Schroders

Marketing material for Singapore investors only

Schroder ISF* Global Climate Change Equity

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

Performance overview

- Global equities gained in March, with developed markets outperforming emerging markets.
- The fund posted a positive return and outperformed the MSCI All Country World index over the month.

Drivers of fund performance

- Stock selection was positive, particularly in consumer discretionary, communications services and utilities. Conversely, selection in financials, consumer staples and materials detracted.
- By region, emerging markets, North America, Japan, Pacific ex Japan and the UK added value, while allocations to Continental Europe detracted in the month.
- **Alphabet** outperformed in March with the stock price propelled higher by ongoing investor enthusiasm for any stocks exposed to artificial intelligence (AI) applications. The company is planning to incorporate generative AI capabilities across all its products.
- **Samsung SDI, Kroger,** and **NextEra Energy** were among the biggest individual contributors in March. Allocations to **Hitachi**, **Nvent Electric,** and **Swiss Re** also added value in the month.
- UK semiconductor and software design company **ARM Holdings** was a weaker holding in March as investors took profits following a period of strong growth for the stock price, driven by investor optimism that global demand for processors used in artificial intelligence (AI) applications will continue to accelerate.
- **Mowi, ON Semiconductor** and **Schneider Electric** were among the biggest individual detractors in March. **Union Pacific**, **Siemens**, and **BMW** also detracted in the month.

Portfolio activity:

- We sold our holding in UK energy company SSE in March. The company has a combination of electrical grid and power generation assets. European power prices are expected to continue to normalise in the coming years as the gas price shock dissipates and this will likely put downward pressure on SSE's earnings in the medium term.
- We initiated a new position in **MSCI** in March. The company has been developing an impressive suite of climate tools which we estimate contributed 11% of operating revenues in 2023. We expect this revenue segment to see continued growth as climate and ESG tools have become a major growth driver for the company.
- We trimmed our holdings in **Swiss Re** and **Chroma** to manage position sizes given the strong performance of the stocks.

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.

*Schroder International Selection Fund is referred to as Schroder ISF throughout

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.

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