

Schroder ISF* European Value

Fund Managers: Andrew Lyddon & Andrew Evans | Fund update: Q2 2024

Performance overview

- European equities gained in Q2.
- The fund outperformed the MSCI Europe index.

Drivers of fund performance

- The main individual contributor in the quarter was **Tecnicas Reunidas**. The shares responded positively to the announcement of the company's new strategic plan. The company returned to profitability in 2023 and aims to nearly triple its net profit by 2026. It plans to focus on low-emission technologies, expand in North America, repay its debt by 2026, and resume dividend payments.
- Consumer electronics retailer **Ceconomy** also supported fund performance. During the quarter the firm announced its profit outlook for the current financial year.
- Telecoms firm **BT Group** added value. BT's new chief executive unveiled a strategic plan involving a further £3 billion of cost cuts by 2029 and an increase in free cash flow, as well as a higher dividend. June brought news that Mexican billionaire Carlos Slim has taken a 3% stake in BT.
- **Anglo American**, the British multinational mining company, saw a surge in its share price after receiving a takeover proposal from BHP Billiton. Ultimately the proposed deal proved too complex. Anglo American will now focus on its own restructuring plans.
- Trucks and power trains company **Iveco** was among the main individual detractors. Iveco's CEO is leaving to become CEO of CNH Industrial, from which Iveco was recently demerged.
- Nordic housing developer **Bonava** was also among the main individual detractors. Bonava issued new equity in Q1. The refinancing reduces its liquidity problems and buys time for end markets to improve.

Portfolio activity

- We initiated a new position in pharmaceutical group **Roche**. We see it as a well-diversified business with a good balance sheet. Roche does have some drugs going off patent in the near future but we see this as having less of an impact than in the past. In our view, the combination of growth products and new products can more than offset drugs coming off patent in the coming years. Roche also has an attractive dividend yield.
- We also initiated a position in **Lufthansa**. The CFO, who was well regarded, is leaving and the shares have been under pressure. However, its cash generation compares favourably to European airline peers.
- We have exited the remaining small positions in **Ferrexpo**, **Elior** and **Nobia**.

Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

Calendar year performance (%)

Year	Fund	Target	Comp. 1	Comp. 2
2023	14.7	15.8	15.6	13.2
2022	-1.0	-9.5	-1.1	-16.9
2021	30.4	25.1	21.8	21.2
2020	-16.6	-3.3	-12.9	-7.5
2019	19.1	26.0	19.6	21.1
2018	-12.6	-10.6	-11.6	-14.5
2017	6.5	10.2	8.3	9.5
2016	7.0	2.6	7.4	3.5
2015	12.6	8.2	0.6	16.0
2014	3.9	5.8	5.6	5.4

Source: Schroders, as at 31 December 2023. Fund performance is net of fees, NAV to NAV with net income reinvested, C Acc shares. Please see factsheet for other share classes. The target benchmark is MSCI Europe NR index, comparator 1 is MSCI Value NR and comparator 2 is Morningstar Europe Large Cap Value Equity sector. The fund's investment universe is expected to overlap to a

limited extent with the components of the target benchmark and the MSCI Europe Value (Net TR) index. The comparator benchmarks are only included for performance comparison purposes and do not determine how the investment manager invests the fund's assets. 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 or the MSCI Europe Value (Net TR) index.

Risk considerations

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.

Operational risk: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.

Currency risk: The fund may lose value as a result of movements in foreign exchange rates.

Derivatives risk: 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.

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.

Higher volatility risk: The price of this fund may be volatile as it may take higher risks in search of higher rewards.

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.

IBOR: 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.

Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

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