Schroders

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Schroder ISF* Japanese Equity

Fund Manager: Kazuhiro Toyoda | Fund update: June 2025

Performance overview

- The Japanese equity market remained strong in June, with the TOPIX Total Return Index rising 2.0% in yen terms and the Nikkei 225 advancing 6.6%, driven by robust gains in semiconductor-related stocks.

- The fund turned to underperform against the benchmark in the month of June.

Drivers of fund performance

- While sector allocation effect was marginally positive, stock selection detracted from the performance.
- On sector allocation, our overweight in Insurance, Transportation Equipment, and Banks hurt the performance, while underweight in Wholesale Trade and Pharmaceutical, combined with overweight in Electric Appliances contributed positively to the performance. However, overall sector allocation effect was moderate to the relative fund performance.
- The largest individual positive contributor came from Disco, a large-cap precision tools maker for semiconductor industry, as the share price surged upon improving investors interests in semiconductor-related names. Bandai Namco Holdings, a large-cap gaming maker, has also contributed positively on the back of solid earnings progress. Underweight in Toyota Motor also helped the relative fund performance as the share price was pressured by ongoing concerns over the US tariff negotiations.
- Conversely, the largest detractor was not holdings Nintendo, a major game entertainment supplier, as the company's shares gained momentum upon expectations for next-generation gaming console. Underweighting Softbank Group also detracted from the returns as it enjoyed a solid share price trend amidst overall rally in semiconductor-proxy stocks. Suzuki Motor, a multinational car manufacturer, weighed on the performance due primarily to sluggish sales trend in India.

Outlook/positioning

- The Japanese equity market has surpassed pre-tariff levels and is approaching its historical high in July 2024 driven by positive development in U.S. trade negotiation and ongoing corporate governance reforms. Market sentiment has been positive given increased shareholder returns through dividend hikes and buybacks, dissolution of cross-shareholdings, and the consolidation of listed subsidiaries.
- While optimism has grown that U.S. tariffs may be lower than initially feared, Japan has yet to strike a trade deal, leaving room for potential tariff hikes. June-quarter earnings, due late July, will likely offer more clarity on tariff impact.
- Political uncertainty is rising as support for the Ishiba administration declines amid food inflation, especially rice prices, ahead of the July Upper House election.
- Despite short-term volatility, structural reforms continue to support investor focus on fundamentals and ROE improvement. Market swings are creating alpha opportunities, favouring high-conviction, actively managed strategies.

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
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

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