



Sustainable Global Core PIE

QEP Investment Team

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Experienced team managing over NZ\$37bn across a range of global equity strategies

24 year track record
managing global equities

NZD 37.2bn
Assets under management

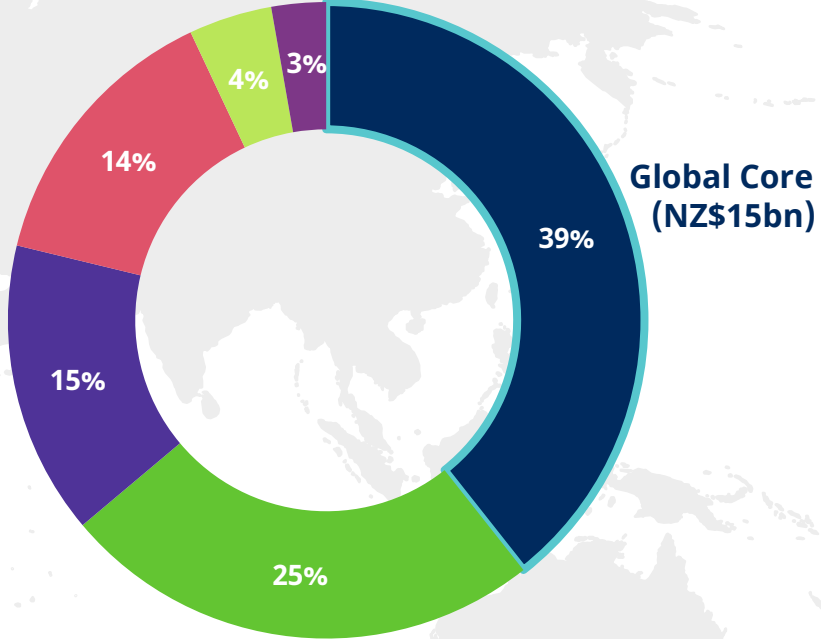
29 Team members
Based in London, Sydney,
Hong Kong and New York

7 Strategies
Global, International and
Emerging Markets

200+ clients
Pension funds, charities,
governments

35+ countries
Client assets located globally

Assets by strategy group



- Core, NZ\$14.6bn
- ESG, NZ\$5.5bn
- Quality, NZ\$1.6bn
- International Value, NZ\$9.1bn
- Value, NZ\$5.3bn
- EM & EM Synergy, NZ\$1bn

Source: Schroders. Team as at 31st January 2024 and assets as of September 2023.

Investment philosophy

Value and Quality matter over the long run

- ① Valuation and business quality are long-run drivers of equity returns
- ② Quantitative tools used to scale up the process, maximising the opportunity set
- ③ Experienced investors responsible for all trade decisions and risk management

Long-term returns (win rates) (1990 – 2023)

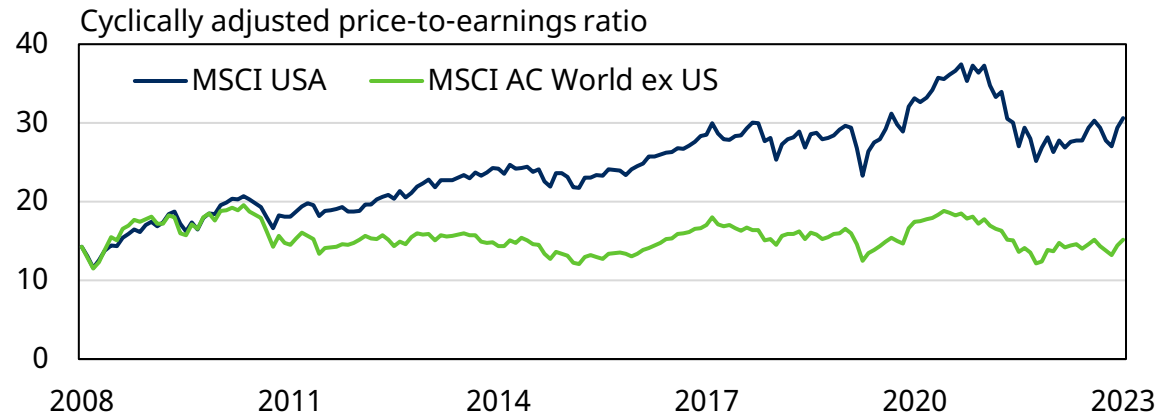
	Cheap	Mkt. like	Expensive
High quality	4.9% (55%)	2.5% (55%)	-1.7% (47%)
Moderate quality	3.1% (55%)	-1.7% (45%)	-6.3% (43%)
Low quality	0.0% (51%)	-3.5% (46%)	-10.9% (38%)

