

Schroder ISF* Global Energy

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

Performance overview

- The SISF Global Energy fund decreased by 8.9%. The fund outperformed the MSCI Global Energy SMID Index, which decreased by 10.6%, and the MSCI Global Energy Index which decreased by 11.1% during the month.
- Brent oil prices decreased by 15.6% during the month.
- A combination of very aggressive trade tariffs being announced by the US administration, coupled with OPEC members increasing supply above their stated quotas put pressure on near term oil prices.
- Underlying oil and product inventories remain low, but the combination of weakening demand and additional supply from both non-OPEC and OPEC producers is expected to result in inventory builds over the next few months.
- WTI oil prices of below \$60/bl has already started to impact US onshore drilling activity, which has dropped by 2% from its recent peak in April. Company management teams are indicating that drilling activity will fall by 5 – 10% over the next few months.
- US gas prices fell by 19.3% in April to around \$3.60/MMbtu. While weather and limited storage mean gas prices will remain volatile, the demand pull from new LNG terminals ramping up should mean prices remain well supported at current levels as we head into the second half of 2025.
- Drilling activity for remains very stable in the US. We expect a pick up in drilling activity over the coming months, and this is likely to cap the upside to gas prices in the near term.
- European gas prices fell 21% in April. Given that storage levels are currently over 20% below normal, we continue to expect the European gas market to remain tight for the year ahead.
- Lithium carbonate prices weakened significantly in April, falling 8.6% to just \$9,300/ton. Supply cuts have been limited despite current prices being below the cost of production. Due to US tariffs in particular, demand growth for key end markets such as battery storage is expected to slow in H2 2025.
- Whilst still down on the month, the best performing conventional energy subsectors in April were the Lithium (-3.9%) and the European integrated sector (-5.0%). In contrast both the US oilfield services sector (-15.9%) and US Exploration and production sector (-14.1%) underperformed during the month.

For the year to date 2025, to the end of April, the SISF Global Energy fund has returned -5.1%. This compares to the MSCI Global Energy SMID Index which has returned -9.2% and the MSCI Global Energy Index which has returned -1.9%.

Drivers of fund performance

- The fund outperformed its benchmark during the month.
- Positive attribution came from the funds holdings in diversified, such as Drax, EDP and Engie.
- Positive attribution also came from the funds exposure to European oilfield services (Subsea and Technip).
- Positive attribution was partially offset exposure to integrated energy names Baker Hughes, and oilfield service names Schlumberger and Coterra

Portfolio activity:

- On the back of pronounced weakness, the fund added back Flowco to its holdings during the month.
- Flowco is a US based oilfield services company providing services in production optimisation and methane abatement.

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 6% to 14% for 2025*

Source: Company data/Schroders - as at 30/04/2025*

Calendar year performance (%)

Year	Fund (I-Acc)	MSCI Global Energy SMID	MSCI World Energy
2025 YTD	-5.1	-9.2	-1.9
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 28th February 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.

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