Schroder Sustainable Global Core PIE Fund

An actively managed global equity strategy designed to deliver incremental outperformance with limited index-relative risk.

Marketing material for professional clients only.

Schroders

The Schroder Sustainable Global Core PIE Fund strategy provides the benefits of index-based investing from a risk and cost perspective with the advantage of relative performance upside potential and a superior sustainability profile to the benchmark.

The strategy provides a diverse exposure by focusing on both stock valuations (determined across measures of dividends, cashflow, earnings and assets) and business quality (as defined by measures of profitability, stability, financial strength, governance and structural growth), while aiming to achieve a more sustainable profile than the broader MSCI World ex Tobacco Index (as measured by a lower Weighted Average Carbon Intensity). This strategic focus across Value, Quality and Sustainability offers investors the potential for outperformance across a broad range of environments.

Based on the successful Schroder Global Core strategy with a 24-year track record

Established in 1996, the QEP Investment team have been managing global equities on behalf of Schroders' clients since 2000, with all strategies sharing a common heritage, evolving from the team's longest-running flagship strategy, Global Core. The Sustainable Global Core PIE Fund continues in this lineage, drawing upon a 24 year track record, which has seen the underlying Global Core strategy deliver an ex-post tracking error of 1.4% p.a. since its inception with an outperformance of 0.9% p.a. gross of fees, equivalent to an information ratio of 0.7.

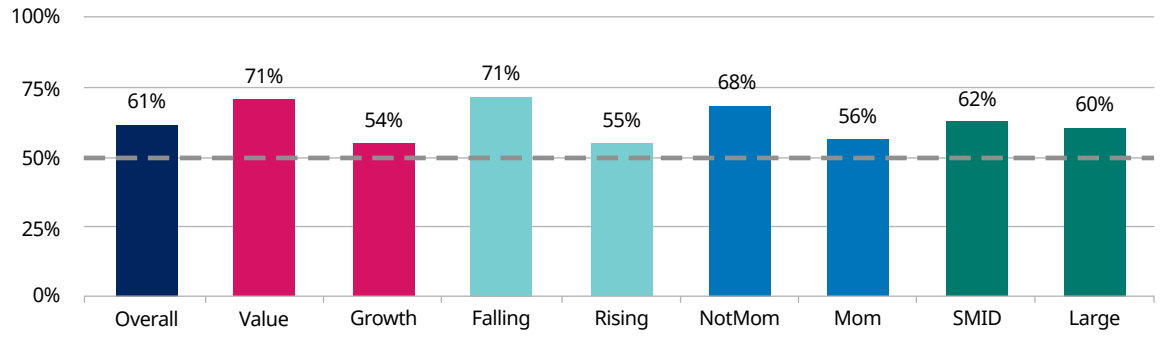
Total return % NZD	1 YR	3yr p.a.	5yr p.a.	10yr p.a.	SI p.a.
QEP Global Core Composite	26.0	17.1	15.2	12.8	5.6
MSCI World Index (NDR)	22.8	13.9	14.1	12.2	4.7
Relative performance (gross)	**+3.2**	**+3.2**	**+1.2**	**+0.6**	**+0.9**
Relative performance (net)^	**+2.7**	**+2.7**	**+0.7**	**+0.2**	**+0.5**
Peer Group Quartile	**1st**	**1st**	**1st**	**1st**	**1st**

Source: Schroders. *Based on Global Core composite as at 31 January 2024, gross of fees & based on estimates, in NZD. Index: MSCI World Index (NDR). Peer group quartile references the Schroder ISF QEP Global Core C Class net of 0.44% Ongoing Charge vs. Morningstar Peer Group: Open End Funds - Global Large-Cap Blend Equity since inception in February 2000. Estimated annual fund charges for the Schroder Sustainable Global Core PIE Fund are 0.39%. ^Net performance calculated using simulated 0.39% annual fee.

Targeting a consistent outcome through the cycle

Managed to relatively tight index-relative constraints at the stock, sector and regional level, we look to ensure effective diversification, manage risk and avoid extreme outcomes. As such, this strategy provides a core equity allocation in clients' portfolios and a cost-effective way to access the breadth of opportunities in global equities. The diversification provided complements more concentrated offerings.

