

Schroder Sustainable Global Core PIE Fund

August 2024

Investment Report

August/2024

Schroders

Schroder Sustainable Global Core PIE Fund

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Fund Valuation

Value at August 2024

NZD

383,471,931

Performance - Unhedged

Total returns NZD	1 Month	3 Months	CYTD	SI p.a.*
Fund (Gross)	-2.39	+4.94	+19.79	+22.02
Fund (Net)	-2.42	+4.80	+19.44	+21.61
Benchmark [^]	-2.58	4.59	18.04	20.84
Excess (Gross)	+0.19	+0.35	+1.75	+1.18
Excess (Net)	+0.16	+0.21	+1.40	+0.77

Performance – Hedged

Total returns NZD	1 Month	3 Months	CYTD	SI p.a.*
Fund (Gross)	+1.96	+5.71	+18.55	+22.98
Fund (Net)	+1.92	+5.56	+18.18	+22.53
Benchmark [^]	1.70	5.49	17.28	22.14
Excess (Gross)	+0.26	+0.22	+1.27	+0.84
Excess (Net)	+0.22	+0.07	+0.90	+0.39

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 making new all-time highs in July, global equity markets nosedived in the first few days of August with the MSCI World index initially falling by as much as 6.4% before swiftly recovering to end the month ahead. The catalyst behind the turbulent start to the month was a weak US jobs report which, alongside other indicators, fuelled recessionary fears. Volatility was also driven by the Bank of Japan hiking interest rates, which led to a dramatic reversal in the Yen carry trade (borrowing in low-yielding currencies like the yen and investing in high-yielding currencies).

Against this backdrop, the VIX volatility index spiked to levels not seen since the onset of the COVID-19 pandemic. Japanese equities were the hardest hit with the TOPIX Index dropping 12% on the 5th of August, its biggest daily decline since Black Monday in 1987, whilst the Nasdaq retreated by almost 6% over the course of three days. However, fears quickly subsided as the prospect of lower US interest rates and less gloomy economic data helped equity markets rebound broadly. By the end of the month, there were few signs of the sharp swings of early August with developed and emerging market equities finishing higher, rising 2.7% and 1.6% respectively in USD terms.

Regionally, the US continued to outperform, thanks to generally strong earnings growth with seven out of eleven sectors beating analyst expectations. European equities gained on stabilising energy prices and confidence in the European Central Bank's inflation strategy. In the UK, progress was hampered by a stronger pound, as well as weak performance among commodity stocks on growth concerns but still moved close to all-time highs by the end of the month. Japan finished the month down around 3% despite the very sharp sell off at the start of the month. Elsewhere, despite disappointing economic data in China, Emerging market equities also finished in positive territory as expectations for Fed rate cuts weighed on the dollar.

There was some dispersion between the big index stocks during August but in the main they held up reasonably well amid the market volatility maintaining gains posted earlier in the year. Alphabet, Amazon and Tesla ended August down in absolute terms with Meta and Apple ahead of the index. The poster child of AI enthusiasm, Nvidia, was only slightly behind the broader index despite an adverse reaction to its Q2 results which were released towards the end of the month. Market breadth improved modestly but fewer than 40% of stocks outperformed the ACWI benchmark in August.

Fund commentary

The fund finished ahead of its benchmark during a month which was marked by sharp swings in sentiment. At a high level, defensive areas held up well during the early August volatility, while economically sensitive areas participated during the second half of the month as more rate cuts were priced in. That said, there were few outsized performance drivers in either direction. Broadly speaking, our positioning in higher quality health care, consumer staples and communications were supportive. Specifically, stock selection within pharmaceuticals, home products and telcos were beneficial as markets retreated at the start of the month. Modestly offsetting this was our continued avoidance of real estate as the sector rebounded amid the prospects of lower rates.

