

Schroder Sustainable Global Core PIE Fund

October 2024

Investment Report

October/2024

Schroders

Schroder Sustainable Global Core PIE Fund

In this report

Portfolio Valuation and Performance

Market and Portfolio Commentary

Performance Attribution

Portfolio Analysis

Portfolio Valuation

Value at October 2024

NZD

462,051,674

Performance - Unhedged

Total returns (NZD, %)	1 Month	3 Months	6 Months	CYTD	SI p.a.*
Portfolio (Gross)	+5.05	+2.45	+10.90	+25.72	+28.06
Portfolio (Net)	+5.02	+2.36	+10.68	+25.28	+27.56
Benchmark^	4.74	2.20	10.38	23.82	26.76
Excess (Gross)	+0.31	+0.25	+0.52	+1.90	+1.30
Excess (Net)	+0.28	+0.16	+0.30	+1.46	+0.80

Performance – Hedged

Total returns (NZD, %)	1 Month	3 Months	6 Months	CYTD	SI p.a.*
Portfolio (Gross)	-0.87	+2.42	+10.74	+19.09	+23.54
Portfolio (Net)	-0.90	+2.32	+10.47	+18.64	+23.01
Benchmark^	-0.96	2.27	10.38	17.94	22.82
Excess (Gross)	+0.09	+0.15	+0.36	+1.15	+0.72
Excess (Net)	+0.06	+0.05	+0.09	+0.70	+0.19

Past performance is not a reliable indicator of future performance. The difference between the portfolio and benchmark returns may not equal stated excess returns due to rounding. *Since inception from 30 November 2023. ^For unhedged fund the benchmark is MSCI World ex Tobacco NR NZD and for the hedged version the benchmark is the MSCI World ex Tobacco NR NZD hedged. Estimated annual fund charges for the Schroder Sustainable Global Core PIE Fund are 0.39%.

Market review

After a strong 2024 so far, global equity investors faced a more turbulent October. Global growth concerns alongside geopolitical tensions, particularly surrounding the US election and Middle East conflict, fuelled risk-off sentiment. This was further compounded by disappointing quarterly updates for some of the largest US companies.

Against this backdrop, most developed market equities fell, though Japan bucked the trend with MSCI Japan up 2.3% on the month in local currency terms. Despite a more hawkish Bank of Japan (BoJ), investors were buoyed by a shifting political landscape which saw the ruling coalition lose their majority in the election. In the US, meanwhile, October began well thanks to stronger economic data, but corporate earnings were more mixed. This was particularly for tech companies on semiconductor demand, which added to market volatility later in the month. On the flip side, financials outperformed on the back of banks reporting strongly. More generally, positive earnings surprises were lower than seen for some quarters, potentially indicating a slowdown in earnings momentum.

European equities also saw more evidence of a weakening economic backdrop, with Germany impacted most on weaker industrial and automotive production. European equities declined by 3.3% during the month in local currency terms. In the UK, a hawkish Bank of England alongside concerns about the UK budget drove heightened uncertainty and the UK market also declined in absolute terms over the month.

Emerging market equities corrected sharply through October, impacted by a stronger dollar and a return to weakness across the Chinese market. The increasing prospect of a Trump presidency also weighed on returns. Indian stocks have been a leader for much of 2024 but lagged dramatically in October, falling 8.0% in local currency terms mainly due to weak corporate results.

Fund commentary

The portfolio finished October ahead of its benchmark, adding to the outperformance generated over the year to date.

Contributions came from a range of countries and sectors as the strategy's diversified positioning was beneficial as market breadth improved.

In what was a difficult month for markets broadly, our focus on quality provided the key source of outperformance. Diversified positioning in more affordable structural growth names contributed significantly as exposures across application software, hardware and semiconductors all supported performance. Positive stock selection in quality cyclicals also provided a tailwind as positioning across names in retail, manufacturers and banks boosted relative returns. A lower allocation to real estate was also supportive as the sector reverted following strong performance in the third quarter.

There were few detractors in October, with the main headwind coming from fossil fuel exposure, both within the utilities sector and oil & gas transport names.

