Schroders

Marketing material for professional clients only

Schroder ISF* EURO Equity

Fund Manager: Martin Skanberg | Fund update: April 2025

Performance overview

- European equities gained in Euro terms during April. The fund outperformed the MSCI EMU index.

Drivers of fund performance

- Following extreme market volatility as a result of the announcement of global reciprocal tariffs imposed by the US, European markets demonstrated resilience and continue to outperform global markets in 2025. An announcement of a 90-day pause in the tariffs from the US triggered a recovery in European markets, with more defensive sectors benefitting most. There was also a collapse in Energy prices, a sector in which the fund is underweight. Our lack of exposure to energy name TotalEnergies and the energy sector more generally added value as the sector is currently seeing weakness and a drop in profitability.
- Aerospace and defence is one such defensive sector that gained in April. The background for European defence expenditure is only gaining more momentum as global geopolitical uncertainties intensify and Europe commits to self-sufficiency away from US defence names which has helped our overweight exposure to the sector. **Saab** and **Hensoldt** were amongst the leading contributors – the former reported first quarter operating profit slightly above expectations and both continue to be geared towards what are likely to be fast growing areas in defence electronics, surveillance equipment etc, though our gains in these names were partially reduced by lack of exposure to Rheinmetall, which also performed strongly.
- Elsewhere we have been slowly increasing exposure to the communication sector. Our position in Greek telecommunications name **Hellenic Telecoms** added value. The company is relatively insulated from tariff impacts and a remains an attractive position within the fund.
- On the negative side, we observe that most detractors have typically come from more economically sensitive areas of the market. One such example is our position in Swedish name **SKF**, which as a result of the uncertainties created by US tariff implementations and weakening US demand has seen a slowing of like-for-like sales at the beginning of the second quarter. The company's overall results remain positive, and we await to see the material impact of trading uncertainty.
- **Stora Enso**, a Finnish forestry group has also faced challenges around uncertainty as the company may be more sensitive to US tariffs. The impact of a weaker consumer discretionary spend in Europe may result in a potential threat to onward demand. The company is emphasizing a focus on cost cuts and monetizing its sizable forest holdings.
- Technology firm **Temenos** was also a detractor. The firm was weak on slightly lower license sales of software in Q1 and there was some slippage in sales from later March into April due to software signing delays. Despite this it looks promising that the company should bounce back.
- The fund continues to be underweight within the luxury goods sector but we do hold **Moncler** which was a detractor on weak demand from China and worries surrounding weaker demand in the US. This was, however, offset by lack of exposure to LVMH.

Portfolio activity

- A new position in the fund is German bank **Deutsche Bank.** We've recognised the positivity in European banks, with interest rate sensitive banks performing extremely well under higher rates. Rate expectations, however, are reducing, which has prompted us to be more selective in our choice of banking exposures, favouring capital market and trading orientated exposures. Deutsche Bank has had a disproportionate amount of cost cutting with strong capital ratios, its valuation and yield is also now more attractive versus peers.
- Another new holding is **Cellnex**. Cellnex is Europe's largest cell tower operator and runs similarly to our existing holding in Italian firm INWIT. The company has a relatively stable and predictable business model which is shielded from tariffs. The company was previously overleveraged in a high-interest rate environment, but they have made efforts to de-leverage and are in a position to reinstate dividends and share buybacks. The company is a contractual utility firm and there may be scope for future M&A with regional investors in the US showing interest.
- Another new position is small holding in **IONOS** – a web hosting and cloud solution company. IONOS

*Schroder International Selection Fund is referred to as Schroder ISF throughout helps small and medium enterprises to get online, everything from domain registrations to website creation. The company are also in the process of expanding their own cloud data centres – this makes up around 10% of the business and is currently break-even given the upfront capex investments. We don't expect IONOS to directly compete with the hyperscalers like AWS / Azure; but as data ownership becomes more EU sovereign, we believe this to be an incremental market share opportunity.