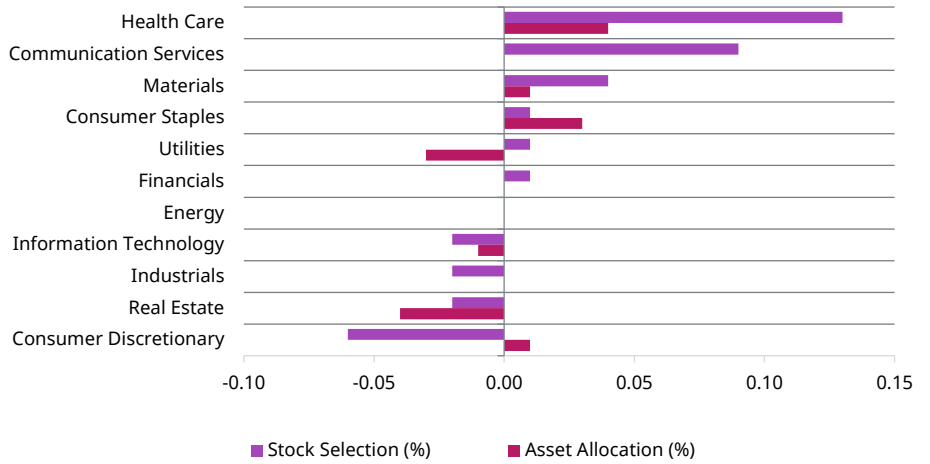
At a high level, the fund remains well diversified across stock, geography and sector with a continued focus on companies with solid fundamentals that are not overpriced in line with our underlying investment philosophy. Given the multiple inputs employed within our process, the strategy continues to 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 fund were within financials and healthcare, driven by higher than index exposure to insurers and pharmaceuticals respectively. We continue to favour securities exhibiting high quality characteristics and at favourable valuations while maintaining diversification across the portfolio. The strategy continues to be underweight real estate and utilities which we view as highly leveraged and unappealing in valuation terms. From a regional perspective, the strategy is overweight the US & Emerging Markets. Elsewhere, we are underweight Japan, Canada, the UK and Continental Europe.

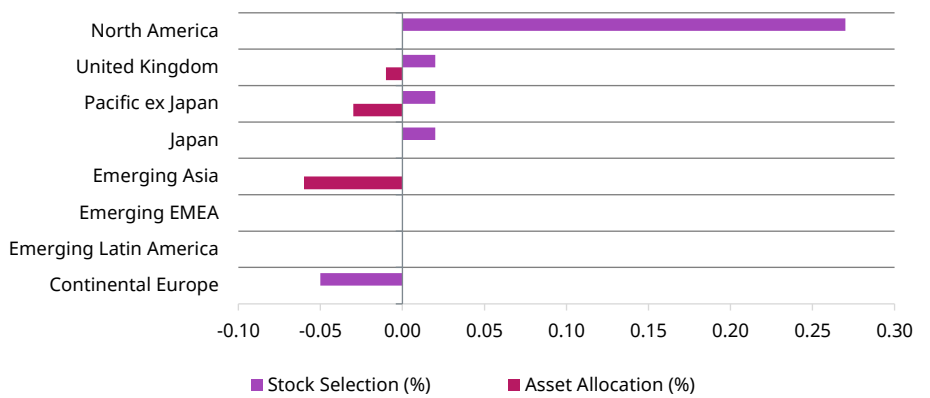
Attribution

Relative Fund Performance vs MSCI World ex Tobacco

Sector
1 month to 31 Aug 2024



Region
1 month to 31 Aug 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 August 2024

Stock	Contribution %
Intel	0.06
Nutanix	0.04
Chevron	0.04
Mercadolibre	0.04
Eli Lilly	0.04

Top 5

detractors

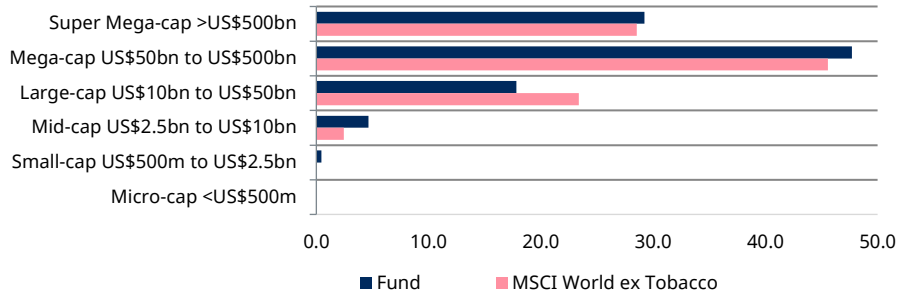
1 month to August 2024

Stock	Contribution %
Walmart	-0.04
PDD	-0.04
Nextracker	-0.03
Samsung Electronics	-0.02
Okta	-0.02

