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Schroder ISF* Global Alternative Energy

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

Performance overview

- Alternative energy equities once again performed well during October as sentiment surrounding the sector continued to steadily improve.
- The combination of supportive earnings updates from companies in key parts of the alternative energy value chain, as well as reducing risk premia as the policy and cost of capital environment continued to improve helped encourage capital back into the sector and support strong investment returns during the month.
- As in September, all sub-sectors delivered positive returns during the month, although batteries and energy storage and hydrogen were particularly strong in the face of rising demand for station energy storage and other back-up power solutions, and the sensitivity of these sectors to shifts in interest rates.
- The fund delivered a robust positive return during the month, strongly outperforming the MSCI ACWI, but underperforming the MSCI Global Alternative Energy Index.

Drivers of fund performance

- The strongest absolute performance in October once again came from our exposures to solar equipment and batteries. Within solar, robust third-quarter earnings and upbeat commentary from **First Solar** and **Nextracker** were taken well. While big absolute weights in the portfolio, these are two large weights in the MSCI Global Alternative Energy Index, with this contributing to the underperformance seen over the month. Likewise, fast-rising demand for stationary energy storage once again boosted **CATL**, **LG Chem**, and **Samsung SDI**.
- The weakest absolute performance was seen from our electrical equipment holdings, with both **Itron** and **Landis+Gyr** delivering muted guidance as their utility-customers extend their decision-making times, and **Nexans** de-rating following a surprise change in their long-term CEO. While painful during the month, we continue to have strong long-term conviction in these electrical equipment names as the grid expands to meet rising demand and new supply.

Portfolio activity:

- During the quarter we continued to add new names to the portfolio, including **LONGi** and **BYD**. With the Chinese solar supply chain seeing improved pricing dynamics as it undergoes reform, we see the potential for LONGi earnings to materially improve. Our small addition of BYD is to take advantage of their growing overseas sales and small position in the stationary storage market.
- We continued to take profit in certain names within the portfolio that have re-rated materially over the last few months, including **Shoals**, **Sunrun**, and **Fluence**, to lock-in attribution given less attractive risk-reward at the current valuations, especially as earnings momentum is yet to fully turn.
- We continue to keep cash at moderate levels for the strategy, reflective of the attractive mid-term risk-reward we see for the sector, but also the macroeconomic risks that still remain and the fact that valuations in wider equity markets have returned to high levels.

Outlook/positioning

- We continue to see an attractive set up for the sector today, with valuations still at a discount and earnings expectations materially lowered. This sets the sector up for stronger years ahead if companies can deliver on the earnings ambitions.
- We remain conscious about multiple market risks near-term – including heighted market valuations, tariffs, policy uncertainty, subdued consumer demand, and long-term inflationary threats – but believe structural demand drivers for alternative energy solutions can overcome these headwinds.
- We continue to deploy client capital in a disciplined manner and using weakness to layer into quality, sustainable businesses with strong balance sheets and relative upside. We continue to keep cash within the portfolio low on a normalised basis, although have raised cash slightly on a tactical basis given potential market risk.

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

Calendar year performance (%)

Year	Fund (I-Acc)	MSCI Global Alternative Energy	MSCI All Country World Index
2025 YTD	+38.0	+40.8	+21.1
2024	-26.9	-32.5	17.5
2023	-8.4	-25.4	22.2
2022	-4.2	-6.5	-18.4
2021	-3.0	-17.6	18.5
2020	95.3	107.9	16.3
2019*	--	--	--

Source: Schroders, as at 31st October 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.

Risk considerations

- **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.
- **Higher volatility risk:** The price of this fund may be volatile as it may take higher risks in search of higher rewards.
- **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.
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- **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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