Source: Schroders QEP. Data from Jan 1990 to December 2023. Each month all stocks in QEP’s global mega to mid-cap universe, excluding financials and resources, are ranked using QEP’s global value rank and global quality rank. Terciles of the value rank are used to classify stocks as cheap, market like or expensive, while terciles of the quality rank are used to classify stocks as high, moderate or low quality. Market capitalization-weighted portfolios are rebalanced monthly and US\$ returns are calculated with transaction costs taken into account. A maximum stock weight of 3% is applied within each portfolio. Annualized excess returns are then calculated against a market capitalization-weighted universe.

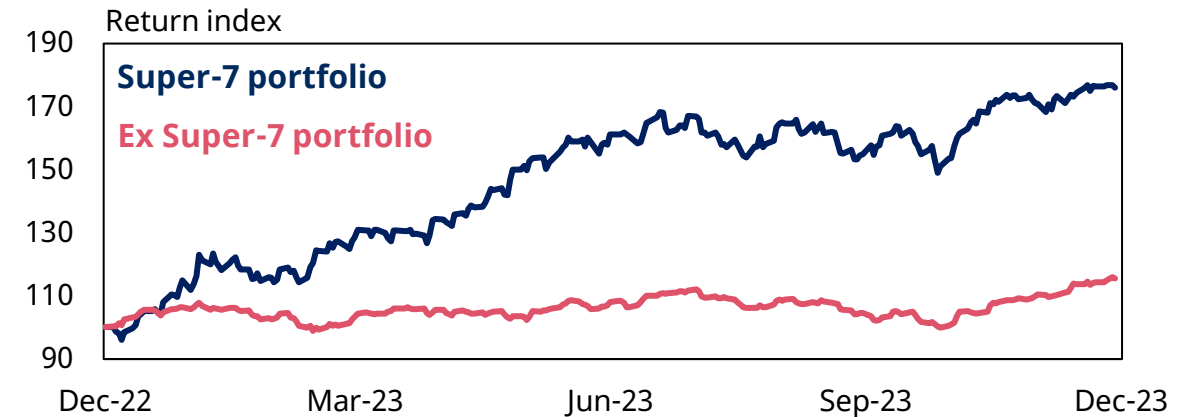
Where are we in the market cycle?

Last year all about big stocks – 2024 state of uncertainty so far

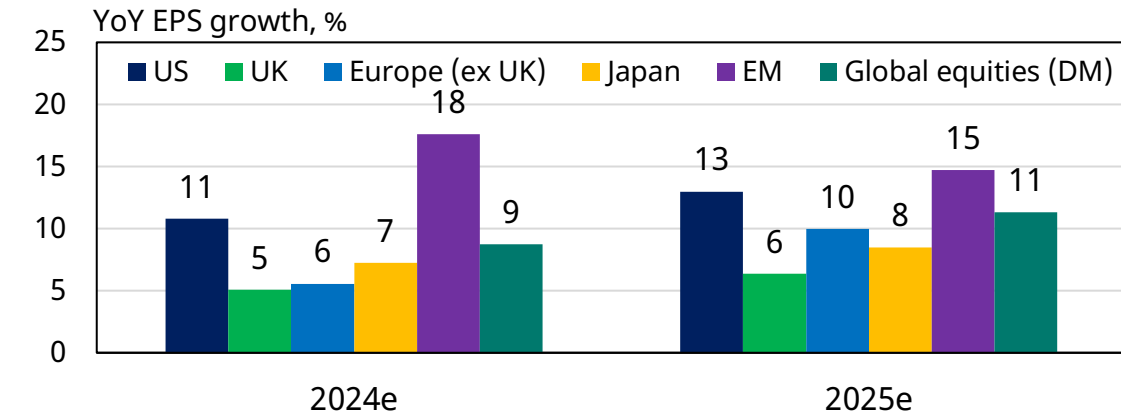
US CAPE still stretched versus rest of world



