

Schroder ISF* Global Climate Change Equity

Fund Managers: Simon Webber, Isabella Hervey-Bathurst | Fund update: November 2021

Performance overview

- Global equities fell in November, with fears over the new “Omicron” variant of Covid-19 weighing on investor sentiment.
- The fund achieved a negative return and underperformed the MSCI World index over the month.

Drivers of fund performance

- Stock selection overall was negative, particularly in information technology, industrials and consumer staples. Conversely, performance was helped by the fact the fund has low exposure to the financials, healthcare and energy sectors, which all underperformed the market in November
- By region, our holdings in North America and Continental Europe detracted from gains during November. Positions in Pacific ex. Japan and emerging markets added the most value during the month.
- Our allocations to **Vestas Wind Systems**, **Mowi ASA** and **Autodesk** were among the biggest individual detractors during November. Our positions in **TPI Composites** and **Umicore** also detracted during the month.
- Our allocations to **Aalberts**, **Lowe's Companies** and **National Grid** were among the biggest individual contributors during the month. Our positions in **Croda International** and **Texas Instruments** also contributed in November.

Portfolio activity:

- We initiated a new position in **Plug Power**, a market-leader in the nascent US hydrogen market. We also added to our position in **Shenzhen Inovance**, a leader in industrial automation in China.
- We exited our position in Beyond Meat in November. We also sold our holding in Union Pacific Corporation and used the proceeds to buy a new position in **Canadian National Railway Company**, which we believe offers better growth prospects and has stronger environmental credentials.
- We exited our position in TPI Composites and used the proceeds to add to our holding in **Vestas Wind Systems**. Although the recovery is not imminent, we believe the stock offers long-term value.
- We trimmed our holdings in **NIBE** and **Trane Technologies**.

Outlook/positioning

- Inflationary pressures and logistical headwinds continue to weigh on the renewables sector, and other industries with global supply chains. Although these pressures are unlikely to abate over the near term, they do not undermine the fundamental competitiveness of renewables vs fossil fuel technologies, nor undermine the multi-decade transition to the low carbon economy.
- Corporate and government commitment to decarbonising remains strong, led by the EU with very ambitious targets to reduce emissions by 2030, and the EU Green Deal channelling at least a quarter of the €750 billion recovery package towards decarbonisation initiatives.

Calendar year performance (%)

	Fund	Benchmark***
2020	50.5	15.9
2019	24.5	27.7

2018	-11.4	-8.7
2017	29.8	22.4
2016	2.1	7.5

Source : Schroders, net of fees, NAV to NAV with net income reinvested. C Acc share class, as at 31 December 2020. ***MSCI World - Net Return. Past performance is not a guide to future performance and may not be

repeated. 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.

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.
- **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.
- **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.

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