Schroder ISF Asian Dividend Maximiser

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Fund update: September 2025

Marketing material for professional clients only.

Market Review

Asia Pacific ex-Japan equities posted strong gains in September, outperforming many global peers. The rally was driven by a 25-basis point rate cut by the US Federal Reserve and dovish policy signals, which boosted global liquidity. Korea and Taiwan led the charge, fueled by robust performance in AI and semiconductor sectors, while Chinese equities rebounded on the back of policy support for domestic chipmakers, accelerated AI investment, and easing US trade tensions. However, the Philippines lagged due to political concerns and foreign outflows.

Drivers of Fund Performance

Pacific ex-Japan equities (as measured by the MSCI AC Pacific ex Japan NR) posted strong gains in September in USD terms. The fund was also up, lagging the MSCI AC Pacific ex Japan index but outperforming the MSCI AC Pacific ex Japan High Dividend Yield (Net TR) index, which was flat.

The underlying equity portfolio delivered a positive return but underperformed the comparator index, MSCI AC Pacific ex Japan. At the regional level, both stock selection and allocation detracted from performance. The most significant impact came from our underweight exposure to China and stock selection within the region - particularly the absence of Chinese internet platform companies, which delivered strong returns but typically do not align with our income objective due to their low dividend yields. Additional headwinds included our overweight positions in Singapore and Hong Kong, as well as stock selection in Taiwan. From a sector perspective, the weakest contributors were consumer discretionary and communication services, reflecting the lack of exposure to Chinese internet platforms. These were partially offset by stronger stock selection in industrials.

While continuing to generate the income enhancement, the options were negative for performance in September in mark-to-market terms, weighing -0.25% (reflecting expired options and those yet to expire). This was well within expectations relative to the gains in the underlying equity positions.

The options were also negative when measured in net cash terms (reflecting only expired options), weighing -0.31% as two tranches expired. This detraction was largely from the 3-month trade carried out on 12 June, expiring on 11 September, which spanned a strong period of upside for the underlying holdings. A total of 74 option positions were sold across the two tranches, of which 23, mostly from the first trade, finished above their strike prices (requiring a settlement). Hon Hai, Samsung Electronics, TSMC and Singapore Telecom 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.

Portfolio Activity

There were no new equity positions added to the portfolio over the month.

Outlook/positioning

Asian equities had a strong quarter. After the sudden sell-off in April, markets have benefited from a continued rebound in risk appetite globally. Investors are seemingly anticipating a “Goldilocks” scenario, in which growth and inflation slow further but the economy avoids a painful recession (i.e. “not too hot and not too cold”), while rate cuts from the US Federal Reserve 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 price-to-earnings multiples for regional equities are now above long-term average levels. In our view, they are not pricing in any real downside risk from a global growth slowdown or more serious tariff impacts. Market performance this year has become increasingly tied to AI, and continued momentum in AI-related capex spending globally therefore remains key to the future performance of Asian equities.

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 underweight 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, around 50% 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 ~50% overwritten, and the full extent of any upside on the >50% 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.

Calendar yearly performance (%)

Past performance does not predict future returns.

Period	Fund C Acc USD	Benchmark[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, Morningstar, as of 30 September 2025. Performance shown is based on the currency of the share class shown and is net of fees. Please see factsheet for other share classes. 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. **Exchange rate changes may cause the value of investments to fall as well as rise.** Performance data does not take into account any commissions and costs, if any, charged when units or shares of any fund, as applicable, are issued and redeemed. The Fund's investment universe is expected to overlap materially with the components of the comparator benchmarks. 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. The investment manager will invest in companies or sectors not included in the comparator benchmarks.

[1]Benchmark refers to MSCI AC Pacific Ex Japan NR USD.

[2]Comparator refers to MSCI AC Pacific ex JP High Dividend Yield (Net TR) Index.

Performance snapshot (%)

Past performance does not predict future returns.

	1 Month	3 Months	YTD	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.	Since Inception
Fund C Acc USD	2.7	7.9	21.4	13.4	16.6	9.1	8.0	5.8
Benchmark[1]	6.8	13.4	31.4	21.6	20.1	6.7	8.6	6.0
Comparator[2]	-0.1	3.6	16.6	12.6	19.1	12.0	8.3	5.3

Source: Schroders, Morningstar, as of 30 September 2025. Performance shown is based on the currency of the share class shown and is net of fees. Please see factsheet for other share classes. 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. **Exchange rate changes may cause the value of investments to fall as well as rise.** Perf Performance data does not take into account any commissions and costs, if any, charged when units or shares of any fund, as applicable, are issued and redeemed.

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[2]Comparator refers to MSCI AC Pacific ex JP High Dividend Yield (Net TR) Index.

Investment Overview

The fund aims to deliver an income of 7% per year by investing in equities of Asia-Pacific companies (excluding Japan). This is not guaranteed and could change depending on market conditions.

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.

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.

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.

Currency risk / hedged share class: The currency 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: Derivatives, which are financial instruments deriving their value from an underlying asset, may be used for investment purposes and/ or 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.

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.

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

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.

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.

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