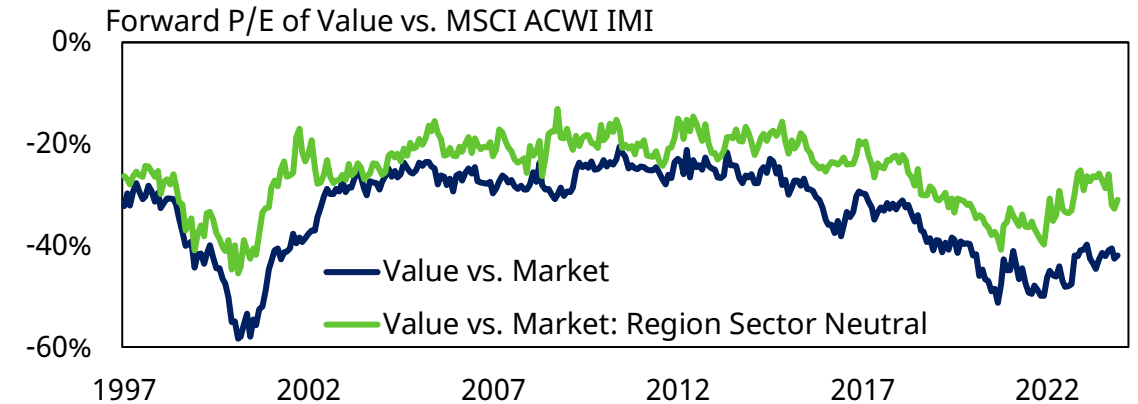
The Mag-7 rose 76% in 2023, the rest of the world 16%



Earnings forecast to rebound in 2024-25, especially EM/US



Value cheap but concentrated - stock selection is essential



Source: Schroders, IBES, LSEG Datastream, MSCI as at 31 December 2023. **Top right:** Return index rebased to 100 on 31 December 2022. Magnificent-7 portfolio is portfolio of seven largest companies in MSCI USA by free float market capitalisation. These are Apple, Microsoft, Alphabet (Google), Amazon, Nvidia, Tesla, Meta (Facebook). Ex Super-7 is a portfolio of the remaining constituents of MSCI ACWI. **Bottom Left:** Japan EPS for 2022 is 4 quarter sum until 31 March of next calendar year, e.g. 2023 = 31/03/2023 – 31/03/2024. **Bottom Right:** data from January 1997. Value basket is formed from a cap weighted cheapest tercile (top 30%) of global stocks based on a MSCI AC World IMI universe ranked by QEP Composite Value rank. Forward P/E multiple is based on next twelve months.

Recent Value & Quality performance

The Q4 “Santa” rally concentrated in lower quality & expensive stocks, reversed in Jan

Post COVID – Return to normality (2021-2022)

	Cheap	Mkt. like	Expensive
High quality	9.7%	4.3%	-3.9%
Moderate quality	6.0%	2.2%	-11.4%
Low quality	4.5%	-3.3%	-23.1%

‘Santa Rally’ (Q4 2023) – Distressed stocks rebound

	Cheap	Mkt. like	Expensive
High quality	-2.1%	2.6%	1.4%
Moderate quality	-2.5%	2.1%	1.4%
Low quality	2.6%	2.2%	3.8%

Growth and Value barbell (Q1-Q3 2023)

	Cheap	Mkt. like	Expensive
High quality	-1.6%	1.1%	2.9%
Moderate quality	1.1%	-2.3%	-0.6%
Low quality	1.5%	0.5%	-7.4%

Reversal of junk rally (Jan 2024) – Quality outperforms

	Cheap	Mkt. like	Expensive
High quality	0.3%	1.7%	2.9%
Moderate quality	0.2%	-0.2%	-3.5%
Low quality	-1.6%	-4.4%	-6.2%

The return may increase or decrease as a result of currency fluctuations. Past performance is not a guide to future performance and may not be repeated.

Source: Schroders, QEP. Data from January 2021 to January 2024. Mega to mid-cap stocks are taken based on an ACWI IMI universe, excluding Emerging Markets. The QEP Global Value rank is used to classify stocks as cheap, market like or expensive, while the QEP Global Quality rank is used to classify stocks as high, moderate or low quality. Inclusion in each relevant bucket is dependent on reaching a certain threshold of the ranks (35% / 65%). Stocks are weighted based on market capitalisation, with weights capped at 20bps (capped, cap weighted) within groups. Returns are based on monthly data and are relative to the universe.

