



The energy transition opportunity

Capturing the potential returns from technological change

The Global Energy Transition

This is government, consumer and investment led – put simply, the energy transition has started

“ No matter which country you’re in, the cost of clean energy now is cheaper than the cost of climate change later. Those betting on renewable energy will win big ”

John Kerry,
Former US Secretary of State,
April 2016

“ There won’t be any more coal-burning plants in Germany by 2038. We will primarily rely on renewable energy ”

Ronald Pofalla,
Chairman, Energy Commission of Germany,
January 2019

“ It really is the economics as much as anything that are driving [the energy transition] and it will win in the end ”

Michael Bloomberg,
CEO of Bloomberg L.P.,
September 2018

“ We do want to get to a point where renewables and other carbon-free energy sources actually power our operations every hour of every day ”

Urs Holzle,
Senior VP of TI at Google,
April 2018

“ If someone walks in with a solar project tomorrow and it takes a billion dollars or three billion dollars, we're ready to do it. The more there is the better ”

Warren Buffet,
Chairman and CEO of Berkshire Hathaway,
December 2018

Source: Google, Schroders, as of May 2019.

The low-carbon energy transition will be hugely disruptive

New investment and earnings opportunities will come from three key structural trends



Decarbonisation of power generation

The share of electricity generated from **renewables is expected to increase from 20% to closer to 85%** by 2050 in order to reduce carbon emissions



Electrification of energy use

The share of **electricity in final energy consumption is expected to increase from 20% to nearer 45%** by 2050 due to the growth of electric vehicles



Increased efficiency of consumption

The **energy intensity¹ of the global economy must fall by nearly two-thirds** by 2050 to limit the growth in overall power consumption

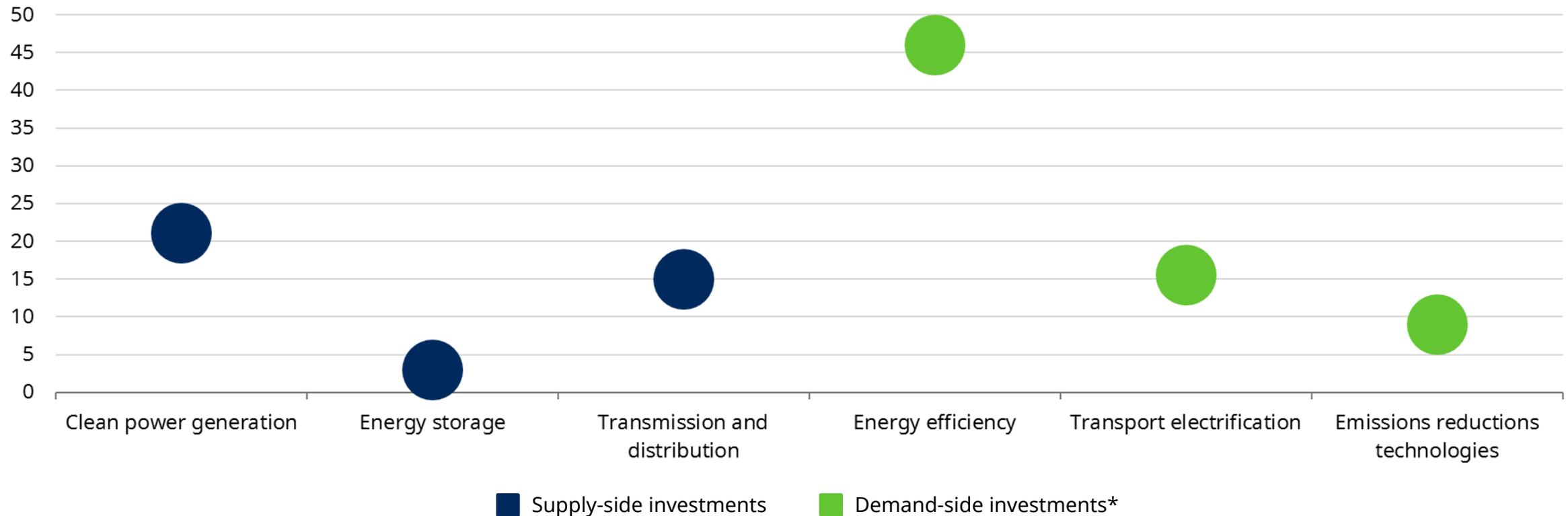
¹Energy intensity is the amount of energy needed to produce one unit of GDP. Source: Schroders, IEA, BNEF, IRENA, as of May 2019.

