Schroders

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Schroder ISF* Japanese Equity

Fund Manager: Kazuhiro Toyoda | Fund update: November 2025

Performance overview

– The Japanese equity market was highly volatile, with the TOPIX Total Return up 1.42% while the Nikkei 225 fell 4.12%. Overall, shifting expectations for U.S. policy and AI demand, together with diplomacy-driven moves, explain the mixed but resilient performance.

– The fund turned to outperform against the benchmark.

Drivers of fund performance

– With the market showing signs of reversal notably among generative-AI related stocks, the fund performance was supported by positive contribution from stock selection.

– While sector allocation effect was effectively neutral to the fund performance, primary contribution came from overweight in Construction as sectors with domestic exposures performed solidly during the month. Offsetting negative impacts came from underweight in Electric Power & Gas, Retail Trade, and Wholesale Trade.

– With regards to the stock selection, the largest individual positive contribution came from SWCC, a small-cap manufactures of wires and cables, as the share price surged upon solid earnings progress. Not holding Softbank Group also helped the relative performance as the shares tumbled following strong rally in October. Additionally, Sumitomo Realty & Development, a major real estate developer, also contributed positively upon earnings strengths and headlines on activist involvement.

– Conversely, some of the primary detractors were semiconductor related names such as IBIDEN, a mid-cap IC package supplier, and Disco, a large-cap supplier of semiconductor manufacturing tools, as the share prices were pressured by profit-taking following the October rally. Additionally, not holding Sumitomo Mitsui Financial Group also hurt the performance amidst the share price strengths.

Outlook/positioning

– The Japanese equity market was volatile: TOPIX Total Return finished positive, while the Nikkei 225 declined. Mounting valuation concerns in generative-AI and defence-related names drove sharp swings, and SoftBank Group fell on company-specific risks, including exposure to OpenAI. Offsetting these pressures, upward revisions to earnings forecasts and stronger shareholder returns, underpinned by solid 1H FY25 results, supported the broader market.

– Domestically, several political developments moved related shares. Under the new Takaichi administration, steps toward restarting nuclear power plants lifted beneficiary stocks. By contrast, heightened Japan–China tensions following the prime minister's remarks weighed on inbound-exposed names.

– On monetary policy, uncertainty around the timing of U.S. Federal Reserve rate cuts added market-wide volatility, while comments from Bank of Japan (BoJ) officials increased expectations of renewed rate hikes, supporting financials.

– This year's strong advance has pushed valuations to the upper end of historical ranges, limiting further re-rating potential. Even so, the earnings backdrop remains firm following many 1H releases, and ongoing upgrades to forecasts plus enhanced shareholder-remuneration policies should help underpin overall market performance.

– From a long-term perspective, structural tailwinds—especially continued corporate governance reform—remain intact. We favour companies with strong fundamentals and sustained ROE improvement, which should create alpha opportunities for active managers in Japan.

Calendar year performance (%)

Year	Fund	Target
2024	+13.6	+20.0
2023	+20.1	+27.8
2022	-4.2	-2.9
2021	+11.1	+12.4
2020	+6.4	+7.0
2019	+16.5	+17.7
2018	-16.0	-16.3

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

2017	+25.4	+21.8

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 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 shareclass: 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