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Schroder ISF* Global Alternative Energy

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

Performance overview

- Alternative energy equities delivered very strong performance during July, with the sector supported by positive policy news in the US and continued evidence of earnings improvement.
- The formal signing into law of the 'One Big Beautiful Bill Act' in the US helped drive a re-rating across the space. While several supportive alternative energy provisions were removed under the legislation, the final outcome was not as bad as feared. Ongoing signs of improving earnings momentum and easing tariff concerns also provided support to the sector.
- All sub-sectors delivered a positive return during the month expect for transmission and distribution, which pulled back after proving defensive at the start of the year. Solar equipment and batteries were the strongest performers during the month.
- The fund delivered a strong positive return, beating the MSCI Global Alternative Energy Index, while materially outperforming the MSCI ACWI.

Drivers of fund performance

- The strongest performance during the month came from wind equipment, with **Vestas** re-rating due to the positive policy news in the US and **Nordex** seeing continued strong orders and earnings momentum supported by German onshore wind orders. Within batteries, **Umicore** and **LG Chem** both continued to perform well too, as signed of earnings improved continue to come through.
- Renewable energy generation names also delivered strong performance again during July, with **EDPR**, **Acciona Energia**, and **Ormat** getting a boost from the US policy news and **Solaria** completing an important transaction during the month.
- The weakest absolute performance came from **Enphase**, who are a relative loser from the policy changes made in the US with respect to residential solar tax credits. **Signify** and **Carrier** in the electrical equipment space were also a drag as they delivered slightly disappointing second quarter results.

Portfolio activity:

- During the quarter we were active in managing our weight to names exposed to US policy outcomes, such as **First Solar**, **Array**, **Nextracker**, **Shoals, Enphase, Sunrun**, and **Vestas**. While we view the policy outcome to be a potential catalyst for the sector, there are still some short-term uncertainties to overcome and so we took some profit following the strong performance observed in July.
- Following strong performance seen across both electrical equipment and renewable generation, we took the opportunity to trim back our exposures to lock-in attribution, particularly given valuations within electrical equipment are starting to look a little bit stretched.
- We continue to keep cash at moderate levels for the strategy, reflective of the attractive mid-term risk-reward we see, but also the potential economic challenges that still remain from tariffs and the fact that valuations in wider equity markets have returned to high levels.

Outlook/positioning

- We continue to see a potentially attractive set up for the sector today, with valuations depressed and earnings expectations materially lowered. This sets the sector up for a stronger year if companies can deliver on the earnings ambitions.
- We remain conscious about multiple market risks near-term – including tariffs, policy uncertainty and disruption, subdued consumer demand, and long-term inflationary threats – but believe structural demand drivers for alternative energy solutions can overcome these headwinds overtime.
- 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 risks.

*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	+21.5	+15.4	+11.5
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 July 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.
- **Currency risk:** The fund may lose value as a result of movements in foreign exchange rates.
- **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.
- **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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