

Schroder ISF* Taiwanese Equity

Fund Manager: Louisa Lo | Fund update: July 2024

Performance overview

- The Taiwanese market weakened in July and underperformed other Asian markets in aggregate.
- The market suffered from a broader global sell-off in technology-related stocks, following months of strong performance. The decline in the sector was driven by the mixed interpretation of earnings from several major technology companies across the globe.
- The fund produced a negative return over the month but outperformed the benchmark index.

Drivers of fund performance

- Strong stock selection was the key driver of the fund's positive relative returns. It was notably strong in consumer discretionary and information technology.
- Sector allocation had a negative effect, however, largely due to the underweighting of financials and the zero weighting in real estate.
- On a stock basis, the top-performing positions were **Merida Industry**, **Delta Electronics** and **Giant Manufacturing**.
- The weakest performers were the holdings in **MediaTek** and **Parade Technologies**, and the zero weighting in Fubon Financial.

Outlook/positioning

- Following an impressive run in the technology sector since last year, investors have increasingly become concerned about the pace and timing of AI-related revenue and what it may mean for continued investments in AI infrastructure. As a result, they have started to book profits on their overweight positions in the technology sector.
- Outside of technology, industrial activity in Taiwan has been strong, which is consistent with a constructive outlook on the global capex trend. The market expects Taiwan to show solid export growth through the late second and early third quarter.
- We expect the volatility in Taiwan's technology sector to increase. On the positive side, the market may find support from more reasonable valuations following the recent sell-off. Added to this are positive factors,

such as ongoing earnings upgrades, strong expectations of Apple's new iPhone and potential US Federal Reserve rate cuts beginning in September. On the other hand, concerns over US growth and AI capex/demand outlook will remain risk factors.

- We will continue to run a relatively balanced portfolio, and carefully add back to preferred technology stocks if valuations become more attractive. However, we will remain selective in our investment and only favour stocks that are globally competitive with strong pricing ability and earnings visibility

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 (%)

Year	Fund	Target	Comparator
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
2014	2.9	5.1	3.4

Source: Schroders, net of fees, NAV to NAV, with net income reinvested. A Acc share class, as at 31 December 2023. 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.

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.

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.

Emerging markets & frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.

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 macroeconomic environment, investment objectives may become more difficult to achieve.

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