Schroders

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Schroder International Selection Fund* Carbon Neutral Credit

August 2024 Anniversary Edition

3 years of Carbon Neutral Credit...

This is an **SFDR Article 9 global** climate credit fund that aims to achieve **carbon neutrality for scope 1 and 2 emissions by 2025***

We strongly believe that a company's long-term financial resilience relates to its ability to transition its business model to a zero-carbon world, adapt and prosper in a changing local and global climate.

We aim to capture better risk-adjusted returns from increased resource efficiency, innovation, opportunities in new markets and resilience to long-term challenges. The fund has **outperformed its performance comparator** since inception, while also **maintaining an attractive yield**.

We are proud to note that the fund already has a **low carbon intensity** and is on a pathway to achieving **below 2 degrees Celsius**.

19 Carbon intensity (Scope 1 & 2)[2]	**<0** Projected carbon intensity in 2025[5]	**Less than 10%** Fund WACI[3] vs Benchmark
+5.3% SustainEx Overall Impact score	**25%** Green or sustainability bonds	**1.85°C** MSCI Implied temperature rise[4]

4.1% Effective yield

+300bps Active return S.I.[1]

Why Carbon Neutral Credit?

1. **Ambitious carbon reduction Paris aligned strategy:** With an objective to achieve absolute scope 1 and 2 carbon neutrality by 2025. The fund offers clients a clear pathway to reduce their portfolio's carbon emissions whilst aiming to achieve capital growth and income.
2. **Proprietary, science-based process and people:** Our strategy is powered by an innovative science-based model that tracks and identifies carbon reduction leaders and improvers and those developing solutions for avoiding meaningful carbon emissions.
3. **Experienced investment and research teams:** We have extensive expertise in credit, sustainability, and climate, which facilitates deep conviction decisions based on our view of a company's decarbonisation trajectory, sustainability risk management and financial potential.
4. **Engagements for outcome:** To encourage companies to improve disclosure and set targets, push for sustainable improvement, and build conviction in investment potential and its ability to meet its goals.

"With average global temperatures reaching 1.5 degrees over pre-industrial levels in 2023, the pressure to act on climate change is intensifying.

Thoughtful investment strategies that deliver decarbonisation by focusing on companies set to benefit from a climate transition have never been more important.

The fund builds on years of thoughtful analysis and insight into finding the companies at the forefront of transition, and delivering the solutions needed globally"

Andy Howard
Global Head of Sustainable Investment

Source: Schroders, 31 July 2024. Performance net of fees (if applicable), NAV to NAV (bid to bid), EUR returns. *Schroder International Selection Fund is referred to as Schroder ISF throughout this document. [1]Compared to the reference index Bloomberg Multiverse ex Treasury A+ to B- EUR. Based on cumulative returns for the E accumulation share class (LU2343327594). [2]MSCI weighted average carbon intensity (scope 1 & 2 emissions) measured as Tonnes of Co2e per $mn sales. [3]The fund's carbon intensity, based on the methodology described above, is less than 10% of the reference index's carbon intensity. See page 4 for details. [4]For more information on how the fund's MSCI ITR has been calculated, see https://www.msci.com/documents/1296102/27422075/Implied-Temperature-Rise-Methodology-Summary.pdf [5]Projected carbon intensity of net zero is estimated by balancing investments in issuers that generate carbon emissions, but have stated goals to reduce emissions, with issuers that contribute to reducing carbon emissions. *Investment Objective on page 7.

Key performance drivers since inception

- **Broad diversification:** The fund has achieved high diversification, as indicated by the tracking error and its relative performance throughout the investment cycle.
- **Credit upgrades in key sectors:** There have been credit upgrades across banks, technology, among others. These issuers are not only enhancing their climate-conscious efforts but also reinforcing their financial resilience.
- **Global opportunities:** The fund utilised opportunities across the globe, and we engaged on financial dealings and other topics like biodiversity.
- **Openness to opportunities in large and mid-cap companies:** The fund was open to new opportunities presented by several large and mid-cap companies. This allowed the fund to invest in businesses offering sustainability solutions that often receive policy and government support, facilitating the implementation of future growth opportunities.

