Schroders

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Schroder ISF* Greater China

Fund Manager: Louisa Lo | Fund update: April 2025

Performance overview

- China weakened in April and underperformed other Asian markets. It experienced a turbulent month due to larger-than-expected US tariff hikes and the consequent retaliation from the Chinese government. This led to a sharp correction. However, the market had partially recovered by the end of the month as US-China tensions eased. A 90-day reprieve on the US reciprocal tariffs (except for China) also supported sentiment.
- Taiwan's market also sold off on the US tariff threat, but it recovered later in the month and produced positive returns in US dollars due to the stronger Taiwan dollar.
- The fund posted a negative return and underperformed the target benchmark (MSCI Golden Dragon (NDR)) over the period.

Drivers of fund performance

- At the sector level, allocation was the main detractor, with the underweight to information technology (IT) and the overweighting of consumer discretionary weighing on returns. Stock selection had a positive effect, with materials proving to be the greatest contributor and helping to offset negative performance in IT.
- At the regional level, selection was strong, particularly in China, although returns were weak in Taiwan. The underweight exposure to Taiwan was a notable detractor.
- Regarding stock contributors, the best relative performance came from positions in **Shandong Gold Mining** and **Innovent Biologics**, and the zero weighting in PDD Holdings.
- The greatest detractors were the underweight position in **TSMC**, and the holdings in **Meituan** and **WuXi Biologics.**

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 (%)

	Fund	Target	Comparator
2024	6.7	22.5	12.8
2023	-9.2	-0.9	-8.7
2022	-23.6	-22.3	-27.5
2021	-7.1	-9.5	-7.3
2020	43.0	28.2	38.9
2019	25.1	23.8	28.9
2018	-11.8	-14.8	-21.1
2017	45.8	43.8	44.9
2016	6.5	5.4	-1.0
2015	-3.2	-7.4	-3.4

Source: Schroders, net of fees, NAV to NAV, with net income reinvested. USD A Acc share class, as at 31 December 2024. The fund's performance should be assessed against its target benchmark being to exceed the MSCI Golden Dragon (Net TR) index and compared against the Morningstar Greater China Equity Category. The fund's investment universe is expected to overlap to a limited extent with the components of the target benchmark. The comparator benchmark is only included for performance comparison purposes and does not have any bearing on how the investment manager invests the fund's assets.

Outlook/positioning

- The trade conflict between China and the US is ongoing, with complex and prolonged negotiations expected. However, markets seem to believe that the worst-case scenario has passed, and future talks will likely reduce tariffs to more manageable levels. Aside from a possible trade deal, a weaker economy and more relaxed monetary policy in the US would also probably support the performance of China's market.
- Locally, a greater policy response from the Chinese authorities is expected to cushion the tariff shocks. We could see the government speed up the implementation of the policies that have already been announced. However, the July Politburo meeting might be a more reasonable time for the authorities to formulate a larger and more effective support package.

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

- Overall sentiment towards China has improved year to date due to AI advancements and the government's support for the private sector. Continued demand for AI proxies is expected to bolster the market. However, the economy faces challenges owing to deflationary trends and tariff pressures. The effectiveness of policy stimulus in stabilising the housing market and driving consumption will determine if the market's recovery can broaden out in the latter half of the year.
- In Taiwan, deep concerns about slowing global AI capex and tariff risks continue to weigh on market performance. After two years of strong gains, high valuations have made the market vulnerable to further downside. We will remain selective, focusing on globally competitive stocks with strong pricing and earnings visibility.

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.

Derivatives risk – efficient portfolio management: Derivatives may be used to manage the portfolio efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund.

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

Higher volatility risk: The price of this fund may be volatile as it may take higher risks in search of higher rewards.

IBOR risk: The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.

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.

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

Onshore renminbi currency risk: The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. Currency control decisions made by the Chinese government could affect the value of the fund's investments and could cause the fund to defer or suspend redemptions of its shares.

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

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

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