The energy transition investment opportunity is massive

Realising the transition will require USD 120 trillion of investment by 2050

Required cumulative investment in key energy transition sectors out to 2050

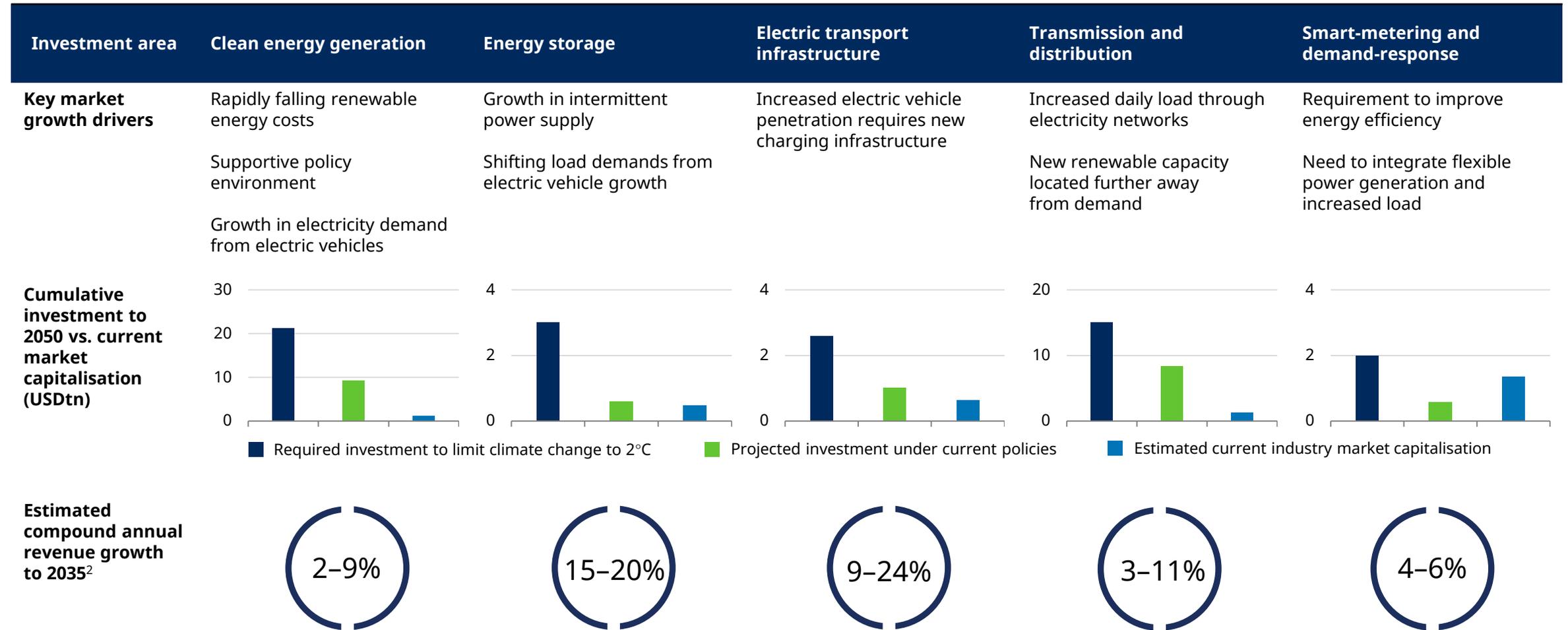
USD trillion



Source: IEA, IRENA, BNEF, Schroders, as of January 2019. *Estimated demand-side investments include investments in end-user goods, such as electric vehicles and more efficient appliances and industrial process. SISF Global Energy Transition will only invest in the sections of these markets directly related to the energy system, with the investment in these specific sub-markets taking only a share of the overall investment.

The energy transition investment opportunity is massive

Investment opportunities are spread across five key value chains



Source: IEA, IRENA, BNEF, Schroders, as of January 2019. ¹SISF Global Energy Transition will only invest in the sections of these markets directly related to the energy system, with the investment in these specific sub-markets taking only a share of the overall investment. ²Estimated annual revenue growth range based on Schroders projections under different scenarios.

Schroders commodity funds

A well-fitting addition to the existing portfolio of commodity funds

Fund	Launch date	Vehicles	Performance objective	Assets	Style
Schroder AS¹ Commodity Fund	2005	Part II SICAV, US LP	Index plus	Mainly futures	Long only, unconstrained
Schroder ISF Global Energy Transition strategy	2019	UCITS SICAV	Index plus	Equities	Long only, unconstrained
Schroder ISF Global Energy	2006	UCITS SICAV	Index plus	Equities	Long only, unconstrained, high beta
Schroder ISF Global Gold	2016	UCITS SICAV	Index plus	Equities	Long only, unconstrained

¹Schroder Alternative Selection is referred to as Schroder AS throughout this presentation.
Source: Schroders, as of May 2019.

SISF Global Energy Transition

Investment proposition

Objectives

- i. Offer all investors **actively managed exposure** to the energy transition sector as the world shifts towards a lower-carbon energy system.
- ii. **Outperform** its stated benchmark over the long run.
- iii. **Outperform** competing funds over the long run.

