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Schroder ISF* Global Energy

Fund Managers: Mark Lacey, Felix Odey & Alex Monk | Fund update: January 2025

Performance overview

- The SISF Global Energy fund decreased by 4.5% in January. The fund outperformed the MSCI Global Energy SMID Index, which increased 2.3%, and outperformed the MSCI Global Energy Index which increased by 2.6% during the month.
- Brent oil prices increased by 2.8% during the month. Outgoing President Biden's sanction on Russian tankers and integrated energy companies reduces the availability of discounted oil for Chinese and Indian buyers meaning they have to turn to the broader market.
- 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 which US sanctions are enforced on Iran may have a dramatic impact on supply. It is estimated that 500kboe/day of Iranian supply could be cut from the market in short order.
- Following the sharp appreciation in December, US gas prices appreciated fell 16% in January to $3/Mcf. This decline in natural gas prices was the result of cold weather in the US subsiding in the second half of January.
- European gas prices (TTF) surged 7.7% in January to finish the month at $16/MMtbu. Strong industrial demand and colder than expected weather is resulting in storage depleting faster than expectations. Storage levels are 8% below the seasonal average achieved between 2020-2024.
- We continue to expect the European gas market to remain tight for the year ahead. Pricing will remain strong as Europe 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 integrated (+6.9%) and the US refining (5.2%) sectors. In contrast the Canadian oil and gas producers (-1.9%) and global lithium (-0.4%) sectors underperformed during the month.
- For 2025, to the end of January, the SISF Global Energy fund has returned 4.5%. This compares to the MSCI Global Energy SMID Index which has returned 2.3% and the MSCI Global Energy Index which has returned 2.6%.

Drivers of fund performance

- The fund outperformed its benchmark during the month.
- Positive attribution came from a Coterra, Flowco and Technip Energies.
- Partial negative attribution was derived from the fund's holdings in Orsted, Fugro and Drax.

Portfolio activity:

- The fund initiated a new positions in Flowco, CNX and EDP this month.
- Flowco is a leading provider of production optimization solutions for the oil and natural gas industry. The company is more geared to upstream operational expenditure vs capital expenditure. This should make the business less cyclical than peers.
- CNX is an Appalachian natural gas producer which runs a highly hedged production profile providing visibility over free cash generation. The company dedicates this cash to debt reduction and buybacks, which we think is sensible capital allocation.
- EDP owns renewable generation assets (through its stake in EDPR), network assets and electric utility businesses. We think the shares are trading at a discount to the sum of the parts valuation and trade at an attractive 6% dividend yield.
- The fund trimmed positions in Orsted following the announcement of further impairments in its US offshore wind operations.

Calendar year performance (%)

Year	Fund (I-Acc)	MSCI Global Energy SMID	MSCI World Energy
2025 YTD	+4.5	+2.3	+2.6
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

Source: Schroders, as at 31st January 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 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