Figure 1: Historical win rates*



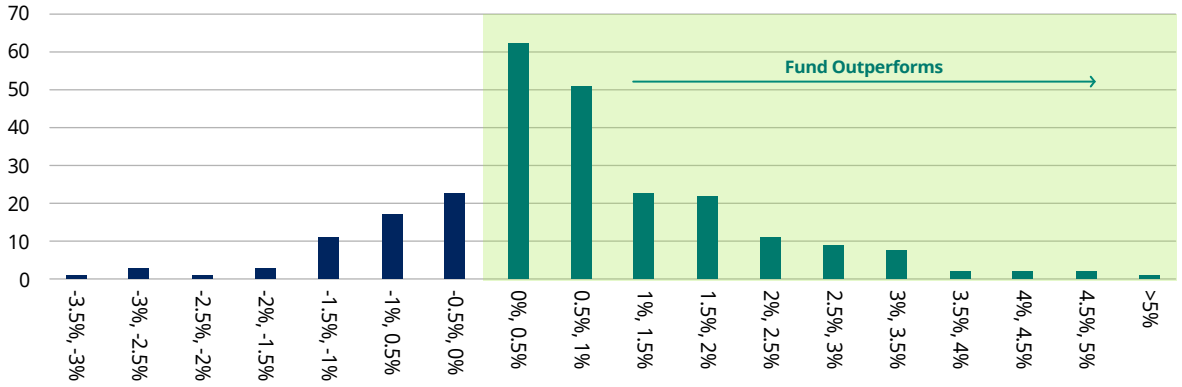
Source: Schroders. *Based on Global Core composite as at January 2024, gross of fees & based on estimates, in USD. Index: MSCI World Index (NDR). Win rates shows percentage of months, since strategy inception, that the strategy outperforms the MSCI World Index in different market environments. Win rates are calculated using USD monthly returns vs. MSCI World and market environments are defined as value (i.e. where absolute monthly returns of MSCI World Value>MSCI World Growth), growth (i.e. where absolute monthly returns of MSCI World Value<MSCI World Growth), falling (i.e. where absolute monthly returns of MSCI World<0), rising (i.e. where absolute monthly returns of MSCI World>0), momentum (i.e. where absolute monthly returns for MSCI World Momentum>MSCI World), large (i.e. where absolute monthly returns of MSCI World Large Cap>MSCI World SMID Cap) and small/mid (i.e. where absolute monthly returns of MSCI World Large Cap>MSCI World SMID Cap).

On longer term measures, the strategy has maintained strong outperformance consistency over time, seeing positive relative outcomes in 75% of rolling periods.

Figure 2: Rolling 3-year relative monthly performance observations S.I.[1]

Outperformance in 19 out of 24 calendar years[1] **Outperformance in over 75%+ of rolling 3 year periods[1]**

Calendar Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Relative Return (gross)	+2.0	+1.1	+1.0	+0.5	+0.9	+0.6	+0.6	-0.9	+2.1	+2.3	+2.3	+1.7	+0.0	+1.1	-0.1	+0.4	+2.5	-2.6	+0.1	-1.6	-4.1	+5.8	+2.7	+0.7	+1.3
Relative Return (net)^	+1.6	+0.8	+0.7	+0.0	+0.4	+0.2	+0.1	-1.3	+1.9	+1.8	+1.8	+1.3	-0.4	+0.6	-0.5	0.0	+2.1	-3.0	-0.3	-2.1	-4.6	+5.3	+2.3	+0.2	+1.3

