

Schroder ISF* Global Climate Change Equity

Fund Managers: Simon Webber, Isabella Hervey-Bathurst | Fund update: June 2024

Performance overview

- Global equities achieved a mixed performance in June, with emerging markets outperforming developed markets.
- The fund posted a negative return and underperformed the MSCI All Country World index over the month.

Drivers of fund performance

- Stock selection was negative, particularly in industrials, information technology, and consumer discretionary. Conversely, selection in communication services and our underweight allocation to financials added value in the month.
- By region, Continental Europe, North America, emerging markets, Japan, and the UK detracted in June, while our zero-weight allocation to Pacific ex Japan added value.
- Danish wind turbine supplier **Vestas Wind Systems** was a weaker holding in June as the market worried about a lack of new order announcements from the company. We remain confident of the company's long-term growth potential given its leading position within the expanding wind energy market.
- **NextEra Energy, First Solar, and Longi Green Energy** were among the biggest individual detractors in June. Allocations to **Legrand, Prysmian** and **Kingspan Group** also detracted in the month.
- UK semiconductor and software design company **ARM Holdings** outperformed in June due to ongoing investor enthusiasm for stocks likely to benefit from the expansion of artificial intelligence (AI) technologies. We believe that ARM remains well placed to benefit from increased demand for its next generation, high-performance, low-power computing solution chips, which also carry higher licensing fees and royalty revenue.
- **Chroma ATE, Hitachi, and Amazon** were among the biggest individual contributors in June. Allocations to **Microsoft, BYD, and Alphabet** also added value in the month.

Portfolio activity:

We initiated a new position in solar tracking company **NEXTracker** in June. The company is the leading global solar tracker supplier, with a strong balance sheet and good margins. It is taking market share internationally and is well positioned to benefit from the boom in solar energy given the industry's compelling economics. A solar tracker tilts the angle of solar panels throughout the day, maximising generation from a utility-scale solar farm. It is one of the few markets within the solar value chain that is not dominated by China.

Outlook/positioning

- Policy initiatives in all major economies continue to seek to stimulate a faster transition to the net zero economy. The stimulatory effect of the US Inflation Reduction Act has only just started to be felt, China continues to be determined to maintain its lead in key climate sectors, and key EU policy initiatives are also beginning to gain traction. We continue to monitor political risks in the US around the November elections and have reduced exposure to companies we consider having binary exposure to a change in US Government.
- The cost of clean tech is getting ever more affordable, driving stronger long term demand growth for those industries. Nevertheless, there are difficult short-term adjustments as solar, battery and EVs are all now experiencing inventory downcycles after strong recent growth.
- Valuations have also become very attractive, even for some of the industry leaders who have clear competitive advantages and strong growth prospects. These are some of the most attractive valuation entry points we have seen in a decade.
- Our focus remains on companies with the strongest business models, technology, and balance sheets: all attributes we believe will be critical as tighter financial conditions steadily whittle out the weaker players over time.

Past performance does not predict future returns. 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	Benchmark***
2023	12.3	22.2
2022	-24.4	-18.4
2021	11.2	19.3
2020	51.7	15.9
2019	25.5	27.7
2018	-10.8	-8.7
2017	30.5	22.4

2016	2.7	7.5
2015	2.0	-0.9
2014	-3.6	4.0

Source : Schroders, net of fees, NAV to NAV with net income reinvested. C Acc share class, as at 31 December 2023. ***MSCI All Country World - Net Return. The Fund does not have a target benchmark. The Fund's performance should be compared against the MSCI All Country World (Net TR) index. 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. The Fund's investment universe is expected to overlap materially with the components of the comparator benchmark.

Risk considerations

- **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.
- **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.
- **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 forgo certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and value of any particular investor.
- **Emerging Markets and Frontier Risk:** Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.
- **Derivatives Risk – Efficient Portfolio 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.
- **Currency Risk:** The fund may lose value as a result of movements in foreign exchange rates.
- **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.
- **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.
- **Market Risk:** The value of investments can go up and down and an investor may not get back the amount initially invested.
- **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.
- **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.
- **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.

Important information

©Morningstar 2024. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

This advertisement has not been reviewed by the Monetary Authority of Singapore.

This is prepared by Schroders for information and general circulation only and the opinions expressed are subject to change without notice. It does not constitute an offer or solicitation to deal in units of any Schroders fund (the "Fund") and does not have regard to the specific investment objectives, financial situation or the particular needs of any specific person who may receive this. Investors may wish to seek advice from a financial adviser before purchasing units of any Fund. In the event that the investor chooses not to seek advice from a financial adviser, he should consider whether the Fund in question is suitable for him. Past performance of the Fund or the manager, and any economic and market trends or forecast, are not necessarily indicative of the future or likely performance of the Fund or the manager. The value of units in the Fund, and the income accruing to the units, if any, from the Fund, may fall as well as rise. Investors should read the prospectus, available from Schroder Investment Management (Singapore) Ltd or its distributors, before deciding to subscribe for or purchase units in any Fund. Funds may carry a sales charge of up to 5%.

The fund has environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For information on sustainability-related aspects of this fund please go to www.schroders.com

Schroder Investment Management (Singapore) Ltd

138 Market Street #23-01 CapitaGreen Singapore 048946

Telephone: 1800 534 4288 Fax: +65 6536 6626

Registration No.: 199201080H