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Schroder ISF* Global Sustainable Food and Water

Fund Managers: Mark Lacey, Felix Odey and Alex Monk | Fund update: June 2025

Performance overview

- The sustainable food and water equities universe was flat in June.
- Crop prices were generally flat to down in June, with corn down 5.3%, soy and wheat flat. Palm oil prices rose by 2.9%.
- Fertilizer prices continued to trend higher in June, catalysed by supply outages during the Iran-Israel war. Potash prices increased 2.6%, ammonia prices by 6.5%, and urea prices up 13.7%).
- Salmon prices decreased by 1% in USD terms, although prices remain volatile.
- Globally government 10-year bond yields slightly increased (from 4.4% to 4.55% in the US, 2.5% to 2.58% in Germany, and 4.64% to 4.7% in the UK).
- The strongest sub-sectors in the month were Agricultural Equipment and Aquaculture, and the wort performing were food packaging and food retail.
- The fund increased 1.5% (I-ACC, USD), underperforming the MSCI ACWI (4.5%) in June.

Drivers of fund performance

- **Sainsbury** and **Tesco** performed well following strong trading updates, which showed volume growth above market expectations.
- **Darling Ingredients** also provided positive attribution as clarity around the blending requirements and subsidies for renewable diesel and SAF proved better than expected.
- **Leroy** and **Schouw** delivered strong performance, despite the absence of any meaningful news in the aquaculture space.
- **AGCO** performed well, delivering strong attribution, helped by the announcement of high renewable diesel blending requirements that favour domestic soy and corn production in the US.
- **American Vanguard** slightly retracted following slightly underwhelming guidance for 2025 (given weaker crop protection volume recovery).
- **Carrefour** came under pressure, as the sell side brought down volume expectations as a result of weaker activity in France.

Portfolio activity:

- In June, we layered into **Husqvarna** given positive weather developments in key markets like Germany, UK and France (rainfall is 30-40% below 10 year averages). The UK trade deal is also positive for the robotics range, as is the de-escalation of tariffs between China and the United States.
- Following pronounced weakness in **Carrefour**, which we see as short term, we added to the position given the significant upside and free cash generation.
- We trimmed our position in **Nutrien, Mosaic** and **Yara** given strong performance due to increased fertiliser price expectations
- We added to our position in **AO Smith**, given indications of positive pricing dynamics for water heating and boilers. We believe market expectations are too low for this and next year, and see good risk/ reward with positive earnings revisions in the near term.

Outlook/positioning

- We continue to see a better earnings environment for many of the Sustainable Food and Water subsectors as we enter 2025, with commodity markets showing signs of stabilisation, and robust underlying demand in consumer markets.
- While cyclical pressures remain from interest rates and inflation, we see positive earnings momentum as a key catalyst for these out of favour areas in 2025.
- We believe the sustainable food and water space broadly has seen a valuation reset, which does not reflect the structural growth support for the various subsectors. We continue to believe we are at the start of a long investment cycle for the theme.
- The companies held within the portfolio continue to have strong balance sheets and provide good distributions to shareholders.

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

Calendar year performance (%)

Year	Fund (I-Acc)	MSCI ACWI
YTD 2025	+10.1	+10.0
2024	-9.3	+17.5
2023	+9.2	+22.2
2022	-7.3	-18.4
2021	--	--
2020	--	--

Source: Schroders, as at 30th June 2025. Fund performance is net of fees, NAV to NAV with net income reinvested, I Acc shares. Please see factsheet for other share classes. MSCI Global Alternative Energy Index (GEAE) and MSCI ACWI used as comparator indices for the fund. *Inception 10 July 2019.

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– **Concentration risk:** The fund may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down.

– **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.

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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.

– **Derivatives 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.

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– **IBOR risk:** The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact 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.

– **Market risk:** The value of investments can go up and down and an investor may not get back the amount initially invested.

– **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.

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