Schroder QEP Global Core

A cost-effective all-weather solution with limited index relative risk



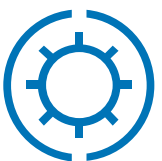
Consistent outperformance across a range of market environments

Outperformance in 19 of 24 calendar years¹



Investment led approach to ESG integration

Proprietary approach delivers significant (-50%⁴) reduction in carbon intensity relative to the index



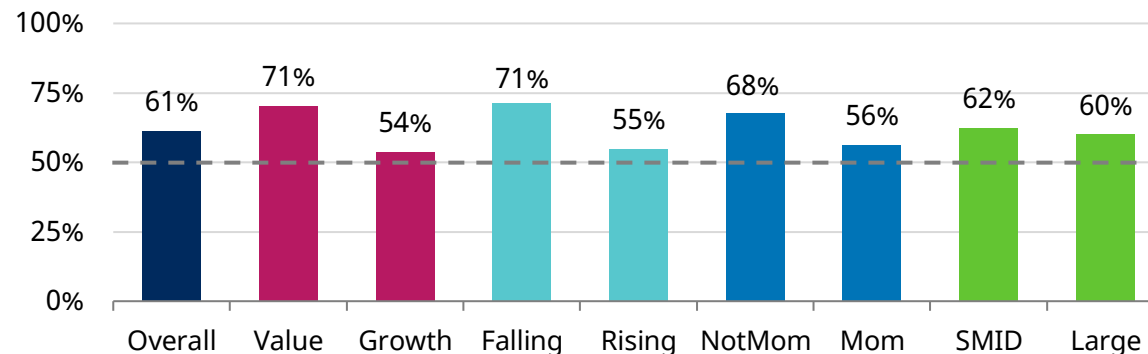
Low index risk with demonstrated alpha

A cost-effective alternative to passive with strong peer relative performance over multiple periods

Performance summary

Total return % NZD	1 YR	3yr p.a.	5yr p.a.	10yr p.a.	SI p.a.
QEP Global Core composite ¹	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 Quartile³	1st	1st	1st	1st	1st

Historical win rates²



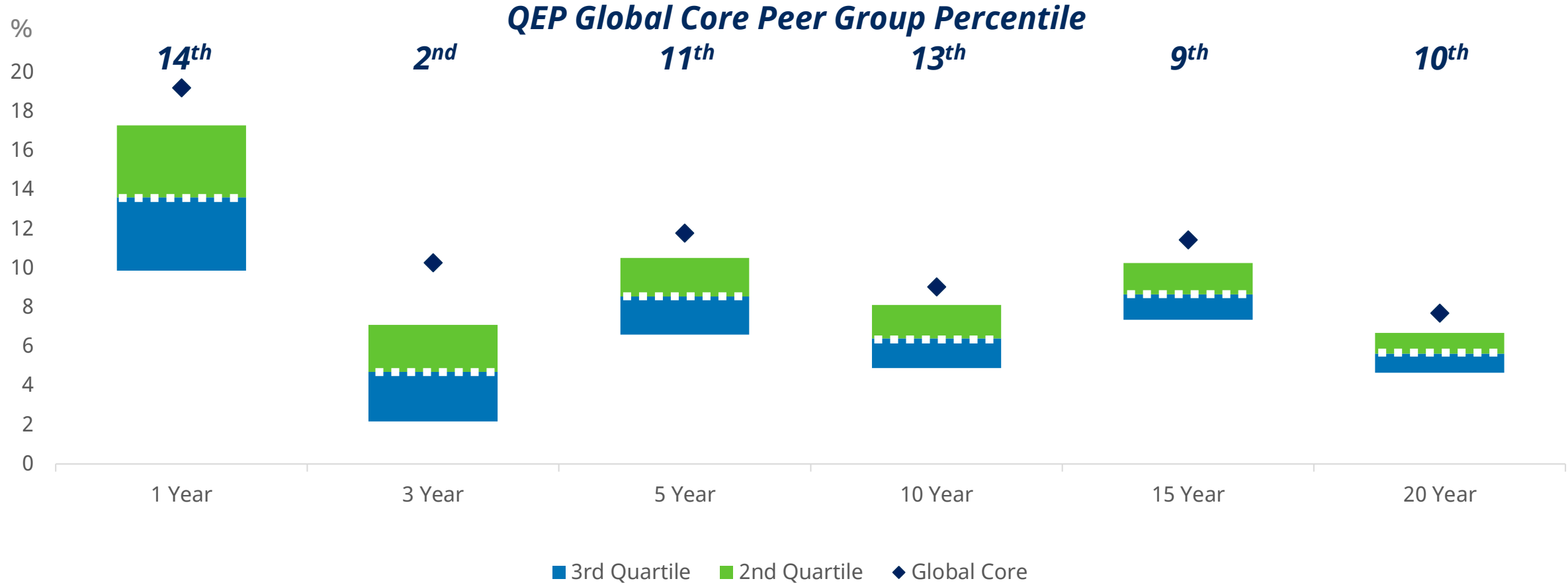
Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Source: Schroders. ¹Based on Global Core composite as at January 2024, gross of fees & based on estimates, in NZD, since inception in January 2000. Index: MSCI World Index (NDR). Outperformance record indicative of strategy and is not portfolio specific. [^]Net performance calculated using simulated 0.39% annual fee. ²Performance for win rates represents Schroder QEP Global Core composite, gross of fees in USD terms since inception January 2000 to December 2023. Win rates shows percentage of months, since strategy inception, in USD, that the strategy (Core composite) 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). ³Peer group quartile references the Schroder ISF QEP Global Core C Class net of 0.44% Ongoing Charge vs. Morningstar Peer Group: Open End Funds - Europe/Africa/Asia - 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%. ⁴Carbon intensity calculated as the portfolio weighted average scope 1 and scope 2 carbon emissions for companies held in the Sustainable Global Core Pie fund & MSCI World ex Tobacco Index. Past performance is not a reliable indicator of future performance.

