

Schroder Global Equity Alpha Fund – Professional Class

Performance overview

The MSCI All Country World Net TR Index returned -5.75%, while the Schroder Global Equity Alpha Fund – Professional class returned -8.79% (post-fee), underperforming the index by 3.03% (post-fee) during the March quarter. This brings the return since inception to 11.13% (post-fees).

March 2026 (post-fees)	Mthly (%)	Qtr (%)	1 year (%)	Since Inception (%)
Schroder Global Equity Alpha Fund – Professional Class*	-4.70	-8.79	6.52	11.13
MSCI ACWI (NTR)	-3.42	-5.75	9.19	12.09
Excess return	-1.28	-3.03	-2.67	-0.97

March 2026 (post-fees)	Mthly (%)	Qtr (%)	1 year (%)	3 years (%)	5 years (%)	Since Inception (%)
Schroder Global Equity Alpha (ACWI) Composite	-4.90	-8.88	6.54	15.64	12.07	11.98
MSCI ACWI (NTR)	-3.42	-5.75	9.19	15.71	11.84	11.76
Excess return	-1.48	-3.12	-2.65	-0.08	0.23	0.22

*The Schroder Global Equity Alpha Fund Professional Class was inceptioned on 3rd September 2024.

Returns for the underlying strategy, net of fees & based on estimates in AUD since inception are also provided above for reference. The underlying strategy has been managed since 31st May 2010. Index: MSCI ACWI (NTR). Past performance is not a reliable indicator of future performance.

Market Review

Global equities declined in Q1, with sentiment deteriorating sharply in March amid the escalating conflict in the Middle East and a pronounced rise in energy prices. These developments drove increased volatility as investors grappled with inflationary risks and economic growth pressures, triggering a broad-based sell-off across both equity and bond markets.

From a sector perspective, higher oil and gas prices supported strong performance in energy stocks as investors began to price in the supply shock. In contrast, consumer discretionary stocks were among the weakest performers, reflecting concerns that renewed inflationary pressures could weigh on consumer confidence and spending power. Technology stocks also faced headwinds in early 2026 as scrutiny intensified around the durability of the AI-related capex cycle and the ability of hyperscalers to generate adequate returns on the scale of investment being announced. Software stocks also remained under particular pressure, with growing concerns that advances in AI could threaten the traditional

software-as-a-service (SaaS) model. Over the course of the quarter, this AI disruption narrative broadened beyond software to encompass other industries, including e-commerce, financial services, and media and platform-based streaming businesses.

Regionally, the US underperformed as many of these technology-related headwinds were most pronounced in the US market. Continental Europe also lagged, driven by concerns that higher energy costs would negatively impact the region's growth outlook. While the UK economy is similarly exposed to rising energy prices, the equity market delivered positive returns, supported by its heavier weighting toward commodities. Japan was the best-performing major equity market, benefiting from the ruling Liberal Democratic Party's decisive victory in the February snap election. Emerging markets finished the quarter modestly lower, as the "risk-off" sentiment and geopolitical tensions served as headwinds during the quarter.

Performance Review

Global Alpha (vs MSCI AC World)

The portfolio underperformed the benchmark over the quarter. Communication services, energy and information technology detracted from relative performance, while consumer discretionary and utilities added value during the period. By region, North America and continental Europe detracted, while United Kingdom and Japan contributed positively.

Contributors

Semiconductor manufacturer **TSMC** outperformed over the quarter following continued sales momentum, market share gains and a bullish outlook. TSMC continues to solidify its role as the indispensable architect of the AI era, with its leading-edge nodes serving as the primary manufacturing engine for the world's most advanced AI accelerators and high-performance computing designs. We continue to maintain high conviction in the company, with recent high profile intra-peer deals expected to create further tailwinds for future demand as wider AI adoption becomes ever more common.

Shell outperformed over the quarter as a significant war premium returned to the energy markets, following the escalation of conflict in the Middle East. With the closure of the Strait of Hormuz disrupting nearly a fifth of global oil and gas flows, Brent crude surged past \$110 per barrel, directly benefiting Shell's upstream production margins. The company's strong balance sheet and status as a critical provider of non-Middle Eastern energy, helped offset localized operational disruptions in the Gulf. We continue to maintain a positive view on the company given its scale, diversified earnings streams and consistent capital return framework, which is well suited to an environment characterised by energy transition uncertainty and ongoing geopolitical risk.

Tapestry outperformed over the quarter as the company delivered record quarterly revenues that exceeded market expectations. Most notably, its Coach brand served as the primary growth engine. Digital channels continued to gain traction, with e-commerce growth complementing in-store performance. Margin expansion was aided by cost efficiencies and favourable product mix, while management's reaffirmed guidance underscored confidence in ongoing brand momentum. We believe Tapestry remains well positioned to capitalize on its data-driven approach to consumer engagement and international expansion, reinforcing its competitive edge in the accessible luxury segment.