Portfolio characteristics

Fund inception date	**23.06.2021**
AUM, million	**€98**
SFDR classification	**Article 9**
Effective duration, years	**5.0**
Average credit rating[1]	**BBB**
Emerging markets, % MV	**10.9**
High yield, % MV	**23.0**
Number of issuers[1]	**217**
1-year information ratio	**0.8**
1-year tracking error	**1.9**

Performance overview

Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise and investors may not get the amount originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall. Performance data does not take into account any commissions and costs, if any, charged when units or shares of any fund, as applicable, are issued and redeemed.

Annualised performance	YTD	1-year	2-year (p.a.)	3-year (p.a.)	SI (p.a.)
Schroder ISF Carbon Neutral Credit E Acc	**2.8%**	**7.8%**	**2.8%**	**-2.3%**	**-1.9%**
Bloomberg Multiverse ex Treasury A+ to B- EUR	1.8%	6.2%	1.8%	-3.4%	-2.9%

Calendar year performance	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Schroder ISF Carbon Neutral Credit E Acc	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-14.3%**	**6.7%**
Bloomberg Multiverse ex Treasury A+ to B- EUR	-	-	-	-	-	-	-	-	-16.3%	7.1%

Source: Schroders, 31 July 2024. Performance is shown net of fees, for Schroder ISF Carbon Neutral Credit E Accumulation share class as a % in EUR (LU2343327594). *Share class performance calculated NAV to NAV (Bid to Bid), adjusted for dividends, net of ongoing charges. [1]Cash bond and single name CDS only. The fund has the objective of sustainable investment within the meaning of Article 9 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR").

1 minute with Saida Eggerstedt, Lead Portfolio Manager

Not just any green bond...the issuer needs to transition

- Our portfolio implied temperature is Paris-aligned
- Local and global solutions for avoided emissions
- Selective green bonds that help biodiversity protection
- Proprietary tools to credibly enhance our universe

Biggest achievements...smaller ones add up

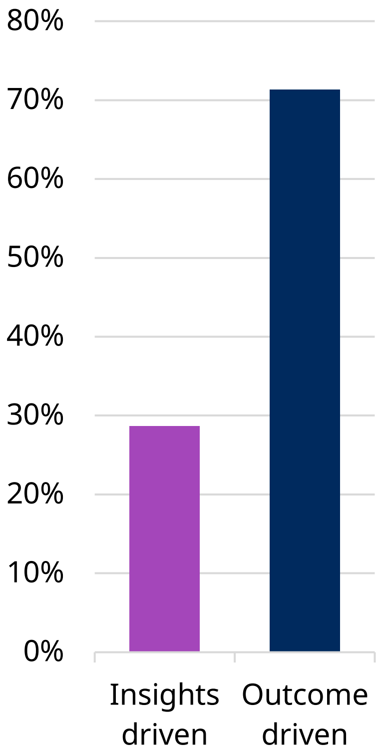
- Reduction of carbon intensity to ambitiously low level
- Externally verified by sustainability labelling agencies
- Risk-adjusted outperformance in a dedicated Article 9 fund
- Engagements to really understand and push improvements across sectors

What's next?