QEP Global Core Peer Group analysis

1st Quartile performance across all periods (net of fees)

Absolute Returns (net of fees)



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QEP Global Core

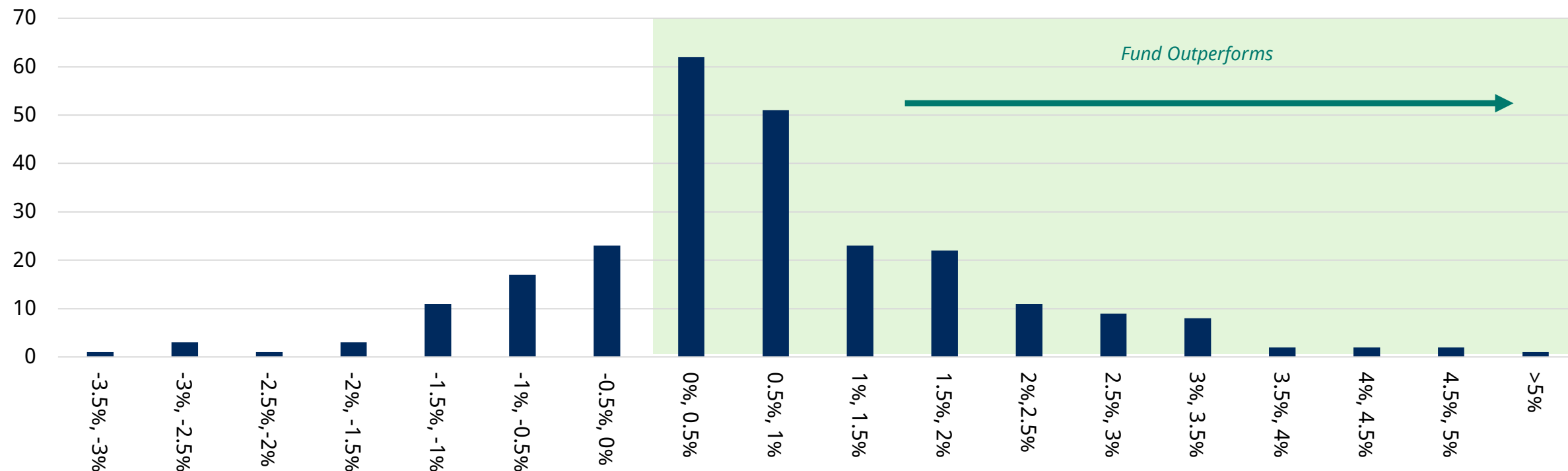
Rolling 36 month relative returns since inception

Outperformance in 19 out of 24 calendar years¹

Outperformance in over 75%+ of rolling 3 year periods¹

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

Rolling 3-year relative monthly performance observations S.I.¹



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Source: Schroders. ¹Performance 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

8 World Index. [^]Net performance is shown with simulated 0.39% fee. Past performance is not a reliable indicator of future performance.

QEP Investment Process

Multiple metrics tailored by business model

Value pillars
Capturing the full range of Value opportunities



Earnings **Assets** **Cashflows** **Quality Adjusted Yield**

ESG integration
Investment led, tailored approach



QEP ESG Rating **Sustainable Themes** **Active Ownership**

Quality pillars
Identifying strong and stable fundamentals



Profitability **Stability** **Financial Strength** **Structural Growth** **Governance**

