

## Schroder ISF\* European Equity Yield

Fund Managers: Andrew Evans &amp; Andrew Lyddon | Fund update: September 2021

## Performance overview

- European equities fell in September.
- The fund posted a positive return, outperforming the MSCI Europe index.

## Drivers of fund performance

- Many of our energy sector holdings made a positive contribution to fund performance. Positions in **ENI**, **Gazprom**, **Repsol** and **Lukoil** all added value. Oil and gas prices rose in the month.
- **Centrica**, owner of British Gas, was also among the positive contributors. Centrica has endured a painful period of restructuring but is now recovering. September's gas price spike saw several competitors fail due to not hedging effectively against rising wholesale prices. That means fewer competitors left in the market, while many of the customers of these failed firms will be moved over to British Gas. The recent rise in gas prices saw the UK's energy regulator raise the price cap in August.
- Several of our financial holdings also aided fund performance, notably **DNB**, **NatWest Group**, **ING** and **UniCredit**.
- Our position in **SES** made a positive contribution. SES is a satellite and terrestrial telecommunications network provider. SES is poised to receive substantial cash as a result of the restructuring of the C-Band telecoms spectrum in the US. It released strong quarterly results and lifted its profits guidance for the full-year.
- Metals and mining group **South32** was another positive contributor, although **Anglo American** was among the detractors.

## Portfolio activity

- We sold out of **Gazprom**. The shares have performed strongly amid the strong recent rise in gas prices in Europe and Asia. This is driving very strong cash flows and helping the balance sheet. However, the shares are now at their highest levels since 2013 and no longer look cheaply valued.

## Calendar year performance (%)

Year	Fund	Target	Comp 1	Comp 2
2020	-17.0	-3.3	-12.9	-6.8
2019	16.4	26.0	19.6	21.8
2018	-4.1	-10.6	-11.6	-11.7
2017	6.5	10.2	8.3	7.9
2016	5.1	2.6	7.4	0.4

Source: Schroders, as at 31 December 2020. Fund performance is net of fees, NAV to NAV with net income reinvested, C Acc shares EUR. Please see factsheet for other share classes. The target benchmark is MSCI Europe NR, comparator 1 is MSCI Europe Value NR and comparator 2 is Morningstar Europe Equity Income sector.

Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

## Risk considerations

---

- 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.
- Operational risk: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
- Currency risk: The fund may lose value as a result of movements in foreign exchange rates.
- 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.
- 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.
- Higher volatility risk: The price of this fund may be volatile as it may take higher risks in search of higher rewards.
- 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: 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.

## Important information

---

This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the “Company”). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. Subscriptions for shares of the Company can only be made on the basis of its latest Key Investor Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Europe) S.A. An investment in the Company entails risks, which are fully described in the prospectus. Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested. Schroders has expressed its own views and opinions in this document and these may change. Schroders will be a data controller in respect

of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at [www.schroders.com/en/privacy-policy](http://www.schroders.com/en/privacy-policy) or on request should you not have access to this webpage. This document is issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799. For your security, communications may be taped or monitored. **Third Party Data Disclaimer:** Third party data is owned or licensed by the data provider and may not be reproduced or extracted and used for any other purpose without the data provider's consent. Third party data is provided without any warranties of any kind. The data provider and issuer of the document shall have no liability in connection with the third party data. The Prospectus and/or [www.schroders.com](http://www.schroders.com) contains additional disclaimers which apply to the third party data.