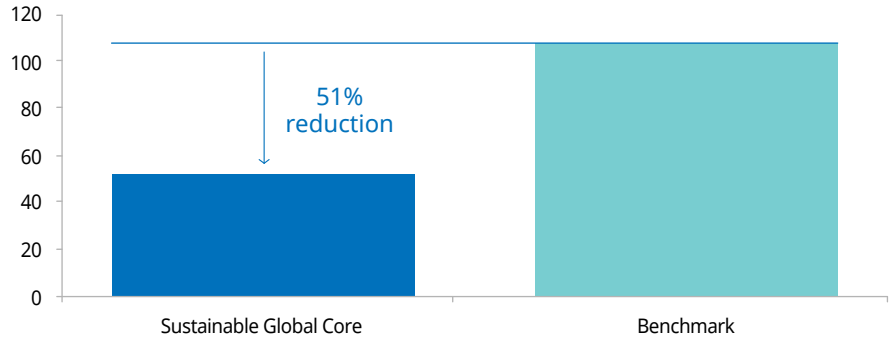


Source: Schroders. [1]Performance represents Schroder QEP Global Core composite, gross of fees, in USD terms and based on estimates, since composite inception in January 2000 to January 2024. The index is MSCI World Index. ^Net performance is shown with simulated 0.39% fee. Past performance is not a reliable indicator of future performance.

With a strong sustainability profile

In addition, as we carefully manage the environmental risks associated with companies that have high carbon emissions, the strategy has a much lower carbon intensity than the constituents of its index.

Figure 3: Weighted average Carbon Intensity (Scope 1 + 2, t/M$ Sales)



Source: MSCI, Carbon Metrics, Schroders. Based on Schroder Sustainable Global Core Fund, as at 31 January 2024 and MSCI World ex Australia ex Tobacco Index. For illustrative purposes only. Scope 1: GHG emissions from sources directly controlled by the company; Scope 2: GHG emissions produced from the generation of energy produced by a third party and consumed by the company; Scope 3: All other indirect emissions, e.g. employee travel, waste disposal, etc.

How we do it

The Investment team analyses a global universe of over 10,000 companies to identify attractive opportunities, applying index relative constraints at the stock, sector and regional level in order to ensure effective diversification, manage risk and avoid any extreme outcomes.

There are three distinct components to the QEP team's investment philosophy:

1. A focus on stock valuations and business quality

All stock selection is focused on two key fundamental drivers of long-run equity returns: stock valuations (determined across measures of dividends, cashflow, earnings and assets) and business quality (as defined by measures of profitability, stability, financial strength, governance and structural growth). The strategic diversification between Value and Quality offers investors the potential for outperformance across a broad range of environments.

2. Portfolio construction on an industrial scale

We then use quantitative tools to 'scale up' our process, which allows us to access the best opportunities across a broad global universe of more than 10,000 companies. These tools enable us to maximise the opportunity set and re-balance portfolios in a disciplined way as opportunities evolve.

3. Experienced fund managers in the driving seat

Finally, experienced investors are responsible for implementing every trade decision, providing an important sense check that the process is working as it should and that portfolios' risk profiles remain appropriate. They also feed back insights on portfolio behaviour or potential upcoming risks and return opportunities to the team to help guide future research.

And the team incorporates Sustainability into the investment process in a number of ways:

1. Investment led approach to Sustainability

The team's views on sustainability are integrated into our fundamental analysis of companies through our proprietary QEP ESG rank, which assesses a range of Environmental Social and Governance considerations. Here we capture a wide range of ESG risks by combining longstanding QEP measures with metrics built from underlying external ESG data sources in order to provide a view of overall company sustainability.