Sentiment to manage risk
Shorter term catalysts



Mean Reversion **Price Sentiment** **Fundamental Sentiment**

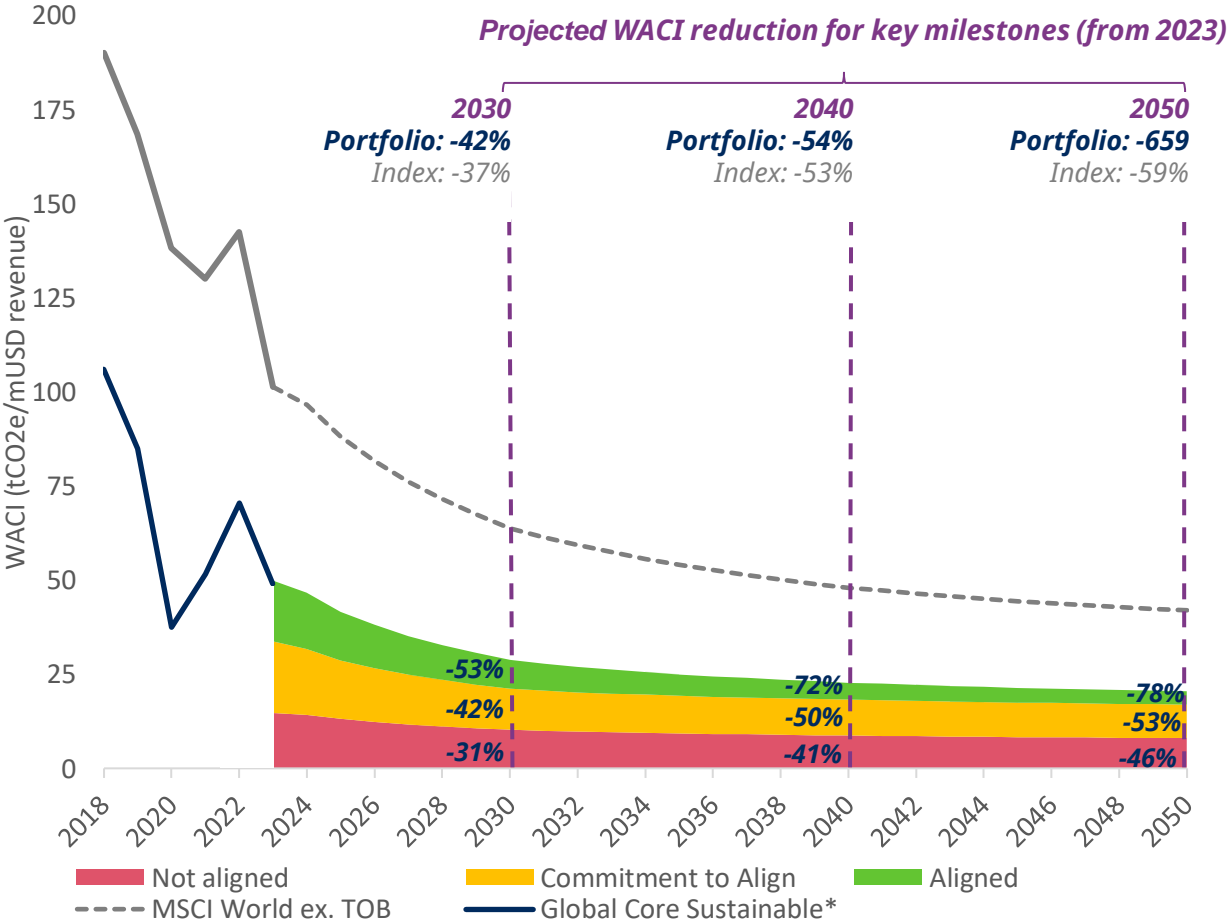
Fundamental insights applied at scale

Source: Schroders

Comprehensive integration of climate research

Recognising risks & opportunities; monitoring of portfolio decarbonisation pathway

Decarbonisation Pathway



Achieved WACI¹ Reduction (Portfolio)

-54% Historic reduction²
(Jan 2019 to Dec 2023)