At a high level, the portfolio remains well diversified across stock, geography and sector with a continued focus on companies with solid fundamentals that are not overpriced in line with our underlying investment philosophy. Given the multiple inputs employed within our process, the strategy continues to be exposed to a range of themes and with a broad allocation across our distinct measures of Value & Quality.

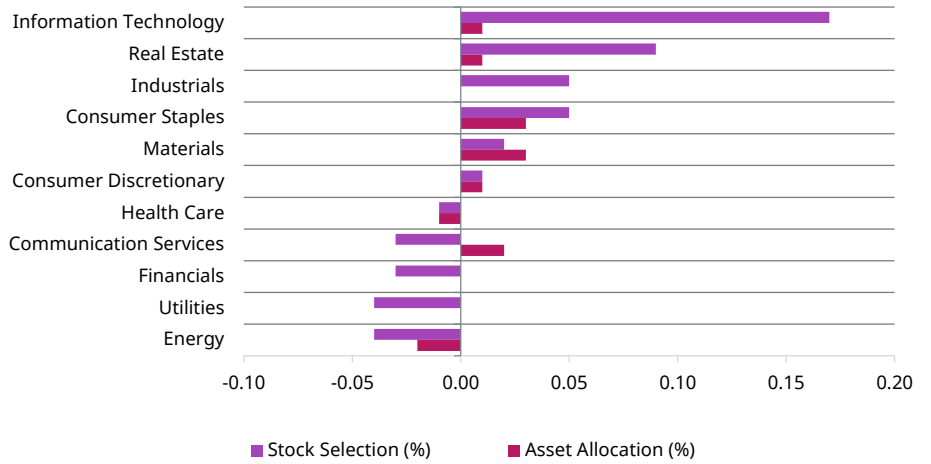
At the end of the month, some of the largest overweights in the portfolio were within technology and communications, driven by higher than index exposure to application software and online services respectively. We continue to favour securities exhibiting high quality characteristics and at favourable valuations while maintaining diversification across the portfolio. The portfolio continues to be underweight real estate and utilities which we view as highly leveraged and unappealing in valuation terms. From a regional perspective, the portfolio is overweight North America and Emerging Markets led by EM Asia allocations. Elsewhere, we are underweight Continental Europe, Pacific ex. Japan and the UK.

Attribution

Relative Fund Performance vs

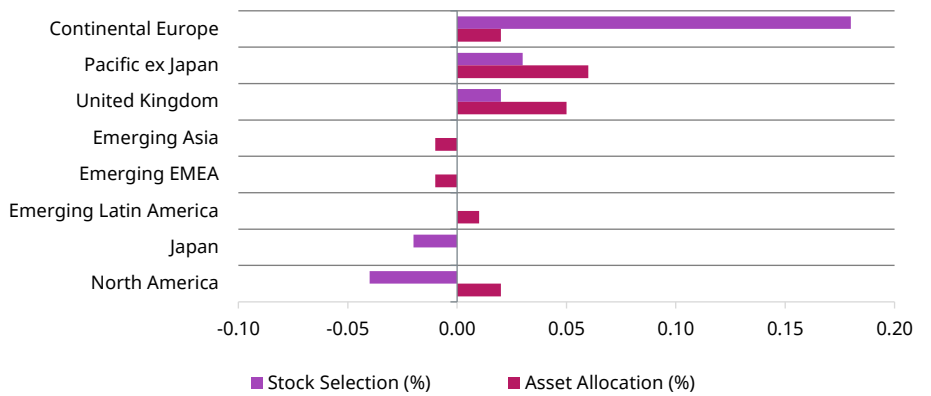
Sector

1 month to 31 Oct 2024



Region

1 month to 31 Oct 2024



Source: Schroders & QEP Classifications. Attribution disclaimer: Please note that this data was sourced from Aladdin. Note the data used by Aladdin is un-audited, whereas the data used for actual performance is audited, therefore any subsequent cleaning of data will not be reflected in Aladdin & performance here will not match actual published performance. Data above is indicative only and should not be viewed as a recommendation to buy/sell. Past performance is no guarantee of future results.