2. Governance is incorporated as a key component of our assessment of business quality

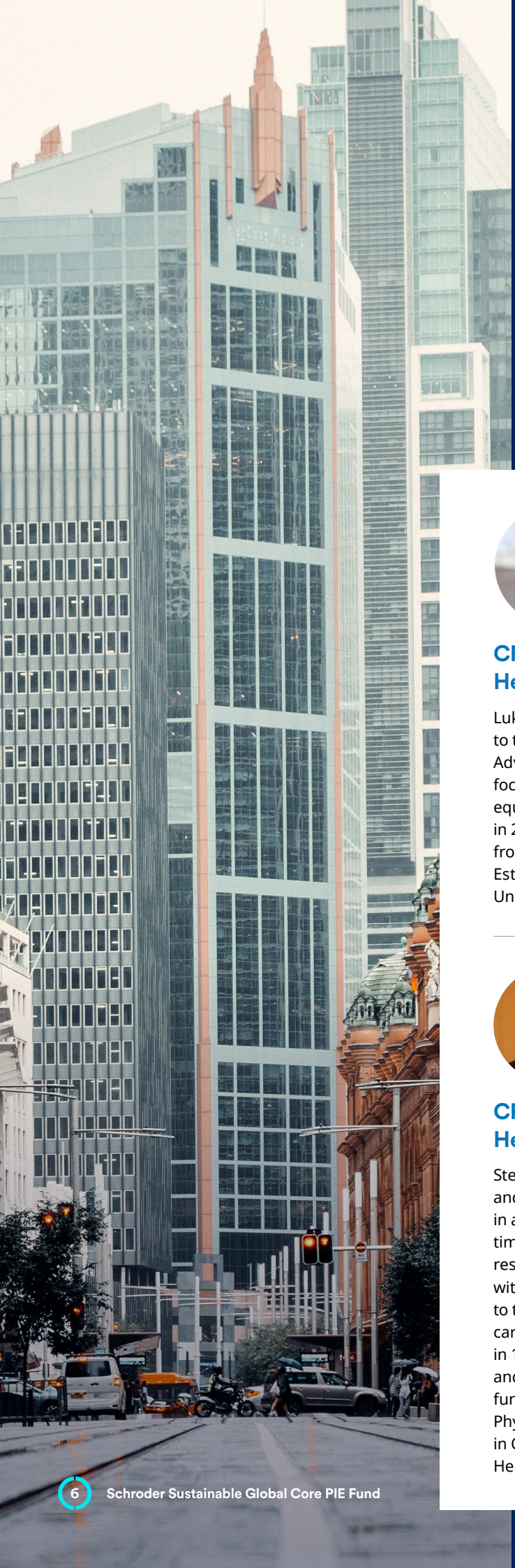
Alongside our more traditional measures of profitability, stability, financial strength and structural growth, our view of business quality incorporates QEP governance as a fifth component. Quality is one of our two key drivers of fundamental returns and Governance, within this, has a direct impact on our assessment of the attractiveness of the stocks we analyse.

3. Exclusions

We implement both industry-specific and revenue-based exclusions of companies facing increased risk given their business involvements.

4. Active ownership

Engagement and Voting. Working in partnership with Schroders' Sustainable Investment team, we have an active programme of company engagement.



Who we are

The QEP Investment Team was established in 1996 and consists of 29 members based in London, Sydney, Hong Kong and New York. The team manages around NZD $36.3 billion across a comprehensive range of global and emerging market equity strategies. Our clients are located all over the world and include pension funds, insurance companies and sovereign wealth funds.

Source: Schroders. Team as of January 2024 and Assets as of 30 September 2023.

Lukas Kamblevicius

CFA – Co-Head of QEP Investment Team, Head of Core, Quality

Lukas joined the QEP Investment Team in 2017. Prior to this Lukas spent ten years with State Street Global Advisors where he was a Senior Portfolio Manager, focusing on absolute return and benchmark agnostic equity strategies. Lukas' investment career commenced in 2005. He holds a BA (Hons) in Business Administration from the International University Concordia Audentes, Estonia, and an MSc (Merit) in Investments from the University of Birmingham. He is also a CFA Charterholder.

Stephen Langford

CFA – Co-Head of QEP Investment Team, Head of Global & International Value

Stephen joined Schroders in 2003 as a Senior Analyst and Portfolio Manager and has played a critical role in all parts of the QEP investment process since this time. In 2019, in addition to his portfolio management responsibilities he became QEP Co-Head of Research with his main focus on researching enhancements to the QEP investment process. Stephen's investment career commenced at Questor Investment Management in 1999, where he was as a senior research manager and portfolio manager of a Japanese market-neutral fund. He holds a BSc (Hons) in Chemistry and Molecular Physics from the University of Nottingham, and a DPhil in Chemical Physics from the University of Oxford. He is also a CFA Charterholder.

Product features

Schroder Sustainable Global Core PIE	
Launch date	**30-Nov-23**
Management costs	**0.39% p.a.**
Reference index	MSCI World ex tobacco
Alpha target	+1% p.a.
Tracking error (ex-post)	Typically <1.5% p.a.
Active share	40%+
No. of holdings	300+
Turnover	80 – 100%
Maximum stock weight	Index +/- 0.75%
Country / Sector weight	Index +/- 3%
EM exposure	Max 3%

Source: Schroders, QEP. Please note these are guidelines only and are subject to change.

Schroders

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