

## Schroder ISF\* Asian Dividend Maximiser

Fund Manager: Richard Sennitt and Structured Fund Management Team | Fund  
update: August 2025

## Performance overview

- The fund aims to provide an income of 7%<sup>1</sup> p.a. via a call option overlay and an actively managed Asia Pacific (ex-Japan) equity portfolio.
- Pacific ex-Japan equities (as measured by the MSCI AC Pacific ex Japan NR) posted gains in August in USD terms.
- The fund was also up, outperforming both the MSCI AC Pacific ex Japan index and MSCI AC Pacific ex Japan High Dividend Yield (Net TR) index.

## Drivers of fund performance

- The underlying equity portfolio delivered a positive return and outperformed the MSCI AC Pacific ex Japan Index (comparator index).
- At the regional level, stock selection contributed positively, especially in Australia and China. Allocation had a marginally negative effect. Although the overweight to Singapore proved to be beneficial, this was entirely offset by the underweight exposure to China. The small position in India also weighed on returns.
- In terms of sectors, selection was strong, most notably in financials. Allocation was also supportive, with the underweight to healthcare boosting performance.
- While continuing to generate the enhanced income, the options were negative for performance in August in mark-to-market terms, weighing -0.50% (reflecting expired options and those yet to expire). This was within expectations given the gains in the underlying equity positions.
- The options were also negative when measured in net cash terms (reflecting only expired options), weighing -0.80% as three tranches expired. Two of these were 3-month trades that spanned a strong period of upside for the underlying holdings.
- A total of 110 option positions were sold across the three tranches, of which 53 finished above their strike prices (requiring a settlement). **Samsung Electronics, BOC Hong Kong, Telstra and Hon Hai** were among the stocks to finish in-the-money. We had notional decisions in place on all of these. As such, while we had to make settlements, we were being cautious around these names and were able to capture a greater share

of the increase than if the stocks had been more fully overwritten.

## Outlook/positioning

- Asian equities have been fairly buoyant in recent months, driven by expectations of US rate cuts and strong AI-related technology spending, which is underpinning sentiment. This is despite all the concerns about the long-term macroeconomic backdrop, uncertainty about US tariffs, and heightened geopolitical risks in Ukraine and the Middle East. Investors are seemingly anticipating a “Goldilocks” scenario where US growth and inflation slow further but the economy avoids a painful recession, while rate cuts from the Fed improve the liquidity backdrop, boosting valuations.
- The economic backdrop in China remains fragile, the earnings picture is mixed, and an export slowdown in the second half of 2025 could exacerbate deflationary forces. Despite these headwinds, local investor sentiment has improved dramatically in recent weeks, pushing the A-share market to a 10-year high. The authorities’ recently-announced policy to encourage “anti-involution” – cutting down on excess capacity and irrational price competition across the economy – has been a positive development. Although there are scant details on how these new policies will be implemented, given the serious concerns, any concerted efforts to tackle deflationary problems and excess capacity are being viewed positively at the margin. We remain underweight the China market, albeit partly offset by an overweight to Hong Kong.
- Among export-oriented stocks, our focus remains on companies that demonstrate clear market leadership, product innovation and pricing power. Where valuations are compelling for best-in-class exporters, we will add to positions, with a view to a longer-term recovery in share prices, as the tariff impact gradually fades, and the underlying growth of these companies reappears.
- With the recent strength in markets, aggregate valuations for regional equities are now above long-term average levels and are no longer pricing in much downside risk from a global slowdown or serious tariff war, but are not very expensive either. Although the

<sup>1</sup> The gross yield is an estimate and is not guaranteed.

\*Schroder International Selection fund is referred to as Schroder ISF throughout

macroeconomic backdrop for markets remains volatile and the range of potential outcomes is wide, we continue to see attractive longer-term opportunities across Asian equities. Our preferred stocks have strong financial positions to cope with any short-term disruptions.