NextEra Energy outperformed over the quarter as strong execution across its regulated utility and renewable energy platforms drove earnings ahead of expectations. Florida Power & Light delivered steady growth, supported by ongoing capital investment, customer additions and a constructive

regulatory framework. Meanwhile, NextEra Energy Resources benefited from robust demand for wind, solar and battery storage, with AI-driven data-centre load underpinning new project origination and a record backlog. Margin performance was supported by long-term contracted assets and disciplined cost management, while management's confident guidance reflected visibility from its diversified growth pipeline. We believe NextEra remains well positioned to capitalise on accelerating electrification and structural demand for clean energy infrastructure.

Detractors

German software company **SAP** underperformed as the software sector has remained under pressure year-to-date. Investors continue to perceive significant disruption to the core business of many companies within the space, including SAP. Further concern over limited progress on the current cloud backlog also weighed on sentiment for re-acceleration of SAP's sales growth over the near-term. We recognize there may be some short-term pressure on bookings, as businesses may delay decisions amidst a rapidly evolving landscape. But we believe SAP enjoys a far more resilient business model than that market currently implies, through its deep proprietary data assets and inseparable workflows that are central to corporate technology stacks. The AI tools will more likely be used as an overlay to enhance workflows and efficiencies rather than replacing the core ERP system of record. We maintain our conviction and believe that the recent share buyback announcement was also reflective of management's confidence in the business going forwards.

Microsoft underperformed over the quarter, following quarterly results as the cloud business showed a very slight growth rate decline from the prior quarter (38% vs. 39%). Despite revenues reported ahead of consensus, attention was focused on the growth in Azure, the company's cloud computing segment, which continues to grow quite solidly, but clearly not enough in a market that is quite sensitive to any signs of moderation in growth. This was exacerbated by continued increase in capex year-on-year, a persistent theme for AI hyperscalers, and investor concerns grew over how this elevated capex would translate into future free cash flow growth. We continue to view Microsoft as a core name within the strategy, with current capital investments being additive on a multiyear view for future growth as the capex cycle peaks and free cash flow accelerates. The company remains a key facilitator in the generative AI rollout through its central role in datacentre infrastructure.

Tencent Music underperformed over the quarter as Chinese stocks came under pressure from weaker consumer demand and deflationary pressures. Despite the economic headwinds within China, Tencent has demonstrated a relatively resilient business model underpinned by its well-capitalized digital platforms. With its dominant position as the world's second largest social media company, we expect it to benefit from improving underlying trends within its gaming and advertising businesses. Tencent is also beginning to see progress on integrating AI initiatives into its social media product suite with this generating a compounding effect by driving higher platform engagement.

Intuit underperformed this quarter as software stocks sold off amid concerns about AI disruption. While we don't think the selloff is justified across the sector, rapid technological progress is lowering barriers to entry in some areas. We believe Intuit is exposed to this risk, particularly given its small business customer base, where its technology is less entrenched and switching costs are lower. As a result, we have exited our position. Please see the full sale rationale below.

Buys

We added a new position in **AIA** during the quarter. The company has underperformed in recent years from macro volatility in Chinese markets and the backdrop of rising interest rates, but we believe that

earnings are starting to inflect positively and consensus continues to underestimate AIA's medium-term earnings trajectory, driven by structurally low insurance penetration across key Asian markets, which supports a long runway for compounding new business value.. The stock trades at an undemanding valuation relative to its growth and quality profile and the company's improving product mix and disciplined underwriting are driving margin expansion, while accelerating free cash flow generation and capital return (dividends and buybacks) enhance total shareholder returns.

We added **Roku** during the quarter. Roku continues to gain share of US TV engagement but remains significantly under-monetised, with ad-fill rates well below industry norms. The company has been transitioning from a thin-margin hardware device company to a high margin advertising powerhouse. The platform segment consisting of advertising, subscription revenue and licensing now comprises 85-90% of total revenue. We believe their initiatives to sell unused inventory should improve monetisation at minimal incremental cost, while disciplined opex creates meaningful operating leverage as platform revenues scale.

We added **APR Corporation**, the Korean beauty and skin care business. We believe the market is underestimating the durability and global scalability of APR's brand-led growth, with international traction (US, Japan) proving structural rather than promotional or cyclical. Stronger revenue growth, operating leverage and mix shift to higher-margin proprietary brands support an earnings growth gap versus consensus. Despite superior growth and improving returns, APR trades at a discount to global beauty peers, leaving scope for upgrades and potential multiple expansion as international momentum continues.

