributors. Within European gas companies it has the highest exposure to homecare (in the form of oxygen) and this end market keeps growing quarter after quarter in both Italy and the international market. Relative and absolute performance has been strong despite the context of volatile small cap behaviour.
- Within financials, **Unipol** was another top contributor. Insurance firms had a more favourable period and outperformed banks in Q2, and the company was able to capitalize effectively on the current positive market environment. Unipol is further extending its market leadership in the domestic P&C market.
- The fund also benefitted from our underweight allocation to the energy sector, particularly conventional oil & gas, adding to relative performance. This was particularly notable from our underweight exposure in conventional energy company **Eni** which has struggled over the quarter on falling oil prices.
- Our gains in the firm Unipol in the financials sector were partially offset by our underweight position in **Unicredit** which is limited to 10% (single stock concentration limit) versus a 14.4% benchmark weight. The company posted strong relative performance in Q2 representing the biggest negative contribution for the fund. The lack of exposure to Mediobanca was also a detractor as it has been subject to a takeover and posted strong gains in the period. That said, our wider stock selection within financials offset these negative effects.
- Amongst the key detractors in the period was small cap design furniture retailer **Dexelence**. The company has suffered from negative sentiment and weaker KPIs

## Portfolio activity

- Earlier in the quarter, we initiated a position in **Iveco Group**, an EU focused Defence and Truck OEM. The defence sector is a hot spot for growth in Europe and Iveco's defence business has attracted multiple bids and interest from other defence companies willing to acquire production capabilities in military vehicles. Once the Defence unit is sold, Iveco will remain a subscale, yet tidy and operationally sound, Truck OEM which the market will be able to appraise as a stand-alone entity for the first time.
- We have also initiated a position in consumer staples name **Davide Campari Milano**. Over the past 3 years we have observed a lot of weakness within the entire sector however we see growing evidence that drinking moderation trends are more cyclical rather than structural. Campari is also going through a restructuring with a new, promising CEO and strategy.
- Within financials, we have a new small off-benchmark position in **Alpha Bank**. This is a Greek bank which operates efficiently in the highly concentrated Greek market and has a fruitful joint venture with Unicredit. We see our position in this name as a way to make up for our underweight exposure to Unicredit, who also own a stake in Alpha Bank and may increase its operational and governance ties with Alpha Bank.
- Elsewhere, we have exited our position in **Tenaris**. In the midst of 'Liberation Day' in early April, the company was exposed to both oil price weakness and the market volatility caused by the US reciprocal tariffs brawl. Lastly, the current SBB programme was completed during the quarter. We therefore exited the position on increased risks and lack of SBB support.

## Outlook/positioning

- Europe remains at an advantage vs. other regions with tailwinds in both fiscal and monetary terms, contrasting heavily with the US who are seeing headwinds. This is aiding the momentum of Europe and makes the region relatively more attractive in our view. Germany is living up to expectations of change – they're providing convincing signs of front-loading

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

- investments, increasing their budget spending and have moved forward key defence spend commitments to 2029. Germany's GDP growth is expected to accelerate to 2.2% next year and the expected cyclical-pick up should present attractive opportunities for Germany and the broader EU industrial space.
- We are cognizant that the ability of Europe and of the local equity markets to attract allocation and deliver alpha relies chiefly on Germany delivering its fiscal stimulus and on the ability of European States to fund sharply increased defence budgets.
  - Lastly, an end to the war in Ukraine and positive resolution to the US-Europe tariff stand-off are two potential positive catalysts which are at this stage difficult to predict.
  - The portfolio remains focused on businesses with sustainable long-term earnings growth. We continue to believe that the small and mid-cap space is an area with rich opportunities to find such earnings growth.
-

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

## Calendar year performance (%)

Year	Fund	Target	Comparator
2024	17.6	18.1	13.1
2023	24.1	32.3	22.0
2022	-14.0	-10.3	-13.3
2021	29.0	27.9	31.0
2020	1.7	-3.5	-4.1
2019	28.7	32.5	25.8
2018	-19.1	-13.9	-16.1
2017	21.3	19.1	20.8
2016	-8.1	-6.4	-8.1
2015	22.8	18.5	21.0

Source: Schroders, as at 31 December 2024. Fund performance is net of fees, NAV to NAV with net income reinvested, EUR C Acc shares. Please see factsheet for other share classes. Target benchmark is FTSE Italia All-Share TR and comparator is the Morningstar Italy Equity sector. The fund's investment universe is expected to overlap materially with the components of the target benchmark. The comparator benchmark is only included for performance comparison purposes and does not determine how the investment manager invests the fund's assets. The investment manager invests on a discretionary basis and is not limited to investing in accordance with the composition of the target benchmark.

## Risk considerations

**Capital risk / distribution policy:** As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.

**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.

**Counterparty risk:** The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole.

**Currency risk:** If the fund's investments are denominated in currencies different to the fund's base currency, the fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. If the investor holds a share class in a different currency to the base currency of the fund, investors may be exposed to losses as a result of movements in currency rates.

**Derivatives risk:** Derivatives, which are financial instruments deriving their value from an underlying asset, may be used for investment purposes and/ or 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.

**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, meaning investors may not be able to have immediate access to their holdings.

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

**Operational risk:** Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.

**Performance risk:** Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.

**Sustainability risk:** The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

**Important Information:** Marketing material for professional clients only. This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the "Company"). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. Subscriptions for shares of the Company can only be made on the basis of its latest Key Investor Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Europe) S.A. Schroders may decide to cease the distribution of any fund(s) in any EEA country at any time but we will publish our intention to do so on our website, in line with applicable regulatory requirements. For Luxembourg, these documents may be obtained in English, free of charge, from the following link: [www.eifs.lu/schroders](http://www.eifs.lu/schroders). For the UK, these documents may be obtained in English, free of charge, from the following link: [www.eifs.lu/schroders](http://www.eifs.lu/schroders). The fund has environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For the UK only: This product is based overseas and is not subject to UK sustainable investment labelling and disclosure requirements. Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy. **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. The views and opinions contained herein are those of the individuals to whom they are attributed and may not necessarily represent views expressed or reflected in other Schroders communications, strategies or funds. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. 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](http://www.schroders.com/en/privacy-policy) or on request should you not have access to this webpage. A summary of investor rights may be obtained from <https://www.schroders.com/en/lu/professional-investor/footer/complaints-handling/>. For your security, communications may be taped or monitored. Issued by Schroder

Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799. Distributed in the UK by Schroder Investment Management Ltd, 1 London Wall Place, London EC2Y 5AU. Registration No 1893220 England. Authorised and regulated by the Financial Conduct Authority. Information for Switzerland: Schroder Investment Management (Switzerland) AG is the Swiss representative («Swiss Representative») and Schroder & Co Bank AG is the paying agent in Switzerland of the Luxembourg domiciled Schroder International Selection Fund. The prospectus for Switzerland, the key information documents, the articles of association and the annual and semi-annual reports may be obtained free of charge from the Swiss Representative.