

Schroder ISF* Japanese Opportunities

Fund Manager: Ken Maeda | Fund update: October 2021

Performance overview

- The Japanese stock market declined by 1.4% in October as investors digested the prospects for new prime minister Kishida.
- The fund outperformed the benchmark in the month

Drivers of fund performance

- Performance was driven by a positive impact from stock selection while sector allocation was neutral overall
- The largest positive contribution to relative performance came from Orix, a major leasing company, and C Uyemura, a small cap company specialized in chemical plating.
- The largest negative contributions to relative performance came from stocks not held in the portfolio, including Recruit, which provides staffing and HR services, and Sony.

Outlook/positioning

- The result of the general election on 31 October appears to have placed Mr Kishida in a relatively comfortable position as prime minister, at least until the Upper House elections due in July 2022.
- With the election out of the way, the political focus will now shift to a substantial fiscal stimulus package, details of which should be announced later in November.
- The domestic economy should also benefit from the vaccination programme effectively reaching all the population by the end of November.

Calendar year performance (%)

Year	Fund	Target
2020	+0.3	+7.4
2019	+16.7	+18.1
2018	-23.2	-16.0
2017	+28.1	+22.2
2016	+1.7	+0.3
2015	+15.0	+12.1

Source: Schroders, net of fees, NAV to NAV with net income reinvested. C Acc share class. 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 factsheets 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.

Currency risk / hedged share class: The hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.

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.

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 macro economic environment, investment objectives may become more difficult to achieve.

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