Schroder Sustainable Global Core PIE Fund

Top 5

contributors

1 month to 31 Oct 2024

Stock	Contribution %
The Trade Desk	0.03
BHP	0.02
GE Aerospace	0.02
CrowdStrike	0.02
Welltower	0.02

Top 5

detractors

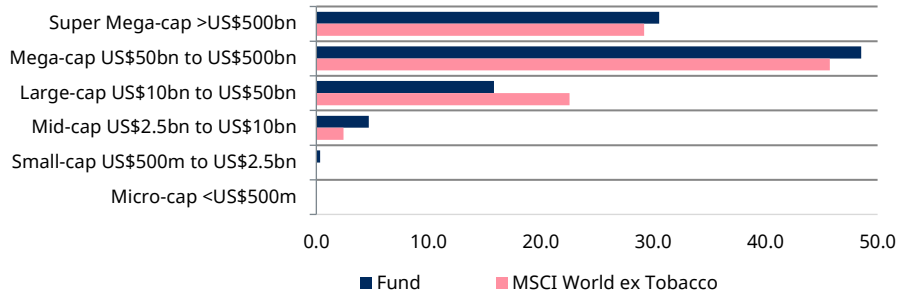
1 month to 31 Oct 2024

Stock	Contribution %
Transmedics Group	-0.06
HCA Healthcare	-0.03
Tokyo Steel	-0.03
ATI	-0.02
GE Vernova	-0.02

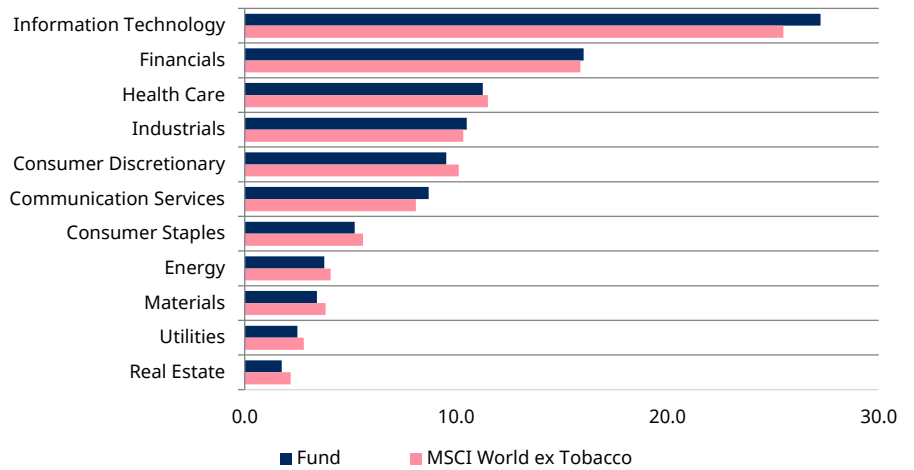
The attribution analysis shown above is intended to provide an indicative summary of the contributions to relative performance. The information is generated using Aladdin, a multi-currency performance analytical system.

Portfolio Analysis

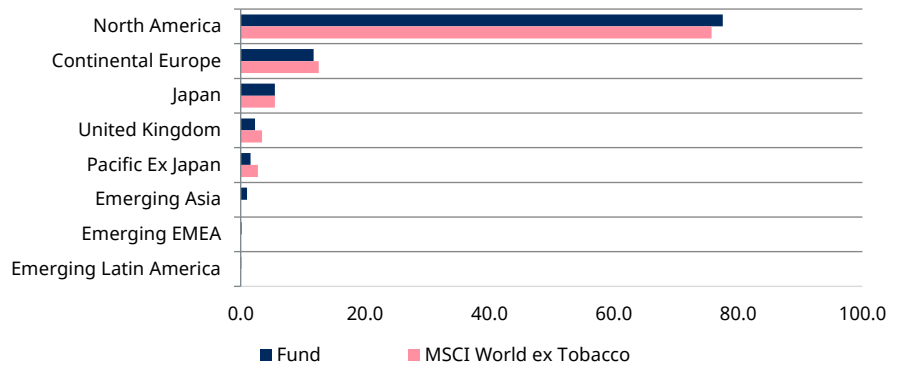
Portfolio Weightings Market Capitalisation (%) at 31 Oct 2024



Sector (%) at 31 Oct 2024



Region (%) at 31 Oct 2024



Source: Schroders & Investment Team Classifications.

