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Schroder ISF* Global Energy

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

Performance overview

- The SISF Global Energy fund increased by 3.1% in July. The fund performed outperformed the MSCI Global Energy SMID Index, which increased by 1.3%, and also outperformed the MSCI Global Energy Index which increased by 2.5% during the month.
- Brent oil prices increased strongly at the end of the month and returned +7.3% in July.
- The sharp move up in prices was a direct result of the US threatening secondary sanctions Russia coupled with higher reciprocal tariffs on key buyers of Russian Crude (such as India).
- OECD commercial inventories posted a small build during the month, but overall OECD inventories are still below average for this time of the year. Outside of the OECD, inventories of both oil and refined products are building quite sharply and are slightly above normal, but despite the concern that non-OPEC supply would lead to an over-supplied market, this has not been forthcoming.
- US gas prices fell 10% in July; but remain above the critical $3/Mcf level. Forward gas prices (2026 & 2027) are above $3.80/Mcf as the need to fill LNG export facilities is much greater going forward.
- Whereas oil directed drilling activity fell another 6% in July, gas directed drilling increased by 12% as producers intend to produce higher volumes over the next few months.
- After many months of collapsing prices, Lithium carbonate prices increased by 5% in July. Marginal mine supply closures coupled with government intervention in China provided the price support. were flat in June (+2%) to end the month at $8582/ton. While the near- term outlook points to an oversupplied market; looking further out the market has the potential to be very undersupplied.
- The best performing conventional energy subsectors in July were the Lithium Producers +6.7% and the US oilfield services sector +4.7%. In contrast, the worth performing sectors were the Canadian E&P sector -0.5% and the US E&P sector +1.7%.
- For the year-to-date 2025, to the end of June, the SISF Global Energy fund has returned 10.7%. This compares favourably to both the MSCI Global Energy SMID Index which is up 3.4% and the MSCI Global Energy Index which is up 5.3%.

Drivers of fund performance

- The fund outperformed its benchmark during the month.
- Positive attribution came from the fund's holdings in Transalta and Enbridge in the Canadian energy infrastructure market.
- Positive attribution also came from Woodside in the Australian E&P sector.
- Further positive attribution came from the funds holdings in Chart Industries. Baker Hughes bid for the company offering shareholders a 22% premium during the month.
- Partially offsetting the positive attribution, the funds holding in Darling underperformed on a relative basis during the month.

Portfolio activity:

- The fund sold its position in Chart during the month as the share price closed to within 5% of the full bid price.
- The fund switched some of the sale proceeds into Paterson drilling. Paterson remains one of the best managed drilling and pressure pumping companies and we expect drilling activity to recover in 2026
- The fund continued to add meaningfully to the position in ONEOK, which offers exposure diversified midstream assets at an attractive valuation.

Outlook:

- We remain positive on the outlook for the conventional energy equities.
- The sector remains extremely well capitalised, with many balance sheets with a net cash position.
- The sector continues to generate strong levels of free cash, which is being distributed back to shareholders.
- Companies held in the portfolio are paying cash dividends of between 5% to 14% for 2025*

*Source: Company data/Schroders - as at 30/05/2025**

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

Calendar year performance (%)

Year	Fund (I-Acc)	MSCI Global Energy SMID	MSCI World Energy
2025 YTD	+10.7	+5.1	+7.7
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 July 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.

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

The fund has environmental and/or social characteristics within the meaning of Article 9 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For information on sustainability-related aspects of this fund please go to www.schroders.com

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