

Schroder ISF* European Special Situations

Fund Managers: Paul Griffin | Fund update: October 2025

Performance overview

- Pan-European equities gained in October. The fund outperformed the MSCI Europe index.

Drivers of fund performance

- Global and European equity markets have been trading nicely over the month with an aura of positivity surrounding market gains. Value ends of the market continue to see support, but the fund has overcome style headwinds, mainly due to strategic sector positioning and stock selection. European aerospace and defence has been a key growth area in Europe this year which succumbed to some wider profit taking in October. The fund has maintained an underweight position to the industry which aided relative returns this month.
- Gains in semiconductors & equipment also aided relative returns, as overweight positions in **ASML** and **BESI** were supported by an AI-related tech rally extending on from late September. Demand for electrification and AI data centres continues to grow and support shares, as well as the wider industry.
- Within industrials, strong Q3 results aided several names in the fund including global lock maker **Assa Abloy** - the leading individual contributor - **Bureau Veritas**, and **Prysmian**.
- Several previously underperforming defensive sectors in consumer staples, pharmaceuticals, and consumer discretionary have begun to recover as the market broadens and benefits from declining interest rates. This rebound was reflected in gains from our active position in the consumer discretionary company **Next**, which delivered strong Q3 results, surpassing expectations in both UK and international sales. However, sector gains were partly offset by our lack of exposure to LVMH, which achieved robust performance over the month.
- The renewed strength among large-cap pharmaceutical stocks weighed on relative returns due to our lack of exposure to names such as GSK and Sanofi. However, this was partially offset by our holding in **AstraZeneca**, which advanced on the back of positive drug trial results and news of agreements with the US government to reduce drug prices in exchange for tariff relief.

- More broadly, exposure to the health care sector contributed positively to performance, supported by gains in **Haleon** and **Qiagen**, and a particularly strong contribution from **EssilorLuxottica**—the maker of Ray-Ban—which reported robust third-quarter sales growth. The company's ongoing partnership with Meta continued to bolster investor sentiment and share performance.

Portfolio activity

- A new position within the fund is French industrials name **Legrand**, specialising in electrical and digital building infrastructures. The company has a widespread geographical presence and is strategically positioned to benefit from the ongoing growth in AI-related data centre demand and electrification.
- Also new to the fund is German industrials name **Knorr-bremse**. The company is well established in both rail and commercial vehicle braking and safety systems and is a key supplier for many OEMs. Emerging trends such as electrification, autonomous driving and rising European infrastructure spending all present potential opportunities for organic growth.
- After long-term weakness and slowly trimming the position size, we have also sold out of our position in **Azelis** and Swedish industrials firm **Epiroc** in favour of Legrand and Knorr-bremse.

Outlook/positioning

- We would remind our clients that this portfolio has a clear quality bias – our aim is to invest in market-leading businesses that have sustainable long-term growth opportunities. The market backdrop has been difficult for our style for some time now – value, yield and momentum have been significantly leading markets, while quality and growth have languished. The portfolio today consists of high quality, lower volatility businesses with a diverse set of long-term growth drivers – which in many cases are now trading on relatively low valuations against the market and their own history. We are confident that these attributes will be recognised by the market in coming quarters.

Past performance does not predict future returns. 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.

Calendar year performance (%)

Year	Fund	MSCI Europe net return
2024	4.2	8.6
2023	18.2	15.8
2022	-28.2	-9.5
2021	26.9	25.1
2020	11.7	-3.3
2019	35.9	26.7
2018	-16.8	-10.9
2017	16.2	10.2
2016	1.2	2.6
2015	17.7	8.2

Source: Schroders, as at 31 December 2024. Fund performance is net of fees, NAV to NAV with net income reinvested, EUR C Acc. Please see factsheet for other share classes. The fund's performance should be assessed against its target benchmark being to exceed the MSCI Europe (Net TR) index. The investment manager invests on a discretionary basis and there are no restrictions on the extent to which the fund's portfolio and performance may deviate from the target benchmark. The investment manager will invest in companies or sectors not included in the target benchmark in order to take advantage of specific investment opportunities.

Risk considerations

Capital risk / distribution policy: As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.

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: If the fund's investments are denominated in currencies different to the fund's base currency, the fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. If the investor holds a share class in a different currency to the base currency of the fund, investors may be exposed to losses as a result of movements in currency rates.

Derivatives risk: Derivatives, which are financial instruments deriving their value from an underlying asset, 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.

Higher volatility risk: The price of this fund may be more volatile as it may take higher risks in search of higher rewards, meaning the price may go up and down to a greater extent.

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, meaning investors may not be able to have immediate access to their holdings.

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.

Sustainability risk: The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

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