Schroders

Marketing material
for Singapore investors only

Schroder ISF* Global Climate Change Equity

September 2024

Performance overview

- Global equities were broadly higher in September, with emerging markets outperforming developed 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 industrials and information technology. Our zero-weight allocation to healthcare also added value. Conversely, selection in communication services detracted from gains in the month.
- By region, emerging markets, North America, Japan, Continental Europe, and the UK contributed in September, while allocations to Pacific ex Japan detracted.
- China's **Contemporary Amperex Technology Company** (CATL), the world's biggest manufacturer of electric vehicle (EV) batteries, outperformed in September after the Chinese government unveiled a series of stimulus measures to boost the weak economy and flagging stock market.
- **Shenzhen Inovance, Chroma ATE,** and **Sumitomo Forestry** were among the biggest individual contributors in September. Allocations to **Norsk Hydro**, **Hitachi**, and **Kingfisher** also added value in the month.
- Danish wind turbine supplier **Vestas Wind Systems** underperformed in September after the company reported a decline in revenue for the second quarter and trimmed its full-year revenue guidance. The political uncertainty in the US has also been weighing on investor sentiment towards companies in the green energy sector. We remain confident of the company's margin recovery potential and return to top line growth.
- **BMW, ON Semiconductor,** and **Union Pacific** were among the biggest individual detractors in September. Allocations to **Infineon**, **NEXTracker**, and **Giant Manufacturing** also detracted in the month.

Portfolio activity:

- We added to our position in **Public Service Enterprise Group (PSEG).** The company is poised to benefit from the growth in power demand driven by the data centre build out in the US.
- We also added to our holding in **Tomra** in September. After a difficult 2023, the investment thesis is back on track, with a restructuring underway and a positive 2025 outlook for deposit return schemes.
- We added to our position in **Nextracker**, taking advantage of the weaker share price. We view the company as a leader within the consolidated tracker space.

Outlook/positioning

- **Financing costs are coming down, creating a tailwind for green investment**: Global interest rates, which spiked in response to inflationary pressures, have stabilised, with some central banks starting to announce reductions. Lower borrowing costs provide a much-needed boost for capital-intensive green projects, making investments in renewables, energy storage, and other climate technologies more attractive.
- **Recovery potential in key end markets, following cyclical weakness**: While markets such as EVs, heat pumps, and residential solar have experienced recent softness, driven by consumer demand slowdowns, and in some cases inventory cycles and policy changes, the medium-term outlook remains bright. As macroeconomic conditions improve and inventory clears, we expect a rebound in these sectors.
- **The US election introduces policy uncertainty but may provide a clearing event**: The upcoming 2024 US presidential election could swing climate policy significantly, creating uncertainty in the near term. However, a decisive outcome should provide certainty, allowing participants to move off the sidelines.
- **Long-term foundations for climate investment remain strong**: Despite short-term challenges,

*Schroder International Selection Fund is referred to as Schroder ISF throughout. For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country.

global climate policy frameworks such as the EU Green Deal, along with widespread corporate commitments on climate, continue to support efforts to decarbonise global economies. Additionally, renewable energy remains very competitive with other energy sources, and EV prices are declining as the industry scales.

– **Valuations are attractive, pain has been taken**: Valuations across many climate-related assets are at attractive levels after a period of prolonged weakness for the theme. However, investor sentiment towards the sector is subdued, presenting an opportunity for long term investors to buy into industry-leading companies at compelling entry points. Several end markets within the climate theme have now digested a significant amount of 'capital cycle' pain, resulting in significant market cap destruction and a handful of bankruptcies. Our focus remains on companies with the strongest business models, technology, and balance sheets.

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