

Schroder ISF* Global Energy

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

Performance overview

- The SISF Global Energy fund declined by 2.3% in June. The fund outperformed the MSCI Global Energy SMID Index, which decreased by 2.8%, and underperformed the MSCI Global Energy Index which decreased 1.9% during the month.
- Brent oil prices increased by 5.9% during the month. Oil demand data from India continues to exceed expectations, while monthly demand data from China has been mixed year to date.
- OPEC output continues to run at c. 27mb/day, keeping global oil and product inventories at the lower end of their historical range. At the June meeting, OPEC+ rolled over all existing production cuts until the end of 3Q 2024, after which the committee intends to increase production. However, these increases can be paused if market conditions are unfavourable.
- The US oil rig count fell by 10 in June, demonstrating continued capital discipline. US oil production has remained stable at c 13.1mb/day year to date, aided by drilled but uncompleted wells.
- Front month US gas price increased by 4.3% in June. Northern hemisphere temperatures continue to trend well above normal and while this was previously dampening gas demand in the winter, this is leading to much higher-than-expected cooling demand. European gas prices were flat in June.
- Lithium carbonate prices declined 13.7% in June. While battery maker inventories have improved, slowing EV sales growth is dampening demand relative to supply which continues to ramp in 2024.
- The best performing conventional energy subsectors in June were the European oilfield services sector, down 0.5%, and the US oilfield services sector, down 1%.
- For the year-to-date 2024, the SISF Global Energy fund has increased by 6.2%. This compares to the MSCI Global Energy SMID Index which has returned +12.0% and the MSCI Global Energy Index which has returned +9.1% for the year to date.

Drivers of fund performance

- The fund outperformed its benchmark during the month.
- The fund benefited from its position in Wood Group and Trican.
- The fund's exposure to Tianqi provided negative attribution during the month due to falling lithium prices.
- The fund's underweight position in Oneok also provided negative relative attribution during the month.

Portfolio activity:

- The fund started a position in Transalta in June. The recent weakness in Alberta power prices represents an attractive entry point for the renewable and conventional power generator trading at 5.6x EBTIDA.
- The fund exited its position in Air Products after a 24% appreciation in the shares since starting the position. Investor sentiment toward the company improved as they announced an offtaker for the green hydrogen due to be produce from its new facility in Saudi Arabia.

Calendar year performance (%)

Year	Fund (I-Acc)	MSCI Global Energy SMID	MSCI World Energy
YTD 2024	+5.4	+11.6	+8.8
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 30th June 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.

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.

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