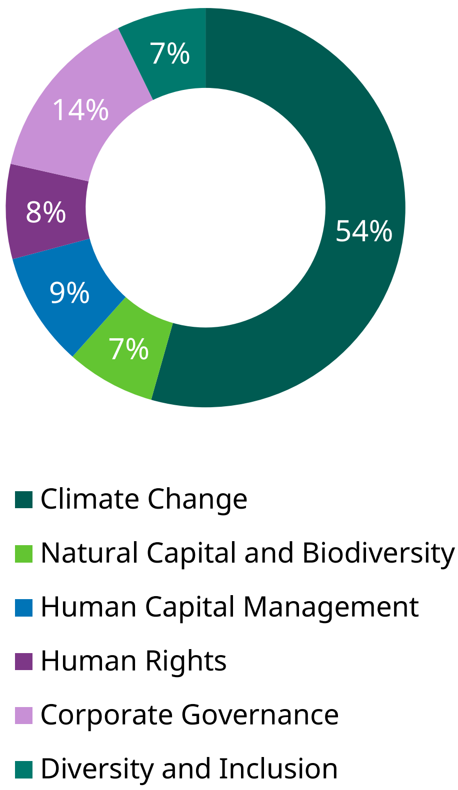
- Increasing focus on nature and biodiversity conservation and solutions
- Continue to invest in transition leaders while being Paris-aligned
- Maintain attractive pricing and distributing share classes for clients
- Aim to provide continued risk-adjusted outperformance and income

