

## Schroder ISF\* European Smaller Companies

Fund Managers: Luke Biermann and Martin Stockner | Fund update: Q2 2024

## Performance overview

- European smaller companies gained in Q2.
- The fund underperformed the benchmark.

## Drivers of fund performance

- The portfolio posted a positive absolute return in the quarter but lagged the benchmark's advance. Stock selection within industrials weighed on relative returns.
- Energy storage and electric vehicle charging firm **Alfen** was the main individual detractor amid ongoing weakness in the energy transition segment.
- Motorhome manufacturer **Trigano** also weighed on relative returns. The company reported strong 1H earnings but cash generation was weak and comments regarding the 2025 outlook were cautious.
- **WISE plc**, a specialist in money transfers, was another detractor after announcing an outlook for the current year that disappointed the market.
- On the positive side, restaurant operator **Do&Co** was the leading individual contributor after reporting solid earnings growth.
- **Halma**, a technology firm specialising in safety and hazard detection, also added value. raised its dividend for the 45<sup>th</sup> consecutive year as well as reporting an increase in profits.

## Portfolio activity

- A change that occurred at the start of the period under review was the departure from Schroders of portfolio manager Hannah Piper. The portfolio is now managed by Luke Biermann and Martin Stockner.
- As a result of the transfer of portfolio management, there have been several changes to the portfolio.
- The fund's investment objective is unchanged.

## Outlook/positioning

- The new management team will have a greater focus on quality characteristics when identifying holdings for the fund.
- Markets have scaled back their expectations for US interest rate cuts amid a backdrop of tight labour markets. The European Central bank has cut once but it remains unclear when any further cuts might come. Meanwhile, there continue to be risks elsewhere, notably weak economic activity in China.

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
2023	8.1	14.2
2022	-26.1	-22.9
2021	9.6	23.4
2020	13.7	7.8
2019	13.7	29.3
2018	-22.1	-14.1
2017	21.6	17.6
2016	3.7	2.9
2015	22.3	21.7
2014	2.5	5.1

Source: Schroders, as at 31 December 2023. Fund performance is net of fees, NAV to NAV with net income reinvested, EUR C Acc shares. Please see factsheet for other share classes. The fund's performance should be assessed against its target benchmark being to exceed the MSCI Europe Small Cap (NDR) index. The fund's investment universe is expected to overlap materially with the components of the target benchmark. 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 target benchmark. The investment manager will invest in companies or sectors not included in the target benchmark in order to take advantage of specific investment opportunities.

## Risk considerations

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**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.

**Operational risk:** Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.

**Currency risk:** The fund may lose value as a result of movements in foreign exchange rates.

**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.

**Derivatives risk:** 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.

**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.

**Higher volatility risk:** The price of this fund may be volatile as it may take higher risks in search of higher rewards.

**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.

**IBOR:** 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.

**Smaller companies risk:** Smaller companies generally carry greater liquidity risk than larger companies, and they may also fluctuate in value to a greater extent.

**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. Therefore, the fund may underperform other funds that do not apply similar criteria. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

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