

Schroder ISF* European Value

Fund Manager: Andrew Lyddon | Fund update: Q3 2025

Performance overview

European equities gained in Q3. The fund outperformed the MSCI Europe index.

Drivers of fund performance

The portfolio outperformed its benchmark over the third quarter, primarily driven by strong stock selection within Consumer Discretionary, where targeted exposures added meaningful value. Additional positive contributions came from effective selection in Communication Services, Energy, Consumer Staples, and Healthcare.

The portfolio benefited from several strong contributors during the quarter. **Kering's** share price demonstrated a robust recovery in the third quarter. The significant uptick in valuation can be attributed to a combination of factors, primarily a major governance overhaul and a resilient performance from some of its key brands, which appears to have instilled renewed confidence in investors. While the headline figures for the first half of the year showed a decline in revenue, the market had largely priced in these challenges. The report did, however, highlight the continued positive performance of Bottega Veneta and Kering Eyewear, showcasing the underlying strength and diversification of the group's portfolio beyond its flagship brand, Gucci. A pivotal moment for Kering during the quarter was the announcement and subsequent approval of significant leadership changes. On September 9th, 2025, the company confirmed the appointment of a new CEO for Gucci and other key management reshuffles. This move was widely interpreted as a decisive step to rejuvenate the iconic brand and address its recent underperformance, sparking optimism for a strategic turnaround.

Tecnicas Reunidas quarterly performance was underpinned by a series of strategic wins and operational expansion that reinforced its positioning in the energy transition space. The company secured major decarbonization contracts—including a green ammonia plant in Saudi Arabia, a carbon capture facility in the UK, and a circular economy project in the Netherlands—demonstrating its technical leadership and alignment with global sustainability priorities. At the same time, it significantly scaled its workforce and strengthened its

cash position, signalling confidence in its delivery capacity and future growth.

ABN Amro had lagged the rally in banks, staying on a depressed price to book multiple vs peers. More recently the company's plan to deliver improved returns on equity has gained traction and that valuation has started to close. Repsol benefitted from some stabilisation in oil price outlook. It also has a much higher weighting of profits to refining than peers and refining spreads have expanded which should be good for profits, in the near term at least.

On the downside, several factors detracted from performance. **Jungheinrich**, a German provider of material handling solutions, lagged amid ongoing concerns over European industrial demand. The company's interim report for the first half of the year confirmed subdued business development in a challenging market environment. It also announced a comprehensive transformation program aimed at strengthening its global competitiveness. The program is expected to deliver significant cost savings in the medium term.

Evonik, a German specialty chemicals company, lowered its full-year earnings forecast. The company explicitly stated that the slight economic recovery it had anticipated for the second half of the year had not occurred.

Portfolio activity

SEB was introduced to the portfolio during Q3. The company owns a portfolio of cookware brands serving both domestic and professional markets. While its business in Asia remains robust, there is considerable uncertainty surrounding the impact of tariffs on its cost base, as well as broader demand dynamics in North America. Notably, the current valuation implies that investors are effectively acquiring the non-Asian operations at no additional cost.

Aumovio entered the portfolio by being spun-out of Continental and contains most of its automotive technology operations. The business needs time and money invested to restructure but has been given a net cash balance sheet to give it the stability to do this. The sector is deeply unloved and if management can exit or fix underperforming business units then the shares are on PE of 5x.

Another new holding is **Viridien**, a global technology and Earth data company specializing in geoscience, data science, and sensing solutions. Formerly known as CGG, it focuses on supporting energy transition, environmental sustainability, and infrastructure resilience through two main segments: Data, Digital & Energy Transition (DDE) and Sensing & Monitoring (SMO). Headquartered in Massy, France, Viridien operates worldwide and serves industries ranging from oil and gas to defence and environmental monitoring.

Ceconomy demonstrated solid operational progress in its core Central and Eastern European markets, which attracted a takeover bid from Chinese online electronics retailer JD.com. The offer has been recommended by Ceconomy's board. Given the extended timeline for deal completion, we exited the position at a modest discount to the bid price, which was broadly aligned with our assessment of fair value.

Iveco received a compelling offer for its defence vehicles division and is in the process of divesting its remaining operations—including vans, trucks, and buses—to a competitor. The combined proceeds from these transactions were in line with our valuation expectations. To avoid the lengthy regulatory approval process, we sold the shares at a small discount to the bid price.

Outlook/positioning

While there has been a lot going on in markets and portfolios, and the opportunity for value investors is as exciting as ever, we would like to devote this quarterly letter to giving our clients a team update. During the quarter, Simon Adler was promoted Head of Value Equities. Under Simon's leadership, we have renewed our mission statement and overarching vision. We've set ourselves a high bar. To achieve this requires a team culture grounded in excellence and teamwork, where standards are high, humility constant, and improvement a continual and shared endeavour.

Our mission is to be a world class team who deliver the best returns to our clients by focusing on authentic value investing. We seek to do that with a culture of excellence, teamwork and improvement and an environment where we all love our work.

The mission explains itself. The focus is on our clients and your returns. It also recognises that to achieve it we need to enact the vision that is set out below.

Our vision is to be the best value team. The best to invest with, the best to work for and the best at communicating. We expand on each of these pillars below.

- a) The best to invest with – creating lasting value for you, our clients, whilst continually raising standards. We will do this by delivering consistent style discipline (authentic value), forensic and world leading analysis to weed out value traps, deliver benchmark unaware portfolio construction and improve consistently.
- b) The best to work for – Be an elite team where our people thrive, support each other and are inspired to improve. This will make work enjoyable and

should create a team that works together, for each other and where everyone is seeking to improve and be the best.

- c) The best at communicating – Be innovative and original in our communications, known for openness, honesty & candour.

We are absolutely not re-inventing the wheel. Rather, we are building upon the deep value heritage that has been nurtured at Schroders for more than 50 years; a heritage defined by discipline, patience and teamwork. Our renewed mission and vision are about sharpening that legacy. We are taking everything that has made this team successful — its authenticity, its collaboration, its long-term mindset — and push it to an even higher level. By doing so, we aim to strengthen the trust you place in us and continue delivering exceptional outcomes for you, our clients, for decades to come.

New joiners

During the quarter, we were also pleased to announce two high-calibre appointments that will strengthen the team's commitment to rigorous, high-quality investment analysis. The appointments were made following a long and comprehensive interview process that started in March and demonstrate Schroders' ongoing commitment to our Value franchise.

Graham Shircore has been appointed as an Investment Analyst, bringing more than 20 years' equity investment experience, most recently as Investment Team Leader overseeing a long-term, Value-driven investment philosophy at Phoenix Asset Management Partners. Prior to this he held tenures at Rothschild & Co and Aviva Investors. He will begin in early September.

Steve Woolley will also join an Investment Analyst in November, bringing 17 years' Value investment experience dating back to his appointment as a Value equities analyst at Investec Asset Management, now Ninety-One, in 2008. Most recently, he was Head of Research on Ninety One's Value equities team, having also been a Portfolio Manager in the Value Equities team.

These appointments affirm Schroders commitment to fundamental Value investing. We will continue to invest in our well-resourced team of highly skilled Value investors including developing future talent and through targeted hiring, ensuring a strong bench that will continue to deliver long-term value for clients.

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
2024	6.4	8.6	11.2	5.2
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

Source: Schroders, as at 31 December 2024. 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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