

Schroder ISF* Taiwanese Equity

Fund Manager: Louisa Lo | Fund update: Q2 2025

Performance overview

- Taiwan's market rebounded sharply in the second quarter and strongly outperformed other Asian and emerging markets in aggregate. After struggling in the first quarter due to tariff fears and doubts about AI hardware demand, the market rallied strongly on renewed optimism regarding AI capex and an easing in trade concerns.
- The fund produced a positive return, but underperformed the benchmark index over the period.

Drivers of fund performance

- Weak stock selection was the key factor behind the negative relative returns. It was weakest in information technology. Sector allocation detracted, but only slightly. While the underweight to materials proved to be beneficial, the overweight to communication services weighed on performance. The fund's cash position was also a negative as stock prices surged.
- On a stock basis, the top-performing positions were **Aspeed Technology**, **Chroma ATE** and **Elite Material**.
- The weakest performers were the underweight to **TSMC**, and the overweight holdings in **E Ink Holdings** and **Merida Industry**.

Portfolio activity

- We purchased stakes in **Quanta Computer** and **Lite-On Technology** as we believe both stocks will benefit from resilient AI server demand. We also added **Gold Circuit Electronics** as a beneficiary of rising demand for AI server printed-circuit boards.
- We sold shares in **Hon Hai Precision** due to the strengthening New Taiwan dollar which will likely negatively affect its exports. We reduced the stake in **TSMC** as it came close to its 10% holding limit, while we also took profits in **Chunghwa Telecom**.

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	Target	Comparator
2024	11.4	23.3	14.0
2023	26.2	31.7	38.6
2022	-31.1	-26.8	-30.5
2021	29.8	29.0	31.5
2020	29.1	35.6	30.0
2019	29.9	32.2	28.2
2018	-11.4	-7.9	-11.4
2017	26.6	29.5	28.6
2016	13.6	17.8	13.2
2015	-1.1	-10.4	-8.2

Source: Schroders, net of fees, NAV to NAV, with net income reinvested. A Acc share class, as at 31 December 2024. The fund's performance should be assessed against its target benchmark being to exceed the TAIEX Total Return index and compared against the Morningstar Taiwan Equity Category. The fund's investment universe is expected to overlap to a limited extent with the components of the target benchmark. The comparator benchmark is only included for performance comparison purposes and does not have any bearing on how the investment manager invests the fund's assets.

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 fact sheets for the performance of other share classes.

Outlook/positioning

- Taiwan's market remains significantly influenced by the performance of technology stocks, which dominate their indices. Nvidia's positive outlook on AI demand rekindled optimism on global AI capex spending, which benefitted Taiwanese technology companies.
- Outside of the technology sector, Taiwan's trade-dependent economy faces pressure from heightened global trade tensions, especially due to its significant revenue exposure to the US. The sharp appreciation of the New Taiwan dollar is also expected to adversely affect corporate earnings in the short term. While export orders remained resilient in recent months, it was likely to reflect front-loading demand amid concerns of US tariff hikes. Exports may decelerate into the second half of the year as shipment front-loading fades and external demand weakens.

- We will continue to adopt a selective and cautious approach towards the Taiwanese market, given that the risk-reward profile has become less favourable following the sharp recovery. We maintain a balanced portfolio and will consider adding preferred technology stocks if valuations become more attractive.

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.

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: 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. 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.

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.

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