

# Schroder ISF\* Japanese Opportunities

Fund Manager: Ken Maeda | Fund update: June 2025

## Performance overview

- The Japanese equity market continued to exhibit strength in June with TOPIX Total Return Index rose by 2.0% in yen terms, and the Nikkei 225 advanced 6.6%.
- The fund marginally outperformed against the benchmark for the month of June.

## Drivers of fund performance

- While sector allocation detracted from the relative performance against the benchmark, stock selection offset some of the negative impact.
- On sector allocation, while overweight in Transportation Equipment and underweight in Electric Appliances and Other Products hurt the performance, underweight in Pharmaceutical, Banks, and Marine Transportation contributed to the relative performance positively.
- For stock selection, the largest individual positive contribution came from underweight in Toyota Motor, a multinational car manufacturer, as the headlines regarding the US tariff negotiations weighed upon the share price. Some of the semiconductor-related names such as Tokyo Seimitsu and Nichias added value as a result of improving investors sentiment towards the industry. Conversely, not holding Softbank Group, Advantest, and Tokyo Electron affected the relative performance negatively. Among the stocks held, T&D Holdings detracted from the returns, as the company's shares were left behind amidst the market rally.

## Outlook/positioning

- The Japanese equity market has surpassed pre-tariff levels and is approaching its historical high in July 2024 driven by positive development in U.S. trade negotiation and ongoing corporate governance reforms. Market sentiment has been positive given increased shareholder returns through dividend hikes and buybacks, dissolution of cross-shareholdings, and the consolidation of listed subsidiaries.
- While optimism has grown that U.S. tariffs may be lower than initially feared, Japan has yet to strike a trade deal, leaving room for potential tariff hikes. June-quarter earnings, due late July, will likely offer more clarity on tariff impact.
- Political uncertainty is rising as support for the Ishiba administration declines amid food inflation, especially rice prices, ahead of the July Upper House election.
- Despite short-term volatility, structural reforms continue to support investor focus on fundamentals and ROE improvement. Market swings are creating alpha opportunities, favouring high-conviction, actively managed strategies.

## 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.

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

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**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.

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