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Schroder ISF* Global Energy

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

Performance overview

- The SISF Global Energy fund increased by 3.2% in August. The fund performed in line with the MSCI Global Energy SMID Index, which increased by 3.3%, and underperformed the MSCI Global Energy Index which increased by 4.1% during the month.
- Brent oil prices fell by 5.4% during the month and have decreased by 8.7% for the year to date.
- Just like last month, OECD commercial inventories posted a small build during the month, and while OECD inventories are still below average for this time of the year, the current trend indicates that inventories should reach more normal levels by the end of November.
- The North American producers continue to show capital discipline and post the 15% decline in onshore drilling, the producers are reluctant to increase capital expenditure from current levels.
- OPEC has increased production by 1.3mb/day since January, but despite the members indicating that further production increases are likely over the coming months, spare capacity is becoming limited.
- The US gas market is battling short term over-supply, versus long term demand pull at the moment. Front month gas prices fell to just $2.70/Mcf in August as mild weather meant that gas in storage filled much faster than expected. In contrast, 2 year forward gas prices increased slightly during the month, reflecting the large increase in demand in the future from LNG export terminals.
- Following on from July, Lithium carbonate prices increased by a further 9% in August. Marginal mine supply closures coupled with government intervention in China continues to provide price support, despite July inventories (reported in August increasing further. 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 August were the Lithium Producers +15.9% and the US oilfield services sector +8.5%. In contrast, the worst performing sectors were the Canadian E&P sector -0.1% and the US E&P sector +1.6%.
- For the year-to-date 2025, to the end of August, the SISF Global Energy fund has returned +14.3%. This compares favourably to both the MSCI Global Energy SMID Index which has returned +8.5% and the MSCI Global Energy Index which has returned +11.5%.

Drivers of fund performance

- The fund performed in line with its benchmark during the month.
- While the E&P sector underperformed on a relative basis, the funds holding in APA delivered strong positive attribution. Positive attribution also came from the fund's holdings in SQM in the Lithium sector.
- Positive attribution also came the funds oilfield services holdings of Schlumberger and Oceaneering.
- Largely offsetting the positive attribution, the funds small holding in Orsted provided negative attribution during the month, as the company announced that a significant rights issue was needed for funding an offshore wind development.
- The funds new position in OneOK provided also underperformed during the month.

Portfolio activity:

- The fund initiated a position in Nextera during the month. Nextera is diversified power generation company.
- The fund increased its position in Tenaris during the month. Tenaris is a manufacturer of stainless steel pipe with a global manufacturing footprint. The company is aiming to distribute around 50% of its market capitalisation back to shareholders over the next 4 years.

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.
- Many companies held in the portfolio are paying cash dividends of between 5% to 12% for 2025*

*Source: Company data/Schroders - as at 31/08/2025**

*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	+14.3	+8.5	+11.5
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 August 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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