

Schroder ISF* Global Climate Change Equity

Fund Managers: Simon Webber, Isabella Hervey-Bathurst | Fund update: February 2023

Performance overview

- After a strong start to the year, performance across global equities was more challenged in February, as investors reacted to expectations of a prolonged period of higher interest rates.
- The fund posted a negative return but outperformed the MSCI All Country World index over the month.

Drivers of fund performance

- Stock selection was negative in February, particularly in information technology, industrials and materials. Conversely, our allocations to consumer discretionary and utilities, and our zero-weight allocation to energy added value. Our underweight allocation to healthcare also added value in February.
- By region, allocations to North America, Japan and the UK detracted in February. Holdings in Continental Europe, Pacific ex Japan and emerging markets added value in the month.
- Despite the marked weakness **Legrand** and **Schneider Electric** performed well following very strong earnings outlooks for the full year. **Carrefour** also added to positive attribution after posting a strong return of +7% during the month. Our exposure to **BMW** and **Swiss Re** also added value in the month.
- Our holdings in **Johnson Controls**, **Longi Green Energy** and **Nabtesco** were among the biggest individual detractors in February. **Norsk Hydro**, **Shimano** and **Weyerhaeuser** also detracted in the month.

Portfolio activity:

- We initiated a new position in **TE Connectivity** in February. As a supplier of electrical components into autos, TE will benefit from rising content per vehicle trends as the EV transition progresses.
- We sold our small holding in **NEXTracker**. The shares have bounced from the IPO price and so we have taken profits. However, the business remains a strong player in the structural growth market of

solar trackers, so we would look to revisit again at a more attractive valuation.

- We also added to our exposure to a number of stocks including **Albemarle**, **Amazon**, **ON Semiconductor Corporation** and **SSE**.
- We also trimmed our holdings in **Deere & Co**, **NextEra Energy** and **Texas Instruments** in February.

Outlook/positioning

- While we remain conscious about multiple market risks in the near-term, supply chain pressures are continuing to ease. Shortages in semiconductors and other components are now improving considerably, and inflationary pressures for manufacturers are easing. As lower costs for shipping and commodities feed through the manufacturing process we will see some very significant profitability improvements.
- We recognise the elevated risk that is posed by the response of central banks to persistent inflation by drastically raising base rates. We are approaching this by focusing on companies with strong balance sheets.
- Overall, the outlook for relative and absolute investment returns across the climate change theme is now far better than it was one or two years ago, and the long-term growth opportunity in building the net zero economy of course remains immense. Additionally, the increase in public policy objectives geared towards transitioning towards a low-carbon economy will assist in this structural growth opportunity.

Calendar year performance (%)

	Fund	Benchmark***
2023*	6.0	4.1
2022	-24.4	-18.4
2021	11.2	19.3
2020	51.7	15.9

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

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
2013	31.8	26.7

Source : Schroders, net of fees, NAV to NAV with net income reinvested. C Acc share class, as at 28 February 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.
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- **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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