

# Schroder ISF\* Taiwanese Equity

Fund Manager: Louisa Lo | Fund update: July 2025

## Performance overview

- Taiwan's market rebounded in July, outperforming the regional index. Strong AI infrastructure continued to drive growth. The resumption of H2O shipments in China is boosting global AI hardware demand and tightening GPU (graphics processing unit) supply; and it could prompt upward revisions for certain Taiwanese technology firms.
- The fund produced a positive return but mildly underperformed the benchmark index over the period.

## Drivers of fund performance

- Sector allocation detracted, with the overweight to communication services proving to be detrimental. However, the underweight to financials had a positive effect.
- Stock selection was positive. It contributed the most in information technology, followed by financials.
- The fund's cash position also weighed on returns as stock prices rallied.
- On a stock basis, the top-performing positions were **Delta Electronics**, **Gold Circuit Electronics** and **AIchip Technologies**.
- The weakest performers were the underweight to **TSMC**, and the overweight holdings in **Chunghwa Telecom** and **E Ink Holdings**.

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

- The tech-heavy equity indices in Taiwan have been gaining strength from improved visibility in capex cycles, particularly within AI-related industries. This has in turn been supported by clearer monetisation from investments. However, valuations for Taiwan's technology industry are very full. As a result, we remain focused on technology companies with market leadership, pricing power, and innovation. These qualities will be critical for navigating tariff pressures, maintaining margins, and sustaining long-term growth.
- Beyond technology, export markets remain pressured by ongoing trade issues and uncertain US growth. The Trump administration set a provisional 20% reciprocal tariff rate for Taiwan – below the "Liberation Day" rate of 32%, but above the baseline estimate of around 17%. Additionally, the New Taiwan dollar's strength against the US dollar may further hurt Taiwanese exporters by reducing competitiveness or squeezing margins.
- Given the high valuations and trade uncertainty, we maintain a balanced portfolio. We are overweight Taiwan telecom stocks for their defensive qualities and dividends, due to the unfavourable near-term macroeconomic outlook. At the same time, we favour technology firms that are gaining from the AI capex trend.

## 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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