Schroders

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Schroder ISF* Japanese Opportunities

Fund Manager: Ken Maeda | Fund update: August 2025

Performance overview

- The Japanese equity market extended its multi-month rally, with the TOPIX Total Return rising 4.5% and the Nikkei 225 up 4.0%. The continued momentum was driven by improved sentiment following softer U.S. payroll data, resilient June-quarter earnings, and July CPI data pointing to a continued shift towards moderate inflation.
- The fund continued to outperform against the benchmark in August.

Drivers of fund performance

- With sector allocation effect was positive for relative performance of the fund, stock selection affected the performance negatively. The market environment works in favour of the fund, as we have seen Value-style outperformance for the month of August.
- On sector allocation, while underweight in Banks and underweight in Electric Power & Gas, Banks, and Information & Communication detracted the performance, underweight in Electric Appliances and Pharmaceutical, combined with overweight in Rubber Products contributed positively.
- For stock selection, the largest individual positive contribution came from not holding Hitachi, as the company's shares marked a sharp drop following results announcement against heightened investor expectations. JX Advanced Metals, a mid-cap nonferrous company, also added value on the back of solid share price movement with series of upgrades from analysts. Additionally, Yokohama Rubber, a mid-cap provider of automobile tires, contributed positively as well with solid earnings progress and improved shareholder remuneration policy. Conversely, the largest detractor was not holding SoftBank Group, as the share price gained momentum upon increasing expectations for AI-related names. Peptidream, a small-cap biopharmaceutical company, also lagged as investors became wary of slow progress of a large size contract. Additionally, not holding SONY Group also hurt the relative performance of the fund.

Outlook/positioning

- The Japanese equity market extended its multi-month rally in August, supported by improved global and domestic sentiment. In the U.S., softer payrolls and Chair Powell's Jackson Hole remarks reinforced expectations for rate cuts. Japan's Q2 GDP returned to growth, and July CPI confirmed a shift toward moderate inflation. Japanese companies reported June-quarter results; while tariff uncertainty weighed on exporters, overall earnings met expectations, with notable strength among firms benefiting from AI-linked data-centre demand. Resilient results and firmer macro data lifted consensus earnings estimates, boosting optimism on global growth and Japanese corporate profits.
- That said, several considerations warrant caution. Valuations now sit in the upper half of historical ranges, limiting re-rating potential. In the U.S., political pressure on the Fed to ease aggressively poses longer-term risks to policy credibility. Domestically, Prime Minister Ishiba's resignation following the loss of majority in both Houses introduces political uncertainty.
- From a long-term perspective, structural tailwinds—especially continued corporate-governance reform—remain intact. In this environment, investors should favour companies with strong fundamentals and ROE-focused strategies, creating alpha opportunities for active managers in Japan.

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

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

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