Engagement activity

Engagement type



Engagement themes



Highlights

300+ Total events

60+ Completed objectives

15+ Investment desks

119 Companies met

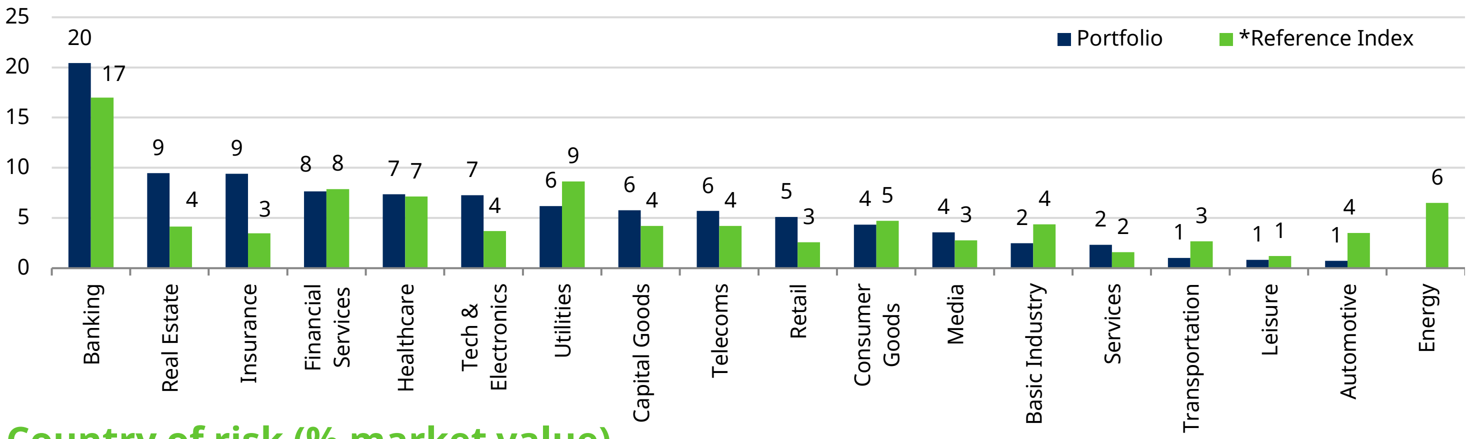
60+ Investors involved

638 Total discussion topics

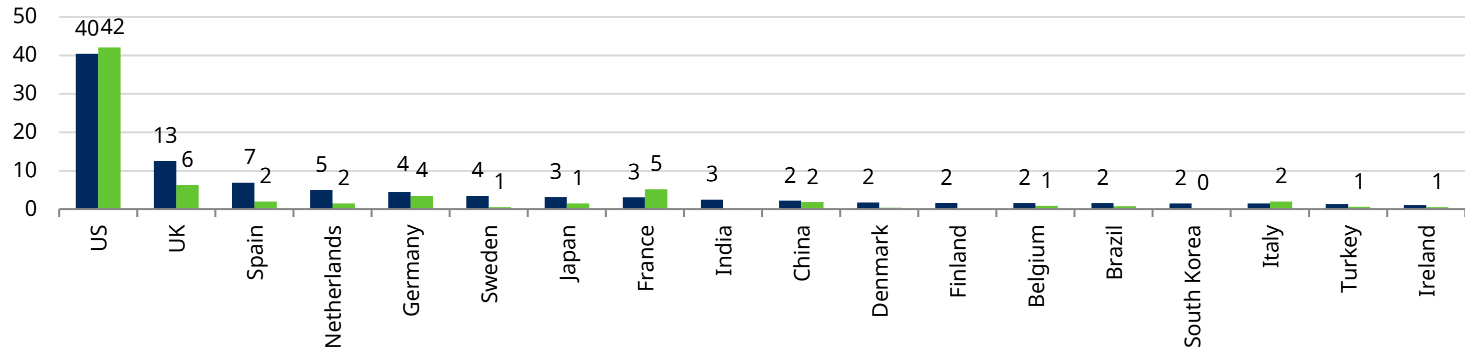
Source: Schroders. Engagement data from 23 June 2021 to 31 July 2024. For illustrative purpose only

What does Carbon Neutral Credit look like?

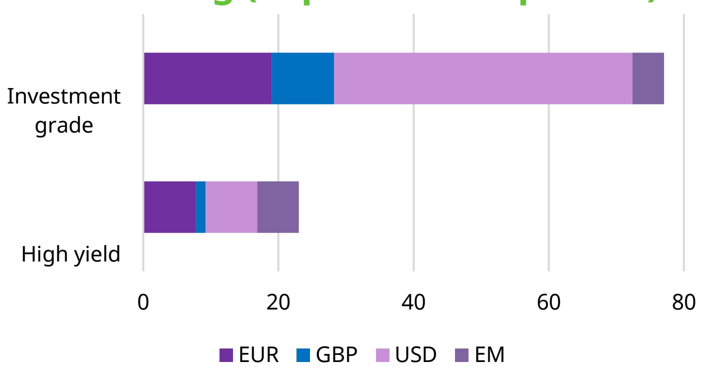
Sector allocation (% market value)



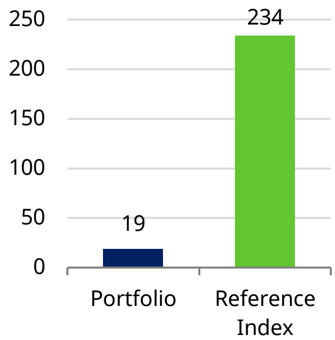
Country of risk (% market value)



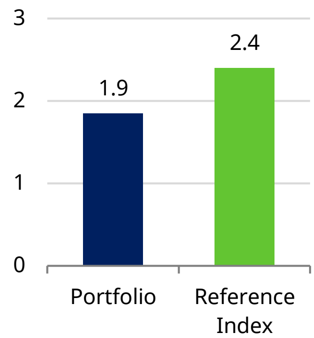
Credit rating (% portfolio exposure)



Carbon intensity[1]



MSCI ITR[2]



Investment sub-themes

Source: Schroders, Aladdin® by BlackRock, MSCI, 31 July 2024. *The reference index (Bloomberg Multiverse ex Treasury A+ to B- EUR) is only included for performance comparison purposes only. [1]Weighted average carbon intensity in tonnes of scope 1 and 2 CO_2e per $m revenue. Coverage: Scope 12: Portfolio coverage: 99%, Benchmark coverage: 90%. Scope 3: Portfolio coverage: 98%, Benchmark coverage: 90%. Weighted Average Carbon Intensity (WACI) use calculation methodologies in-line with TCFD recommendations and prescribed by SFDR Principal Adverse Impacts. Of these three measures, only WACI is re-weighted or 'normalised' based on the portfolio's coverage. Schroders only uses estimated data for Scope 3 emissions. [2]For more information on how the fund's MSCI Implied Temperature Rise has been calculated, see https://www.msci.com/documents/1296102/27422075/Implied-Temperature-Rise-Methodology-Summary.pdf

Risk considerations

ABS and MBS risk: The fund may invest in mortgage or asset-backed securities. The underlying borrowers of these securities may not be able to pay back the full amount that they owe, which may result in losses to the fund.