– We have exited our position in **Fresenius SE**, the parent company of our continued holding in Fresenius Medical Care. Fresenius have been reframing the company over the last few years and have successfully simplified the structure of the firm. We have now switched to a preference for the underlying medical company as we believe the parent company has reached its potential. We have therefore sold our position to fund elsewhere.

Outlook/positioning

– We are currently in the midst of the Q1 earnings season and there is an underlying sense of strength in profitability, but there remains a considerable amount of uncertainty and scrutiny on the impact of tariffs. Companies are busy attempting to quantify what the potential impacts may be – which we believe is mostly manageable, but the uncertainty remains. There could be near term disruption to supply chains as firms attempt to mitigate trade flows.

– Economically, Europe is currently 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 attractive. At the time of writing, we await the outcome of the German parliamentary elections for the Chancellor, who will be key for the outcome of increased defence payments to come into fruition.

– The portfolio is diversified across sectors and the roughly 60 names we own in the portfolio are also diversified by idiosyncratic bottom-up growth drivers. No doubt current and future volatility will create opportunities, and we will not hesitate to carefully trade into some names which are on our watch list should the price be right. We like domestically facing names which are a good space for us in terms of tariff positioning.

– Our Blend strategy draws the best ideas from both value and growth parts of the market. We continue to maintain our diversified approach, with limited tilts to any particular investment style.

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	13.2	9.5	7.2
2023	6.3	18.8	17.0
2022	-14.3	-12.5	-13.4
2021	22.3	22.2	22.0
2020	-0.7	-1.0	-1.7
2019	24.7	25.5	23.8
2018	-17.0	-12.7	-13.9
2017	16.2	12.5	11.8
2016	2.3	4.4	3.3
2015	14.7	9.8	11.4

Source: Schroders, as at 31 December 2024. Fund performance is net of fees, NAV to NAV with net income reinvested, EUR C Acc. Please see factsheet for other share classes.

The fund's performance should be assessed against its target benchmark being to exceed the MSCI European Monetary Union (Net TR) index and compared against the Morningstar Eurozone Large Cap Equity Category. 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 have any bearing on how the investment manager invests the fund's assets.

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.
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.
Currency risk / hedged share classes: The currency hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.
Derivatives risk: Derivatives, which are financial instruments deriving their value from an underlying asset, 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.
Higher volatility risk: The price of this fund may be more volatile as it may take higher risks in search of higher rewards, meaning the price may go up and down to a greater extent.
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.

in their tax return and will be taxed on that amount at a rate of 30%. In the event of the redemption or sale of shares of a sub-fund investing, directly or indirectly, either (i) more than 25% of its assets in receivables with regard to shares acquired by the investor before January 1, 2018, or (ii) more than 10% of its assets in receivables with regard to the shares acquired by the investor from 1 January 2018 (provided, in each of these two cases, that certain additional conditions are met), the interest component of this redemption or sale price is subject to a 30% tax in Belgium.

For Bulgaria, the Key Information Documents may be obtained in Bulgarian and the other documents in English, free of charge from the following link: www.eifs.lu/schroders.

For the Czech Republic, the Key Information Documents may be obtained in Czech and the other documents in English, free of charge from the following link: www.eifs.lu/schroders.

For Denmark, the Key Information Documents may be obtained in Danish and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders and Schroder Investment Management (Europe) S. A. dansk filial, Bredgade 45C, 2nd floor, DK-1260 Copenhagen K. A decision on a possible investment should be made on the basis of personal advice.

For Finland, the Key Information Documents may be obtained in Finnish, Swedish and English and the other documents in English, free of charge at the following link: www.eifs.lu/schroders.

For France, these documents may be obtained in French, free of charge, from the following link: www.eifs.lu/schroders, Schroder Investment Management (Europe) S.A., Paris Branch, 1, rue Euler, 75008 Paris and the Centralising agent Société Générale, 29 boulevard Haussmann, F-75009 Paris.

For Germany, these documents may be obtained in German, free of charge, at the following link: www.eifs.lu/schroders and Schroder Investment Management (Europe) S.A., German Branch, Taunustor 1, D-60310 Frankfurt am Main.

