

## Schroder ISF\* Taiwanese Equity

Fund Manager: Louisa Lo | Fund update: October 2021

### Performance overview

- The Taiwan market was mildly higher but relatively weak compared with Asian markets in aggregate.
- The fund produced a positive return and outperformed the benchmark.

### Drivers of fund performance

- Stock selection was the primary factor behind the fund's positive relative returns. It was strongest in healthcare.
- Sector allocation had a neutral impact overall. While the underweighting of industrials was beneficial, this was partially offset by the overweighting of materials.
- On a stock basis, the zero weighting in **Evergreen Marine**, and the fund's positions in **Unimicron Technology** and **Hu Lane Associate** provided the strongest returns.
- The weakest-performing positions in the fund included the underweight exposure to **Taiwan Semiconductor Manufacturing** and the holdings in **Formosa Plastics** and **Taiwan Union Technology**.

### Outlook/positioning

- Taiwan's economy has been holding up well since 2020, led by solid exports and growth in capital expenditure. The growth trajectory was temporarily disrupted in the second quarter by the Covid outbreak, but the situation stabilised quickly and the cyclical growth recovery continued. Export momentum has been strong too, benefiting from Taiwan's dominant global market share in technologically advanced electronics parts and components.
- On the policy front, the Taiwanese authorities have been very supportive, especially in terms of boosting domestic demand. Policymakers are also providing more liquidity to the market, including expanding the size of the SME lending program.

- Looking ahead, however, we are cautious that the market is getting closer to an inflection point owing to a potential slowing in the technology spending cycle, an unsustainable retail investor boom and rising geopolitical risk. Valuations are elevated after a few years of strong upward momentum in the market.
- We will continue to identify stocks that are globally competitive and possess company-specific structural growth drivers

### Calendar year performance (%)

Year	Fund	Target	Comparator
2020	29.1	35.6	30.0
2019	29.9	32.2	28.2
2018	-11.4	-7.9	-11.4
2017	26.6	29.4	28.6
2016	13.6	17.8	13.2

Source: Schroders, net of fees, NAV to NAV, with net income reinvested, A Acc share class, as at 31 December 2020. Target benchmark is the TAIEX Total Return index and the comparator is the Morningstar Taiwan Equity sector.

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.

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

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**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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