We also added **Lumentum**, a leading provider of optical and photonic components used in high-speed data center and telecom networks. The investment case is driven by a structural shift to faster data center connectivity (400G/800G+), accelerating the move from copper to optical interconnects, where Lumentum is well positioned. Consensus underestimates the strength and durability of this cycle, as cost advantages like power efficiency and scalability drive adoption. This supports stronger demand, improving margins, and sustained earnings upgrades. Lumentum's vertically integrated manufacturing and deep technical expertise create high barriers to entry and strengthen customer relationships. While the stock appears expensive near term, this reflects early-stage profitability; improving earnings visibility and cash flow should drive valuation upside, despite higher risk.

Sells

We exited our position in **Netflix** over the quarter as the investment case became less compelling as we expect the company to enter a period of investment. Whilst Netflix continues to benefit from a strong global brand and scale, we believe much of the anticipated growth is now reflected in the share price, limiting future upside. Profitability levers to increase average revenue per user (ARPU), such as password-sharing crackdown, price hikes on relatively flat content spent, has already been deployed. The attempted acquisition of Warner Bros. Discovery highlighted the increased competitive intensity, capital requirements and increasing content costs, leading to a less attractive risk-reward profile.

We exited our position in **Bunzl** during the quarter as we believe the underlying business dynamics in the current environment are increasingly constraining its ability to deliver attractive returns. The company's heavy exposure to foodservice and traditional retail has left it reliant on end markets where demand growth remains muted, while persistent operating cost inflation continues to pressure margins. In an increasingly competitive environment, compounded with the threat of inflation, pricing has become harder to push through, and elevated leverage has limited the scope to use acquisitions as a meaningful offset. Taken together, these factors reduced confidence in Bunzl's capacity to compound value from here.

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We exited **Eli Lilly** during Q1 2026 as we believe the share price fully reflects current expectation of sustained GLP-1 growth, leaving little room for further upside. With market share already high, we see an increasing risk that competition, pricing and payer pressures begin to weigh on future earnings from 2026. At the same time, the stock was trading at a significant valuation premium, raising the risk of multiple compression should expectations moderate. As GLP-1 therapies become more widely adopted and obesity budgets scale, payers are intensifying efforts to control costs through tighter formularies, step-therapy requirements and higher rebates, particularly in ex-US markets where pricing is structurally lower. As a result, we see limited scope for positive EPS revisions and rising probability of downward estimate risk.

We exited **Intuit** in the quarter. 2025 was another year in a lengthy run of strong delivery and outperforming market expectations. However, given rapid AI improvements, it is our view is that consensus underestimates the medium- to long-term earnings risk from AI-driven disruption across Intuit's core franchises. Advances in generative AI and agentic workflows are lowering barriers to entry in tax preparation and small business accounting, where switching costs are structurally lower than for most enterprise software. This increases the risk of pricing pressure, reduced customer lock-in, and slower unit growth over time. While near-term fundamentals remain resilient, we see asymmetry skewed to downside as credible AI-native competitors emerge and incumbent advantages erode faster than consensus expects, leading to negative EPS revisions over the medium term.

We also sold **Lasertec**, the Japanese semiconductor measurements business. The semiconductor equipment sector is performing well, with Lasertec recovering and consensus rising sharply. However, with shares already having performed exceptionally well reflecting much of this optimism, and we think on balance there is greater downside from here. EUV (its key technology) spending is uneven and concentrated among a few customers, so orders have the potential to slow. Inspection demand growth may also ease, and delays in next-generation chips could push out demand. Lasertec's reliance on Intel also add risks that we think are not being discounted.

Outlook

Equity markets started 2026 strongly, but with volatility picking up considerably at both an index and single stock level. Following the sharp correction in March, which saw the S&P 500 post its weakest monthly performance in years, this volatility reflects the outcome of high levels of liquidity and speculative investment behaviour, combining with significant uncertainty in the outlook for many businesses. This has been further amplified by increasingly fragile market depth and crowded positioning, leading to sharper factor rotations and exaggerated single-stock moves beyond what fundamentals alone would justify. Smaller companies and value factors have continued to perform well, with many longer duration stocks being de-rated as the market worries about AI disruption to all sorts of business models, applying a higher risk premium to future growth.

The eruption of war in the Middle East has also increased risk premiums and further exacerbated volatility. Looking forward, it currently remains difficult to predict the outcome of the conflict and whether there will be a negotiated peace or, whether it evolves into a long, drawn-out war involving other regional states and significant prolonged disruption to oil and gas supplies. Uncertainty surrounding the duration and potential escalation of the conflict has created a fragile environment where equity market performance will ebb and flow according to geopolitical headlines and investor confidence. More broadly, markets are increasingly treating geopolitical risk as a more persistent structural feature of the investment landscape rather than a transitory shock, with implications for defence spending, supply-chain resilience and regional capital allocation.