Contingent convertible bonds: The fund may invest in contingent convertible bonds which are bonds that convert to shares if the bond issuer's financial health deteriorates. A reduction in the financial strength of the issuer may result in losses to the fund.

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.

Credit risk: If a borrower of debt provided by the fund or a bond issuer experiences a decline in financial health, their ability to make payments of interest and principal may be affected, which may cause a decline in the value of the fund.

Currency risk: If the fund's investments are denominated in currencies different to the fund's base currency, the fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates. If the investor holds a share class in a different currency to the base currency of the fund, investors may be exposed to losses as a result of movements in currency rates.

Currency risk / hedged share class: The currency hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes.

Derivatives risk: Derivatives, which are financial instruments deriving their value from an underlying asset, may be used for investment purposes and/ or 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.

Emerging markets & frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.

High yield bond risk: High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk meaning greater uncertainty of returns.

Interest rate risk: The fund may lose value as a direct result of interest rate changes.

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, meaning investors may not be able to have immediate access to their holdings.

Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

Operational risk: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.

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.

Sustainability risk: The fund has the objective of sustainable investment. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

Important information

Target Audience

For EEA & UK: Marketing material for professional clients and qualified investors only

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Subscriptions for shares of the Company can only be made on the basis of its latest Key Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Europe) S.A. Please see overleaf for country specific information and where the funds' legal documents may be obtained.

For Austria, these documents may be obtained in German, free of charge, from the following link: www.eifs.lu/schroders and from our Information Agent Schroder Investment Management (Europe) S.A, German Branch, Taunustor 1, D-60310 Frankfurt am Main, Germany

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The fund has the objective of sustainable investment 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]

Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise. Performance data does not take into account any commissions and costs, if any, charged when units or shares of the fund are issued and redeemed.

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This document may contain "forward-looking" information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised.

Schroders uses SustainEx™ to estimate the net social and environmental "cost" or "benefit" of an investment portfolio having regard to certain sustainability measures in comparison to a product's benchmark where relevant. It does this using third party data as well as Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures.

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Overall Impact: The Schroders Impact Score is based on Schroders' proprietary tool, SustainEx™. SustainEx™ provides an estimate of the potential societal or environmental impact that may be created by the companies and other issuers in which the portfolio is invested. The result is expressed as a notional percentage (positive or negative) of sales of the relevant underlying companies and other issuers. For example, a SustainEx™ score of +2% would mean a company contributes $2 of relative notional positive impact (i.e benefits to society) per $100 of sales.

We calculate SustainEx™ scores for companies and other issuers in the portfolio to arrive at the total portfolio score.

The "Overall Impact" shown is a measure of the portfolio's estimated impact compared to that of its benchmark, in each case calculated as a relative notional percentage as described above.

Weighted Average Carbon Intensity (WACI): A weighted-average of company emissions per $million of sales. Methodology is aligned to "weighted average carbon intensity" as defined by TCFD and "GHG intensity" under the EU's Sustainable Finance Disclosures Regulation

Investment Objective: The Fund aims to achieve i) aggregate carbon neutrality by the year 2025 and ii) capital growth by investing in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies worldwide, which the Investment Manager deems to be sustainable investments, and which contribute towards the objective of carbon emission reduction, in order to support and encourage the transition towards a zero-carbon world.

Aggregate carbon neutrality means achieving net zero carbon emissions intensity by balancing investments in (i) issuers that generate carbon emissions, but that have stated goals to reduce such emissions with (ii) issuers that contribute to reducing carbon emissions.

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