-55% Current relative
reduction vs. the index

Alignment Statistics

42%
Aligned

28%
Commitment
to Align

31%
Not Aligned

Active Engagements

80% of financed
emissions

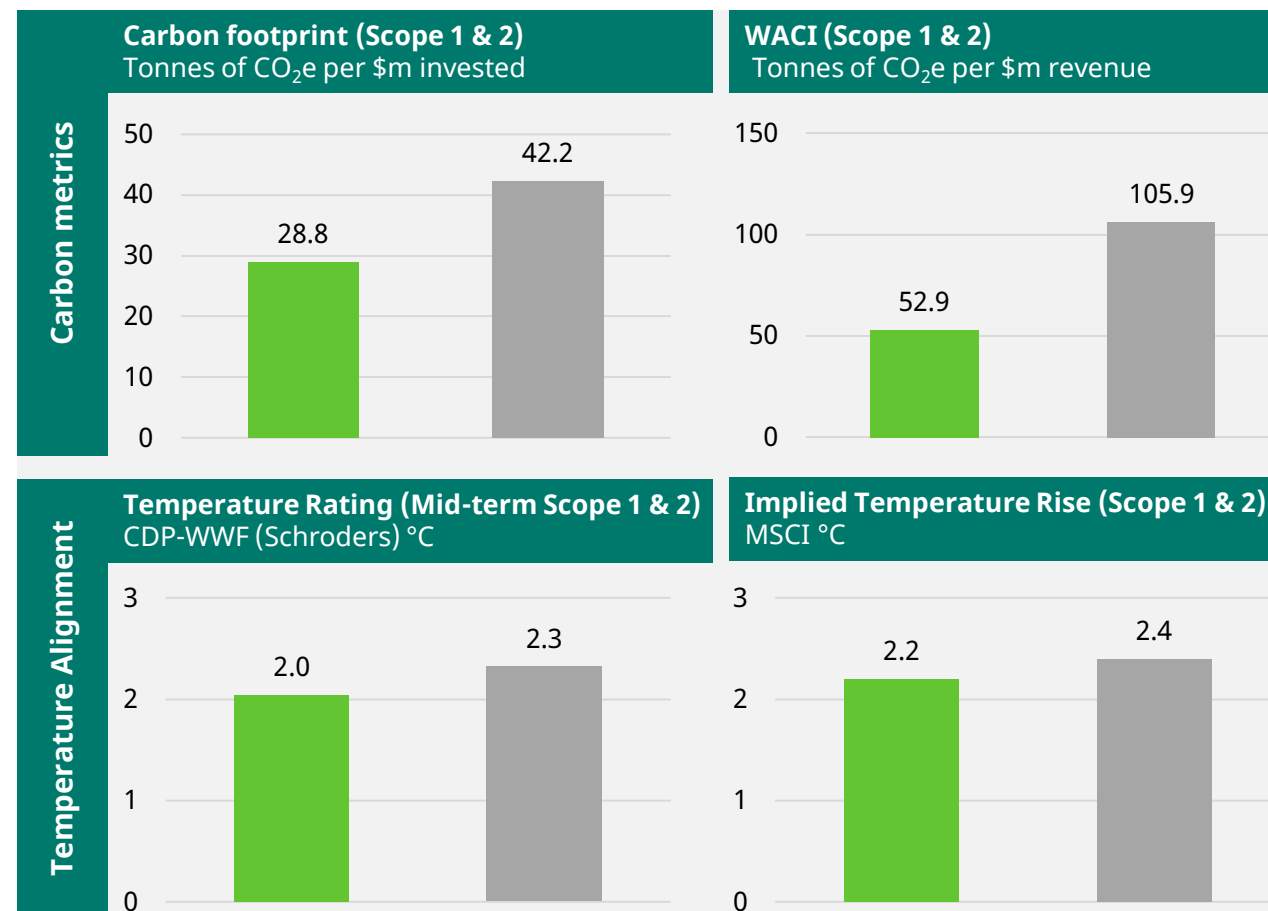
54% of portfolio
holdings

Source: Schroders as at January 2024. Based on QEP Global Core Sustainable from January 2019 to December 2023 and QEP Global Core Sustainable PIE from December 2023 onwards. ¹WACI: Weighted Average Carbon Intensity based on scope 1 & 2 emissions. ²Historic reduction shown against proxy fund (QEP Global Core Sustainable AU fund).

Sustainable Global Core PIE Fund

Key Characteristics: Climate and Fundamental metrics

Climate Metrics



Fundamental Characteristics

	Sustainable Global Core PIE Fund	MSCI World ex Tobacco
Value Measures		
Price to earnings	18.3	19.1
Forward price to earnings	17.1	17.6
Price to free cash flow	21.5	25.2
Quality Adjusted Yield	1.7	1.5
Quality Measures		
Return on capital employed	26.0	21.7
Return on equity	27.5	24.3
Operating margin	24.6	21.7
3 year forward sales growth	7.5%	6.5%

Source Schroders, as at December 2023. Based on the Schroder Sustainable Global Core PIE Fund. Index: MSCI World ex Tobacco. Please refer to the important information at the end of this presentation for positioning disclosures.

