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Schroder ISF* European Special Situations

Fund Managers: Leon Howard-Spink and Paul Griffin | Fund update: July 2025

Performance overview

– Pan-European equities gained in July. The fund underperformed the MSCI Europe index.

Drivers of fund performance

– European markets experienced an upswing in July, buoyed by some increased clarity around several significant trade agreements with the US, including those involving Japan and the EU. A more certain backdrop benefitted the energy sector which surged on strong commodity prices and optimism around global trade deals while European value stocks are continuing to push higher than their growth counterparts. These factor swings and market rotations continue to bring a negative impact to relative performance for the fund.

– At a sector level, the financials sector weighed most heavily on relative performance. Interest rates remain high in Europe and were held steady by the ECB in July, while some strong earnings results within the financials sector for end Q2 helped to boost the sector in which the fund is materially underweight.

– Health care continues to be a difficult portion of the market to navigate, especially with names that have US exposure as pricing and wider tariff uncertainty persist. **Novo Nordisk** was amongst the leading detractors for the month – the firm was down sharply last year and has fallen further after a recent profit warning. There are signs that the weight loss franchise is not going as well as hoped and the downgrade has further weighed on shares. We had sold down our position prior to the news but had an active weight. We have recently met with management and are reviewing our position.

– Elsewhere in health care, medical technologies firm **Convatec** also weighed on relative returns. The company continues to deliver good organic growth and margin gains however noise surrounding healthcare reforms in the US is weighing on sentiment. We believe this is short term volatility and remain optimistic on the longer-term prospects of the company.

– Despite upgrading guidance and its attractive valuation, French advertising firm **Publicis** also weighed on returns. There are still lingering impacts of uncertainty around new technology on the future direction of the business. The stock has suffered as a result of near-term volatility.

– On the positive side, cable maker **Prysmian** was the leading contributor. The company posted some very encouraging Q2 results and is showing some good momentum within the US. The company's setup in the copper space has positioned it as a potential beneficiary of recently imposed copper tariffs.

– **Hexagon,** an industrial technology company, also aided relative performance. The company pleased the market with better-than-expected topline growth and signs that new management will push through cost savings to drive earnings growth going forward.

– Global locks manufacturer **Assa Abloy** was also amongst the leading contributors after beating expectations in reported organic growth and earnings numbers which positively surprised the market. The company had previously been trading at a relatively low valuation, and we had added to the position ahead of its Q2 announcements, aiding fund returns.

Portfolio activity

– Over the month we have sold out of two positions in **LVMH** and **Zurich Insurance**.

– After a challenging year and a downturn in performance and decreased sales, we decided to exit our position in LVMH to consolidate our overall exposure to the luxury goods sector. Within the sector we take preference to **Richemont** and **Moncler** in which we remain invested.

– We have also exited our holding in Swiss financials firm Zurich Insurance after a strong run.

Outlook/positioning

– In the past, the fund has suffered similar periods of sharp relative underperformance in a strongly rising market and then gone on to recover as market leadership broadens. As mentioned above, valuations in the growth space have now corrected post the COVID boom and now stand in line with historic averages. We have a collection of companies – not just in industrials but across multiple sectors – with exposure on a global level to a diverse range of

*Schroder International Selection Fund is referred to as Schroder ISF throughout structural growth areas, generating strong returns on capital which should lead from here to good shareholder returns. The portfolio as a whole is now trading more in line with historic averages, while presenting strong returns and mid-term earnings growth.

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.

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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.
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