

## Schroder ISF\* EURO Equity

Fund Manager: Martin Skanberg | Fund update: August 2025

## Performance overview

- Eurozone equities gained in August. The fund underperformed the benchmark.

## Drivers of fund performance

- European equities were supported by the conclusion of Q2 earnings season which on a net basis was slightly ahead of expectations overall, with some positive results supporting health care names and the energy sector gaining amid more stability in commodity prices.
- Our slight underweight exposure to the financials sector overall weighed on relative returns from an allocation perspective. From a stock selection perspective, lack of exposure to some key strong performers in the sector like Santander and our over exposure to French financial names **BNP Paribas** and **AXA** were amongst the key detractors, as French equities experienced a rise in risk premium during the month caused by news of a potential snap election in France.
- Within the technology sector, our position in web hosting and data centre firm **IONOS** was also amongst the detractors. The company has seen a strong run in its share price over the last few months given its healthy earnings but has fallen in August as a result of some wider profit taking in the market.
- European Aerospace and Defence has been a key area of success for the fund this year but some of our positions within the industry weighed on performance in August. During the month there were some key meetings between both President Trump and Putin to discuss peace talks with regards to the war in Ukraine. This perhaps stagnated the market slightly as investors anticipated the outcome and led to a slight fall in some of our active positions like **Hendsoldt** and **Chemring**.
- On the positive side, our overweight exposure to health care firm **Novo Nordisk** was amongst the leading contributors. The company has signalled its intentions to cut costs and to make its products more affordable directly to the end consumer which was received positively by the market. Recovering lost market share from the US compounders will help to restore prescription growth.
- Also amongst the contributors was paper and forestry firm **Stora Enso**. We like self-help narratives within

some of our holdings, and Stora Enso is one such example. The company is separating its vast forest holdings and streamlining its industrial businesses. By splitting the company this way, it should help to crystalize value to shareholders.

- **SKF**, a leader in ball bearings manufacturing is another example of a self-help business we hold that added value. The company is spinning off its automotive ball bearings unit next year and creating a clear distinction between its larger and more profitable industrial unit. This strategic optionality is helping to create better choice for investors.
- Elsewhere within industrials, the fund benefitted from lack of exposure to both Schneider Electric and Wolters Kluwer; both historically very highly valued and performed poorly during the month on slowing growth.

## Portfolio activity

- A key success story within our sales activity is our exit to long-term holding **Iveco**. As noted last month, the company has agreed the sales of both its defence business to Rheinmetall/Leonardo along with its truck business to Tata Motors. This has effectively put a reasonable value on both businesses and has performed extremely well this year. The company is another example of a self-help business within the small & mid-cap space which has streamlined and divested its operations effectively. There is only a minimum of upside left and so we have sold the position entirely. We have added to other current positions and are actively assessing other opportunities to reinvest.
- We have also exited our small remaining position in **Billerud**, preferring Stora Enso.

## Outlook/positioning

- Q2 earnings season has now concluded slightly ahead of expectations. The relative strength of the Euro and weakness of the US dollar has been a big factor over the last few months and has had a material impact on cyclical sectors. With better clarity on tariffs, we are beginning to see some sector reversals, for instance in luxury goods and health care names seeing better risk reward opportunities. Large cap pharmaceuticals and

consumer facing names have derated on the back of hesitant consumer demand, notably in China, and future tariff related impacts.

- 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 very attractive. The German parliament is currently in summer recess, but upcoming budget allocations could be fruitful. German defence and infrastructure spending orders being in place should stand to be a material boost to German GDP for 2026 and aid the wider region.
- We remain both optimistic and opportunistic in the current environment as highlighted by our new recent small position in healthcare company

**Gerresheimer** and rotating more heavily into defence company **Chemring**. There's still an abundance of energy now entering Europe and we see no real opportunities to get involved.

- 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

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**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.

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