

Schroder ISF* Japanese Opportunities

Fund Manager: Ken Maeda | Fund update: March 2024

Performance overview

- The Japanese equity market continued an exceptionally strong rally with TOPIX recording a total return of +4.4% in local terms. The Nikkei 225 exceeded 40,000 yen level for the first time and the Japanese yen continued to depreciate after the Bank of Japan (BOJ) action at March policy meeting. The market trend toward value oriented sectors was accelerated during the month.
- The fund performed in line with the benchmark for the month.

Drivers of fund performance

- While there was a positive impact from sector allocation, stock selection had a negative impact. Overall, value oriented market trend helped but negative impact by stock selection offset.
- The largest positive individual contributor was Takeuchi Manufacturing, a small cap construction machinery maker, thanks to yen weakness and better earnings prospects. Real estate companies, Starts Corporation and Sumitomo Realty & Development also added value.
- The largest offsetting negative contribution came from return reversal, including C Uyemura, a small cap chemicals, SMC, a FA machinery company, and Shikoku Kasei, another small cap chemicals.

Outlook/positioning

- The Japanese equity market obviously entered into a new era after exceeding the historical highest at during the bubble time and the BOJ drastically pivoted their monetary policy to more ordinary approach while maintaining highly accommodative stance. The valuation remains fair and we see upside potential coming from corporate fundamentals.
- Japanese companies are expected to announce solid earnings results for their full year ending March in coming weeks. There are also higher expectation that more and more companies will publish mid term plans with better capital allocation policy and with more focus on profitability and capital cost. The Tokyo Stock Exchange continues to promote better governance across the market cap spectrum, including small cap where we see higher values.
- Thanks to stronger than expected outcome from Shunto, a spring wage negotiation, real term wage growth will turn to be positive toward the middle of this year and consumption can drive domestic economic growth along with capex and inbound tourism.

Calendar year performance (%)

Year	Fund	Target
2023	+27.3	+27.8
2022	+2.0	-2.9
2021	+12.7	+12.4
2020	+0.3	+7.0
2019	+16.7	+17.7
2018	-23.2	-16.3
2017	+28.1	21.8
2016	+1.7	-0.0

Source: Schroders, net of fees, NAV to NAV with net income reinvested. C Acc share class. 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. Some performance differences between the fund and the benchmark may arise because the fund performance is calculated at a different valuation point from the

benchmark. Please see the respective fund factsheets for the performance of other share classes.

Risk considerations

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: The fund may lose value as a result of movements in foreign exchange rates.

Currency risk / hedged share class: The 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 – efficient portfolio management and investment purposes: 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. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset.

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.

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.

Important information

This information is not an offer, solicitation or recommendation to buy or sell any financial instrument or to adopt. 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. The Company is a Luxembourg-registered UCITS recognised in the UK under Section 264 of the Financial Services and Markets Act 2000. There will be no right to cancel any agreement to purchase shares. If shares are purchased directly or through an overseas agent not authorised to carry out regulated activities in the UK, all or most of the protection provided by the UK regulatory system will not apply to investments in the Company and compensation will not be available under the UK Financial Services Compensation Scheme and the Financial Ombudsman Service. An investment in the Company entails risks, which are fully described in the prospectus. This document is issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799. Approved for issue in the UK by Schroder Investment Management Limited, 1, London Wall Place, London EC2Y 5AU. Authorised and regulated by the Financial Conduct Authority. Schroders has expressed its own views and opinions in this document and these may change.