Focus Areas for 2024

Diversification remains key in a dislocated and uncertain market



With less beta expected going forward, stock selection will be more important

- Wide spread of valuation opportunities as the average stock has been left behind
- Remain diligent in profit taking across “hot” positions, particularly if volatility picks up
- Fundamental Sentiment a useful tool in flagging rapid shifts in market dynamics, but Value & Quality is the anchor
- Small & Mid-cap stocks offer good value with a wide spread of options. No need to scrape the bottom of the barrel



Overlooked Quality is very compelling - Steady growth has been overlooked so no need to pay up

- Due to the narrow focus on the Mag-7, the opportunity set in “Quality at a reasonable price” is unusually good
- Quality is not restricted to typical defensives (e.g. pharmaceuticals, home products) but can also be found broadly across the market (e.g. insurers, business services, telecoms)



Portfolio construction & risk management remains critical

- Bottom-up focus to balance portfolios across different flavours of Value and Quality to participate in a broader range of market environments.
- Broadly favourable to the “Magnificent-7” given reasonable valuations and superior quality but important to closely manage risk at the top of the index

Schroder Sustainable Global Core PIE

Based on the longstanding Schroder Global Core strategy

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

The strategy has outperformed in 19 of 24 calendar years since inception, with a gross relative return of +0.9% annualised¹

New Zealand domiciled PIE Vehicle launched in Q4 2023

Strategy offered in both a hedged and unhedged vehicle for investors in New Zealand with total AUM now over NZD150m

Cost effective sustainable solution

Full integration of ESG, providing a significant reduction in carbon intensity relative to the index with competitive pricing

Expanding on the QEP team's history in New Zealand

Building on the 10 year + track record of managing segregated mandates for institutions in New Zealand with current AUM of over NZD1bn

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Relative performance (net)[^]	+2.7	+2.7	+0.7	+0.2	+0.5	1.4	0.4
Peer Group Quartile²	1st	1st	1st	1st	1st		

Product features

Reference index	MSCI World
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%

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Sustainable Global Core PIE– portfolio construction

Positioning by sector and region

	North America		Continental Europe		United Kingdom		Japan		Pacific Ex Japan		Emerging Markets		Total	
	Fund	Index	Fund	Index	Fund	Index	Fund	Index	Fund	Index	Fund	Index	Fund	Index
Financials	11.8%	10.1%	3.0%	2.5%	0.2%	0.8%	0.7%	0.7%	0.8%	1.2%	0.2%	0.0%	16.8%	15.3%
Energy	0.6%	3.4%	2.9%	0.5%	0.6%	0.5%	0.4%	0.0%	0.0%	0.1%	0.0%	0.0%	4.4%	4.6%
Materials	1.0%	2.1%	0.6%	1.2%	0.0%	0.4%	0.8%	0.3%	0.1%	0.5%	0.0%	0.0%	2.6%	4.6%
Industrials	7.0%	6.1%	1.0%	2.3%	0.4%	0.5%	0.9%	1.4%	0.0%	0.2%	0.0%	0.0%	9.3%	10.5%
Cons. Discret.	8.6%	7.8%	0.5%	1.7%	0.2%	0.2%	1.2%	0.9%	0.0%	0.2%	0.5%	0.0%	11.0%	10.8%
Technology	23.7%	21.0%	1.1%	1.3%	0.0%	0.0%	0.8%	1.1%	0.0%	0.0%	0.2%	0.0%	25.9%	23.5%
Communications	6.9%	6.4%	0.3%	0.4%	0.3%	0.1%	0.4%	0.4%	0.1%	0.1%	0.3%	0.0%	8.3%	7.5%
Health Care	8.8%	8.8%	2.4%	2.2%	1.1%	0.5%	0.4%	0.5%	0.0%	0.2%	0.0%	0.0%	12.7%	12.3%
Cons. Staples	5.3%	3.9%	1.0%	1.3%	0.6%	0.5%	0.0%	0.3%	0.0%	0.1%	0.1%	0.0%	7.1%	6.2%
Utilities	0.1%	1.7%	0.6%	0.6%	0.4%	0.2%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	1.2%	2.6%
Real Estate	0.0%	1.7%	0.0%	0.1%	0.0%	0.0%	0.1%	0.2%	0.0%	0.3%	0.0%	0.0%	0.1%	2.4%
Total	73.9%	73.1%	13.4%	14.2%	3.8%	3.8%	5.8%	6.0%	1.1%	3.0%	1.5%	0.0%		

Source: Schroders, as at December 2023. Based on the Schroder Sustainable Global Core PIE Fund. Index: MSCI AC World ex Tobacco (NDR). Please refer to the important information at the end of this presentation for positioning disclosures.

Thank you

