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Schroder ISF* Global Alternative Energy

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

Performance overview

- Alternative energy equities delivered another month of robust returns in June, supported by positive news flow with regards to both earnings momentum and the policy outlook in the US.
- Despite the volatility observed as adjustments were made and changed to the budget reconciliation bill ('One Big Beautiful Bill') as it moved through the US Congress, news that clean energy tax credits cuts would perhaps not be as bad as feared helped to drive a re-rating across various sub-sectors. Signs of improving earnings momentum in batteries and renewable energy generation also provided support.
- All sub-sectors delivered a positive return during the month, with batteries and energy storage particularly strong, alongside renewable energy generation.
- The fund delivered a strong positive return, outperforming both the MSCI Global Alternative Energy Index and MSCI ACWI.

Drivers of fund performance

- The strongest performance during the month came from **Umicore**, who announced an upgrade to their expected profitability due to better-than-expected volumes and pricing. **LG Chemical** also delivered positive returns within the batteries and energy storage space following signs that European electric vehicle demand has been stronger than feared. **ON Semi** also called out an improving end-demand environment in the electric vehicle space.
- Renewable energy generation names also delivered strong performance, with **Solaria**, **EDPR**, **Acciona Energia**, and **Ormat** getting a boost as sentiment around near-term earnings and the US policy outlook improved.
- The weakest absolute performance came from our holdings across renewable equipment, with changes to the proposed reconciliation bill weighing on certain names. Our position in **First Solar** was an exception to this, with certain adjustments uniquely benefitting them given their position as a leading US manufacturer of solar modules.

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**, and **Vestas**. We added some **Shoals Technologies** during the quarter as part of this activity, given our belief that utility-scale solar policy outcomes would prove ok.
- We took some profit within the renewable energy generation sub-sector during the month, following very strong performance from **EDPR** and **Solaria** in order to manage the overall position size.
- We tactically added to **LG Chemical** and **Samsung SDI** in the batteries and energy storage space at the start of the month given the stronger-than-feared electric vehicle demand we have seen so far this year in Europe.
- 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.

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	+13.2	+7.7	+10.0
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 May 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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