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Schroder ISF* Global Energy

Fund Managers: Mark Lacey, Felix Odey & Alex Monk | Fund update: December 2024

Performance overview

- The SISF Global Energy fund decreased by 5.5% in December. The fund underperformed both the MSCI Global Energy SMID Index, and the MSCI Global Energy Index which both decreased by 7.6% during the month.
- Brent oil prices increased by 2.3% during the month. End of year covering of net short positions in the paper market supported oil prices, but the physical market remains relatively balanced.
- Gasoline demand was weaker than normal in November, but December demand recovered strongly to exceed expectations.
- We still expect global oil inventories to build over the next few months as new production (around 700kboe/day) from Brazil, Guyana and Canada comes online.
- Looking ahead, the extent to what sanctions are imposed on Iran, could have a dramatic impact on supply, as it is estimated that almost 500kboe/day of Iranian supply would be cut from the market quite quickly.
- Following the sharp appreciation in November, US gas prices appreciated a further 8% in December to $3.65/Mcf. Cold weather coupled with stronger than expected power demand has resulted in US gas in storage depleting much faster than expected, ahead of the Q1 withdrawal period.
- Despite weakening during December, European gas prices (TTF) surged upwards at the end of the month to reach a 14 -month high of €49/Mwh. Strong industrial demand and colder than expected weather, is resulting in storage depleting faster than expectations.
- We continue to expect the European gas market to remain tight for the year ahead. Pricing will remain strong as it competes for LNG cargoes with Asia.
- Lithium carbonate prices remained relatively stable in December at around $10,000/ton. Current prices remain below the incentive price for new project sanctions.
- The best performing conventional energy subsectors in December were the European oilfield services (+2%) and the European integrated (-2.7%) sectors. In contrast the US refining (-12.5%) and US oilfield services (-9.6%) sectors underperformed during the month.
- For the full year 2024, the SISF Global Energy fund has returned -2.7%. This compares to the MSCI Global Energy SMID Index which has returned +6.2% and the MSCI Global Energy Index which has returned -0.4%.

Drivers of fund performance

- The fund outperformed its benchmark during the month.
- Positive attribution came from European oilfield service companies, Wood Group and Technip Energies.
- Positive attribution was also derived from not holding Texas Pacific Land – a land leasing company.
- Partial negative attribution was derived from the fund’s holdings in the refining sector (HF Sinclair and Neste).

Portfolio activity:

- The fund initiated new positions in Air Liquide and Albemarle during the month.
- Albemarle is a leading lithium producer, with both a low cost structure and good operating leverage to a recovery in lithium prices.
- Air Liquide is a globally diversified industrial gas and chemicals company with exposure to the fast growing blue hydrogen market.
- The fund trimmed positions in Chart Industries and Baker Hughes following strong share price performance.

Calendar year performance (%)

Year	Fund (I-Acc)	MSCI Global Energy SMID	MSCI World Energy
2024	-2.7%	+9.1%	+3.6%
2023	+18.5	+8.7	+3.5
2022	+35.1	+44.4	+47.6
2021	+49.9	+48.4	+41.8
2020	-31.1	-30.9	-30.5
2019	-0.5	+2.4	+12.5

Source: Schroders, as at 31st December 2024. 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 Energy SMID Index (GE SMID) and MSCI Global Energy are used as comparator indices for the fund.

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

Risk considerations

- 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.
- 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.
- Operational risk: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
- Currency risk: The fund may lose value as a result of movements in foreign exchange rates.
- Derivatives risk – Efficient Portfolio Management and Investment Purposes: 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. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset.
- Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.
- 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.
- Higher volatility risk: The price of this fund may be volatile as it may take higher risks in search of higher rewards.
- 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.
- IBOR: The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.

Important information

A summary of investor rights may be obtained from https://www.schroders.com/en/lu/professional-investor/footer/complaints-handling/

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