

Schroder ISF* Global Energy Transition

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

Performance overview

- Alternative energy equities largely traded in-line with wider equity markets during April, selling-off initially on concerns around the impact of recently imposed US trade tariffs, before rallying to finish the month.
- While the initial drawdown was less severe than that observed in the broader market, helped by the utility exposure in the space, the recovery was more muted.
- The best performing sector was Transmission and Distribution, given its defensive profile amidst tariff concerns. Wind Equipment also performed well given its relative tariff resilience. Solar Equipment and Batteries and Energy Storage were weak performers given their higher tariff exposure.
- The fund delivered a positive return during April, outperforming both the MSCI Global Alternative Energy Index and the MSCI ACWI.

Drivers of fund performance

- The weakest absolute performance in April came from **Enphase**, following an announcement that tariffs will have an impact on their battery business short-term. Our underweight compared to the MSCI Global Alternative Energy Index did help on a relative basis though.
- **Fluence**, **CATL**, and **Sungrow** were all also relative underperformers during the month given their potential exposure to US tariffs, as were **Umicore** and **Forvia**.
- The best absolute performance once again came **Elia**, whose defensive business model continued to offer safety for investors. **EDPR** and **Hydro One** also contributed positively for similar reasons.
- Elsewhere, we captured strong absolute attribution from tactical purchases in **Hitachi** and **Prysmian**, which we purchased during the market sell-off. **Nexans**, **Nordex**, and **SPIE** also performed well following their first quarter results.

Portfolio activity:

- During the quarter we took advantage of the sell-off in equities to purchase businesses that we view as long-term winners but that had previously been too richly valued, including **Hitachi**, **Prysmian**, and **Infineon**.
- At the start of the month, we slightly rotated the portfolio to be slightly more defensive, adding to names in Renewable Generation and Transmission and Distribution, such as **EDPR**, **Boralex**, and **Elia**.
- To fund these purchases, we sold our exposure to **Rexel**, given it is potentially more exposed to a slow-down in US economic activity and trimmed other names with higher tariff-related risks.
- We continue to keep cash at relatively low levels for the strategy given the attractive mid-term risk-reward we currently see, but did raise cash slightly to tactically manage any fall-out from tariff risks.

Outlook/positioning

- We continue to see a potentially attractive set up for the sector in 2025, 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.

Calendar year performance (%)

| Year | Fund (I-Acc) | MSCI Global Alternative Energy | MSCI All Country World Index |
|----------|--------------|--------------------------------|------------------------------|
| 2025 YTD | -3.4 | -6.4 | -0.4 |
| 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 March 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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