Currently, growth forecasts have not been materially affected by the conflict, suggesting continued resilience in consumer demand and investment spending. However, equity markets have started to price in the possibility of higher energy costs and renewed inflationary pressures. Sustained disruption to energy supply chains will continue to push oil prices higher, eroding household purchasing power and corporate margins. Recent market behaviour suggests this adjustment may be uneven, with corporate margins increasingly absorbing the impact should demand soften. That, in turn, could slow consumption and investment and add to inflationary pressure.

Absent a quick and sustainable resolution to the conflict, risk appetite is likely to remain subdued and dominate the near-term returns. Conversely, an early resolution - incorporating a sustainable long term peace framework - would likely result in a meaningful shift in sentiment and resumption of a more constructive stance for equities particularly in light of the generally supportive outlook for growth. In the case of the former, market leadership is likely to be orientated towards energy, materials and more defensive areas of the market; the latter scenario would see a rebound in risk appetite, as investors unwind defensive positioning and reallocate capital back into growth equities, particularly cyclical sectors that have been under recent pressure. In our view, either scenario is possible, but we have little confidence in predicting the most likely scenario. This has important portfolio ramifications as each scenario results in very distinct and differing outcomes in terms of near-term market direction and return drivers.

The war in the Middle East already represents a significant energy price shock to the global economy, and a prolonged period of oil above \$100/barrel will significantly weaken growth while raising prices. While other commodities such as industrial metals may also be seen as safe havens and inflation plays in the short term, we remain more cautious. Most industrial metal prices (e.g. copper, iron ore) are well above the cost curve already, meaning that new supply is incentivised. We remain underweight materials and mining companies across the portfolio.

A significant prolonged spike in energy prices will likely weigh on an already fragile consumer who is also already worrying about job security in the face of rapidly developing AI capabilities. Consumer spending has also been supported by the highest income cohorts in recent quarters, who are typically more influenced by trends in financial markets. Given the significant correction in recent weeks, we expect that areas exposed to the high-end consumer (e.g. luxury goods, hotels, travel) will come under more pressure as the 'wealth effect' from equity portfolios diminishes.

Financials stocks have been excellent performers in recent years. Insurers have benefited from good returns on investment portfolios, and banks have enjoyed strong interest income combined with low credit costs. Valuation multiples for the sectors have risen and no longer offer the excellent value they once did, leaving the sector more vulnerable to a correction as markets price in higher probabilities of a credit cycle. There are already signs emerging of stress in credit debt markets and fears that AI disruption could lead to stress in industries such as software. A period of volatile energy prices would add to concerns that at least a mild credit cycle needs to be priced in. Our portfolios are broadly underweight the financials sector and have been recently further reducing exposures.

In contrast, we are more positive on a sector like healthcare where structural demand trends are positive and economic sensitivity is low. Pharmaceutical stocks have largely dealt with their period of policy uncertainty in 2025 by reaching agreement on pricing with the Trump Administration, so as uncertainty rises for more cyclical industries, we see this sector as set up well to outperform. Valuations have lifted from the decade-long relative lows of 2025, but still remain very reasonable.

AI remains a massive investment theme across markets and so far, there remain many more questions than answers, with investors clearly becoming more discerning. In March, we observed a sharpening divergence between AI hardware—which is delivering tangible cash flows—and software, where the path to profitability remains more opaque. We are starting to see more performance divergence between LLMs as the market learns more about their efficacy, path to profitability, dependency on debt

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and vulnerability to further innovation yet to be seen. The market has thus far made many significant assumptions about the different outcomes that are now reflected in valuations, and those assumptions will undoubtedly be tested if expectations fall short or fail to materialize (in both directions). Differentiating between the AI winners and losers will undoubtedly be one of the biggest sources of alpha in the coming years. The work we have done suggests that many of our core holdings, particularly in software and data exposed areas will prove more resilient than the market currently anticipates.

With the market polarized by AI disruption, heightened geopolitical tensions, increased volatility and potential changes in the cycle, an active approach is increasingly important. In light of continued market uncertainty (and risk), we believe it appropriate to maintain an economically diversified portfolio that balances exposure to cyclical and defensive areas of the market as well as market direction. Overall, our portfolios are overweight quality, underweight traditional cyclicals (e.g. financials and materials), and underweight financial leverage. Amidst the heightened uncertainty, we expect companies with strong balance sheets and solid free cash flow generation will likely demonstrate their resiliency. We believe our portfolios are relatively well-positioned in quality businesses that should be well-placed to navigate the heightened uncertainty and increased volatility.

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