Schroders

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Schroder ISF* Japanese Opportunities

Fund Manager: Ken Maeda | Fund update: July 2025

Performance overview

- The Japanese equity market gained momentum toward month-end, with the TOPIX Total Return rising 3.2% and the Nikkei 225 up 1.4%, led by better-than-expected Upper House election result and U.S.-Japan trade deal. Due to yen weakness, the sterling-based return for the TOPIX was decreased to +2.5%.
- The fund strongly outperformed against the benchmark for the month of July.

Drivers of fund performance

- With sector allocation having a marginally positive effect on the relative performance of the fund, stock selection was the primary driver of the outperformance. The market environment works in favour of the fund, as we have seen Value-style outperformance and strengths in Small-cap names for the month of July.
- On sector allocation, while underweight in Banks and overweight in Retail Trade and Chemicals detracted the performance, underweight in Electric Appliances and Foods, combined with overweight in Glass & Ceramics Products worked as a tailwind.
- For stock selection, the largest individual positive contribution came from T&D Holdings, a mid-cap life insurer, as the company's shares gained strengths on the back of improving economic outlook and increased investor confidence. Pal Group, a small cap retailer, enjoyed a strong share price movement following better than expected results upon solid demands for the discounter business. Additionally, not holding Nintendo also added value as taking-profit activities weighed upon the company's shares. Conversely, the largest detractor was not holding Hitachi, as AI-related names exhibited strong returns for the month upon improving investor sentiment. Suzuki Motor, a large cap auto manufacturer, lagged as the benefits of the agreement on the U.S trade negotiation was considered limited compared to its peers. ABC-Mart, a mid cap retailer specializing in footgear, also detracted the performance as the share price corrected following weaker than expected results featuring weakness on overseas business.

Outlook/positioning

- The Japanese equity market extended its rally through July, with the TOPIX reaching a new record high. Early-month concerns over the Upper House election and U.S.-Japan trade talks weighed on sentiment, but investor confidence recovered following a favourable election outcome and a better-than-expected trade agreement. Exporters and global cyclicals led the rebound. AI-related demand, especially for data centres, also boosted sectors like optical components. However, political uncertainty persists as the ruling coalition lost its majority in both the Upper and Lower Houses.
- While recent trade deals eased some tariff concerns, overall levels remain elevated, and their full impact on growth and earnings is still unfolding. Initial quarterly earnings reports were broadly in line, with domestic sectors showing resilience and exporters facing pressure.
- Despite short-term volatility, structural tailwinds—particularly governance reforms—remain intact. In this environment, companies with strong fundamentals and ROE-focused strategies are likely to attract investor interest, offering opportunities for active managers to generate alpha.

Calendar year performance (%)

Year	Fund	Target
2024	+18.2	+20.2
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.

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

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