

Schroder ISF* Japanese Opportunities

Fund Manager: Ken Maeda | Fund update: May 2025

Performance overview

- The Japanese equity market rallied strongly, with the TOPIX Total Return up 5.10% and the Nikkei 225 gaining 5.33%, driven by strong large-cap performance.
- The fund slightly underperformed against the benchmark for the month of May.

Drivers of fund performance

- While sector allocation was almost neutral, stock selection impacted the relative performance negatively.
- On sector allocation, while underweight in defensive sectors such as Pharmaceutical, Foods, and Electric Power & Gas contributed the performance positively, underweight in Banks and Electric Appliances and overweight in Real Estate affected the performance negatively.
- For stock selection, the largest individual positive contribution came from Nexon, a mid-cap gaming supplier, as the company announced better-than-expected earnings results. T&D Holdings, a mid-cap life insurance company also contributed positively on the back of improved shareholder remuneration and rising long term yields, and Espec, a small-cap manufacture specialized in testing systems that simulate various environmental conditions, enjoyed strong share price rally following solid earnings prospects and announcement of ambitious new mid-term plan.
- On the other hand, the primary offsetting negative impacts came from Relo Group, a small-cap HR outsourcer, as the company announced a conservative guidance for the new fiscal year, in addition to lack of buyback program. Pal Group Holdings, a small-cap apparel & discounter operator, also dragged the performance as the share price followed a downward trend over the headlines regarding selling off of founding family.

Outlook/positioning

- Global financial markets, including Japan's, remain sensitive to U.S. trade policy. While recent progress in negotiations with China and the EU has eased some concerns, tariffs are still high and their full economic impact remains unclear. The Japanese equity market has rebounded, but uncertainty persists.
- Domestically, Japan faces rising political uncertainty ahead of the summer Upper House election, driven by public dissatisfaction over inflation. At the same time, many companies have issued cautious earnings guidance due to global risks and yen appreciation, leading to downward revisions in forecasts.
- On a brighter note, shareholder returns are improving through dividends and buybacks, and corporate governance reforms continue. These structural changes, along with market volatility, are creating opportunities for active investors focused on companies with strong earnings and ROE improvement efforts.

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

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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