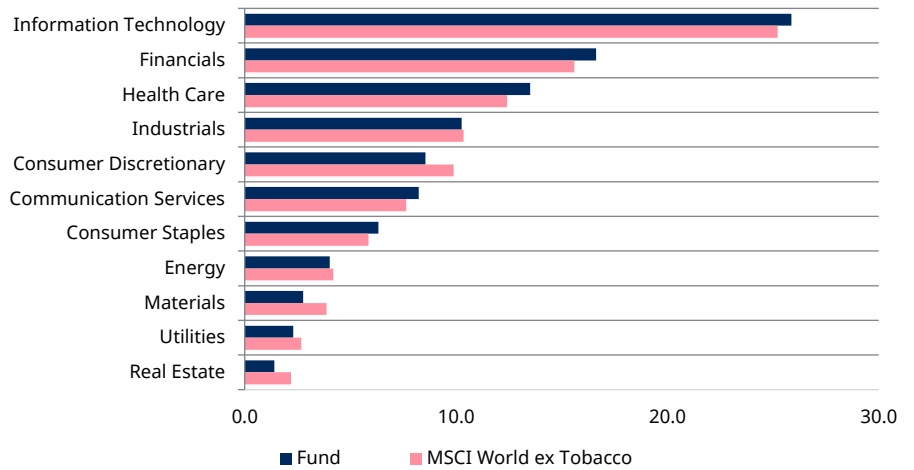
The attribution analysis shown above is intended to provide an indicative summary of the contributions to relative performance. The information is generated using Aladdin, a multi-currency performance analytical system.

Portfolio Analysis

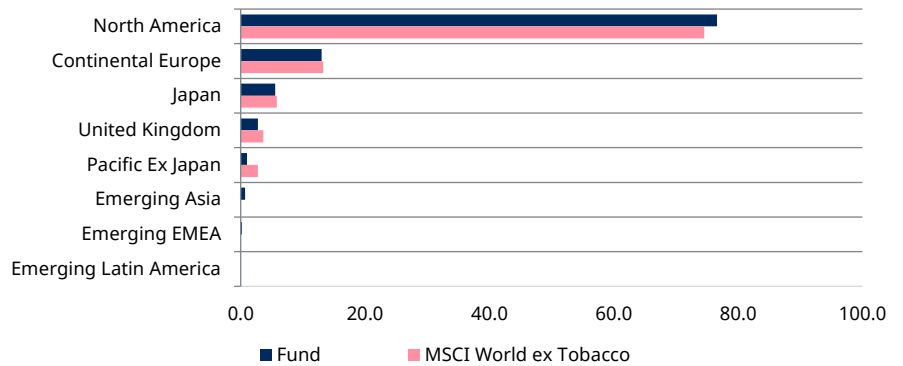
Portfolio Weightings Market Capitalisation (%) at 31 Aug 2024



Sector (%) at 31 Aug 2024



Region (%) at 31 Aug 2024



Source: Schroders & Investment Team Classifications.

Schroder Sustainable Global Core PIE Fund

Portfolio Characteristics at 31 Aug 2024

Characteristics	Fund	Index
Ex ante Tracking error*	1.1%	-
Active share	33.9%	-
Number of stocks	446	1,424
Dividend Yield	1.6%	1.7%
Price to book	3.9	3.5
Price to earnings	20.7	20.8
Price to free cash flow	25.2	29.9
Return on capital employed	24.0	21.9
Return on equity	27.3	25.3
Operating margin	24.5	23.5
Company market cap (US\$ mn)	705,336	692,791
Carbon intensity (CO2 t/M\$ sales)	67.1	96.8

Top 5

Overweight positions

August 2024

Stock	Fund Weight %	Index Weight%	Active Weight %
Costco	1.06%	0.58%	0.48%
Colgate Palmolive	0.57%	0.12%	0.45%
HCA Healthcare	0.53%	0.11%	0.42%
Boston Scientific	0.59%	0.18%	0.41%
Coca-Cola	0.83%	0.43%	0.40%

Top 5

Underweight positions

August 2024

Stock	Fund Weight %	Index Weight %	Active Weight %
Walmart	-	0.50%	-0.50%
Chevron	-	0.38%	-0.38%
LVMH	-	0.30%	-0.30%
GE Aerospace	-	0.28%	-0.28%
RTX	-	0.24%	-0.24%

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

Index: MSCI 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.

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