Investment approach

Unconstrained thematic approach that transects traditional sector classifications, style biases, geographies and market capitalisations.

Concentrated focus on finding long-term, **sustainable earnings growth** at a reasonable value.

Use of an **investment process established since 2005** and designed specifically for active investment management in commodities and resource equities.

Highly active allocation that creates opportunities to generate excess returns above passively-managed alternatives.

Long-only, no leverage, no complicated derivatives.

Risk controlled through liquidity limits, the 5/10/40 concentration rule and use of cash.

Role in portfolios

As a long-term, sustainable growth play that takes advantage of structural earnings growth over multiple business cycles.

As a source of equity diversification due to the agnostic approach taken to geographies, style biases and traditional sectors.

As a **thematic investment**, able to circumvent issues such as political and monetary policy challenges and tap into the growth sectors of the future.

SISF Global Energy Transition

Leveraging established expertise and a proven investment process



Screen universe

- Broad universe of companies exposed to the energy transition screened using descriptive and financial metrics
- Broad universe screened further based on revenue exposures, liquidity, size, and country-risk to find the best-in-class companies within key technology groups that are most exposed to the energy transition theme



Focus and build

- Create and maintain detailed financial models of focus list companies
- Monitor live valuations from focus list
- Fair value based on DCF is upside ranked
- Bespoke GARP screen used to find companies undervalued companies with strong growth potential
- Focus on companies with high returns on investment, strong management, and sustainable business models



Construct portfolio

- High conviction portfolio
- Global reach
- Unconstrained thematic approach
- No shorting or leverage
- No physical exposure
- Maximum cash 30%

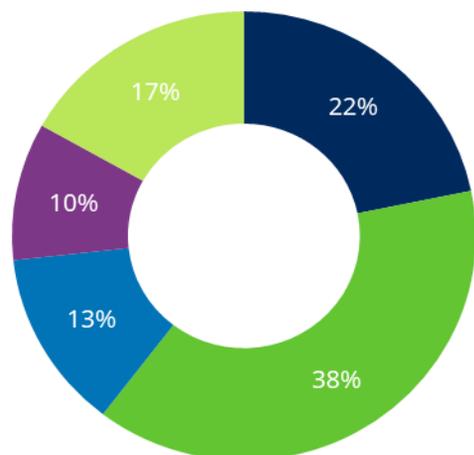
Source: Schroders, as of May 2019.

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A well-diversified thematic investment universe¹

Sub-sector spread

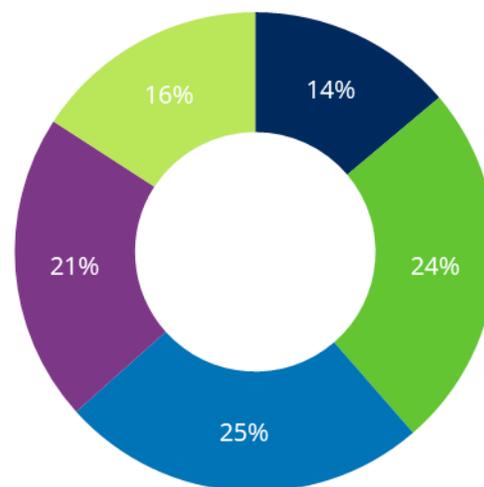
% share



- Renewable Energy Equipment
- Renewable Energy Generation
- Transmission and Distribution
- Energy Storage and Other Equipment
- Electrical Equipment and Services

Market capitalisation spread

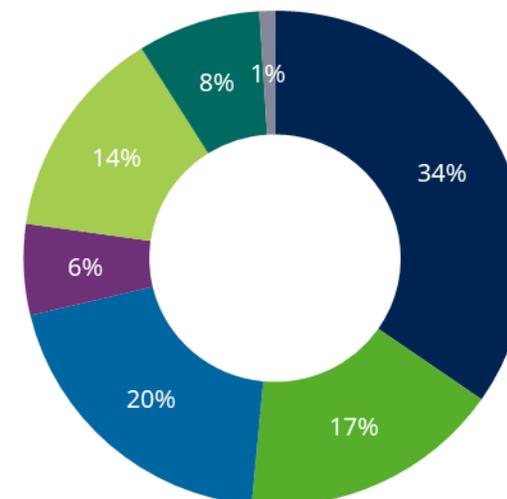
% share



- >10 Billion
- >2 Billion
- >1 Billion
- >500 Million
- <500 Million

Regional spread

% share



- Europe
- China
- US
- Other APAC
- Latin America
- Canada
- Other

¹Represents share of focus list companies, which is reflective of the investment universe. Source: Schroders, as of May 2019.

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