Schroder Sustainable Global Core PIE Fund

Portfolio Characteristics at 31 Oct 2024

Characteristics	Fund	Index
Ex-ante Tracking error*	1.1%	-
Active share	30.2%	-
Number of stocks	479	1,404
Dividend Yield	1.6%	1.7%
Price to book	4.0	3.5
Price to earnings	21.5	20.9
Price to free cash flow	26.6	29.6
Return on capital employed	23.7	21.9
Return on equity	26.8	25.3
Operating margin	24.4	23.6
Company market cap (weighted average US\$ mn)	737,391	721,267
Carbon intensity (CO2 t/M\$ sales)	78.9	101.6

Top 5

Overweight positions

31 Oct 2024

Stock	Fund Weight %	Index Weight %	Active Weight %
Howmet Aerospace	0.44%	0.06%	0.38%
Boston Scientific	0.52%	0.18%	0.34%
Dollarama	0.38%	0.04%	0.33%
Cintas	0.43%	0.11%	0.32%
The Trade Desk	0.39%	0.08%	0.32%

Top 5

Underweight positions

31 Oct 2024

Stock	Fund Weight %	Index Weight %	Active Weight %
GE Aerospace	-	0.28%	-0.28%
RTX	-	0.24%	-0.24%
Commonwealth Bank	-	0.23%	-0.23%
Honeywell	-	0.20%	-0.20%
Conocophillips	-	0.19%	-0.19%

Source: Schroders & MSCI. *Tracking Error is sourced from Aladdin.

Index: MCI World ex Tobacco

Notes

Responsible Investment: Schroders Socially Responsible Investment and Corporate Governance policies can be found on our website <http://www.schroders.com/global/about-schroders/corporate-responsibility/responsible-investment/>. We also publish regular articles on Socially Responsible Investing, which can be found on Schroders Talking Point www.schroders.com/talkingpoint.

Important Information

www.schroders.com.au
email: simal@schroders.com
Schroder Investment Management Australia Limited
Level 20 Angel Place, 123 Pitt Street, Sydney NSW 2000
Phone: 1300 136 471 Fax: (02) 9231 1119

FundRock NZ Limited (FundRock) is the issuer of Schroder Investment Funds (Scheme). The Scheme's product disclosure statement (PDS) is available from FundRock, and on the Disclose Register (companiesoffice.govt.nz). The information contained in this document is not an offer of units in the funds within the Scheme, or a proposal or an invitation to make an offer to sell, or a recommendation to subscribe for or purchase, any units in the funds within the Scheme. Any person wishing to apply for units must complete the application form which is available from FundRock.

This document has been prepared by Schroder Investment Management Australia Limited, ABN 22 000 443 274, AFS Licence 226473 (Schroders) as the investment manager of the Scheme, and is intended solely for the information of the person to whom it is provided, and is subject to change without notice. In preparing this document, Schroders has relied upon and assumed, without independent verification, the accuracy and completeness of all information from available sources. Schroders does not give any warranty as to the accuracy, reliability or completeness of information which is contained in this document. Except insofar as liability under any statute cannot be excluded, Schroders and its directors, employees, consultants or any company in the Schroders Group do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person. This document does not contain, and should not be relied on as containing any investment advice (for the purposes of the Financial Markets Conduct Act 2013, as amended by the Financial Services Legislation Amendment Act 2019), or any accounting, legal or tax advice. Past performance is not a reliable indicator of future performance. Unless otherwise stated the source for all graphs and tables contained in this document is Schroders. For security purposes telephone calls may be taped. Third party data is owned by the applicable third party identified above and is provided for your internal use only. Such data may not be reproduced or re-disseminated and may not be used to create any financial instruments or products or any indices. Such data is provided without any warranties of any kind. Neither the third party data owner nor any other party involved in the publication of this document can be held liable for any error. The terms of the third party's specific disclaimers are set forth in the Important Information section at www.schroders.com.au. This disclaimer extends to FundRock, and any entity that may distribute this document.