- Turning to dividends, payout ratios remain reasonable and underlying earnings are looking positive, which could lead to corresponding growth in local dividends. Perhaps a bigger unknown is the outlook for currencies.
- We continue with our bottom-up investment approach and look for good companies where we can clearly see a strong income case and the potential for capital growth, while remaining disciplined about valuations. We remain heavily overweight China, although we are overweight Hong Kong which offsets this to some extent. We are also overweight Singapore. Sectorally, our largest overweights continue to be real estate, financials, and consumer staples. The largest underweights remain consumer discretionary, industrials and health care sectors.
- Turning to the option overlay, we continue to be cautious in the overwriting given the propensity for significant short-term share price swings. We are continuing to see attractive pricing for the single-stock options that we sell and continue to actively manage the overlay - through our competitive auction process, we are looking to pinpoint pockets of relative value. This includes carrying out in-depth stock-by-stock analysis prior to each auction trade, and being active during the auction to remove names, at point of trade, where we feel the options are not being competitively priced.
- Our caution means that many of the stocks are either partially overwritten, or not overwritten at all. In aggregate, less than 55% of the fund's NAV is currently overwritten. As such, the fund can capture upside up to the level of the individual strike prices on the <55% overwritten, and the full extent of any upside on the

>45% without options. Through this active approach, we are looking to deliver the enhanced level of income, while positioning the fund to participate strongly in any periods of rebound.

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.

## Calendar year performance (%)

	Fund Net	Comparator 1	Comparator 2
2024	5.6	10.1	12.8
2023	9.4	5.2	14.2
2022	-9.6	-18.8	-6.8
2021	3.9	-5.8	6.5
2020	10.2	23.0	1.5
2019	14.4	20.3	15.1
2018	-8.8	-14.5	-8.6
2017	26.0	36.9	24.8
2016	8.5	7.5	10.3
2015	-7.2	-9.6	-16.3

Source: Schroders, net of fees, NAV to NAV, with net income reinvested. C Acc share class, as at 31 December 2024. The fund's performance should be assessed against the income target of 7% per year and compared against the MSCI AC Pacific ex Japan (Net TR) index (comparator 1) and MSCI AC Pacific ex JP High Dividend Yield index (comparator 2). 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 comparator benchmarks.

## Risk considerations

**Capital risk / distribution policy:** As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.

**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:** If the fund's investments are denominated in currencies different to the fund's base currency, the fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. If the investor holds a share class in a different currency to the base currency of the fund, investors may be exposed to losses as a result of movements in currency rates.

**Derivatives risk:** Derivatives, which are financial instruments deriving their value from an underlying asset, may be used to manage the portfolio efficiently. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. 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.

**Emerging Markets & Frontier risk:** Emerging markets, and especially frontier markets, generally carry greater political,

legal, counterparty, operational and liquidity risk than developed markets.

**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.

**Maximiser funds:** Derivatives, which are financial instruments deriving their value from an underlying asset, are used to generate income (which is paid to investors) and to reduce the volatility of returns but they may also reduce fund performance or erode capital value.

**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.

**China risk:** If the fund invests in the China Interbank Bond Market via the Bond Connect or in China "A" shares via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong

Stock Connect or in shares listed on the STAR Board or the ChiNext, this may involve clearing and settlement, regulatory, operational and counterparty risks. If the fund invests in onshore renminbi-denominated securities, currency control decisions made by the Chinese government could affect the value of the fund's investments 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.

**Sustainability risk:** The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

**Important Information:** Marketing material for professional clients only. This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the "Company"). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. An investment in the Company entails risks, which are fully described in the prospectus. Subscriptions for shares of the Company can only be made on the basis of its latest Key Investor Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Europe) S.A. Schroders may decide to cease the distribution of any fund(s) in any EEA country at any time but we will publish our intention to do so on our website, in line with applicable regulatory requirements. For Luxembourg, these documents may be obtained in English, free of charge, from the following link: [www.eifs.lu/schroders](http://www.eifs.lu/schroders). For the UK, these documents may be obtained in English, free of charge, from the following link: [www.eifs.lu/schroders](http://www.eifs.lu/schroders). The fund has environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For information on sustainability-related aspects of this fund please go to [www.schroders.com](http://www.schroders.com). For the UK only: This product is based overseas and is not subject to UK sustainable investment labelling and disclosure requirements. Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy. 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 amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise. The views and opinions contained herein are those of the individuals to whom they are attributed and may not necessarily represent views expressed or reflected in other Schroders communications, strategies or funds. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at [www.schroders.com/en/privacy-policy](http://www.schroders.com/en/privacy-policy) or on request should you not have access to this webpage. A summary of investor rights may be obtained from <https://www.schroders.com/en/lu/professional-investor/footer/complaints-handling/>. Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799. For your security, communications may be taped or monitored. Distributed in the UK by Schroder Investment Management Ltd, 1 London Wall Place, London EC2Y 5AU. Registration No 1893220 England. Authorised and regulated by the Financial Conduct Authority.