For Greece, the Key Information Documents may be obtained in Greek and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Hungary, the Key Information Documents may be obtained in Hungarian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Iceland, the Key Information Documents may be obtained in Icelandic and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Ireland, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For Italy, these documents may be obtained in Italian, free of charge, from the following link: www.eifs.lu/schroders, Schroder Investment Management (Europe) S.A. Succursale Italiana, Via Manzoni 5, 20121 Milan and from our distributors. These documents and the list of distributors are available at www.schroders.it

For Latvia, the Key Information Documents may be obtained in Latvian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Liechtenstein, these documents may be obtained in German, free of charge, from the following link: www.eifs.lu/schroders.

For Lithuania, the Key Information Documents may be obtained in Lithuanian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Luxembourg, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For Malta, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

For the Netherlands, the Key Information Documents may be obtained in Dutch and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Norway, the Key Information Documents may be obtained in Norwegian and English and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Poland, the Key Information Documents may be obtained in Polish and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

The company is a Luxembourg-registered undertaking for the collective investment in transferable securities and operates in Poland in accordance with the Act of 27 May 2004 on investment funds and the management of alternative investment funds (Journal of Laws of 2004 No. 146, item 1546 as amended). Depending on the applicable tax obligations, the investor may be required to pay tax directly on the income arising from investments in the units of the fund.

For Portugal, the Key Information Documents may be obtained in Portuguese and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders, from the authorised placing entities and on www.schroders.pt.

For Romania, the Key Information Documents may be obtained in Romanian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Slovakia, the Key Information Documents may be obtained in Slovakian and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

For Spain, these documents may be obtained in Spanish, free of charge, from the following link: www.eifs.lu/schroders, the CNMV, the distributors and on www.schroders.es.

The Company is registered in the Administrative Register of Foreign Collective Investment Institutions marketed in Spain of the National Securities Market Commission (CNMV), with the number 135. Its depository is J.P. Morgan SE and its management company is Schroder Investment Management (Europe) S.A.. The Company is a UCITS registered in Luxembourg.

For Sweden, the Key Information Documents may be obtained in Swedish and the other documents in English, free of charge, from the following link: www.eifs.lu/schroders.

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.

For the UK, these documents may be obtained in English, free of charge, from the following link: www.eifs.lu/schroders.

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.

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 information on sustainability-related aspects of this fund please go to www.schroders.com. For the UK only: This product is based overseas and is not subject to UK sustainable investment labelling and disclosure requirements.

Any reference to regions/ countries/ sectors/ stocks/ securities is for illustrative purposes only and not a recommendation to buy or sell any financial instruments or adopt a specific 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.

Performance data does not take into account any commissions and costs, if any, charged when units or shares of any fund, as applicable, are issued and redeemed.

Schroders has expressed its own views and opinions in this document and these may change.

Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy.

The data contained in this document has been sourced by Schroders and should be independently verified. Third party data is owned or licenced by the data provider and may not be reproduced, extracted or used for any other purpose without the data provider’s consent. Neither Schroders, nor the data provider, will have any liability in connection with the third-party data.

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.

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 https://www.schroders.com/en/global/individual/footer/privacy-statement/ 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/global/individual/summary-of-investor-rights/

For your security, communications may be recorded or monitored.

Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registration No B 37.799.

Authorized by the Comissão do Mercado de Valores Mobiliários (CMVM) to operate in Portugal under the free provision of services regime, and with a branch in Spain, authorized and registered with the CNMV under number 20.

Distributed by Schroder Investment Management (Europe) S.A., Spanish branch, registered in the EEA investment firm register with the National Market Commission of Securities (CNMV) with the number 20.

Distributed in Switzerland 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.

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.

Distributed by Schroder Investment Management Limited (Dubai Branch), located on the First Floor, Gate Village Six, Dubai International Financial Centre, PO Box 506612, Dubai, United Arab Emirates and regulated by the Dubai Financial Services Authority (DFSA) and entered on the DFSA register under Firm Reference Number: F000513. This document is not subject to any form of regulation or approval by the DFSA.