

# **Schroder Sustainable Global Core PIE Fund**

## **Q4 2025**

### **Investment Report**

This quarterly investment report is provided to you in supplement to your monthly performance report and other monthly investment reporting. It must be read in conjunction with your monthly performance report, which provides full details in a standard reporting format of the performance of your investment. This supplemental reporting is intended to provide you with an overview of portfolio activity during the period and should not be relied upon to make investment decisions or otherwise.



Schroders

**Schroder Sustainable Global Core PIE Fund**

## In this report

[The Team](#)

[Fund Overview](#)

[Market Summary and Performance Review](#)

[Portfolio Activity and Policy](#)

[Outlook](#)

[Active Ownership](#)

[Portfolio Analysis](#)

[Market Analysis](#)

## The Team

Portfolio Manager  
QEP Investment Team  
Tel: +44 20 7658 6000

## Fund Performance (Unhedged)

Periods 31 December 2025

Total returns	1 month	3 months	6 months	12 months	Inception
NZD	%	%	%	%	% (pa.)
<b>Fund at closing prices (net)</b>	<b>0.13</b>	<b>3.99</b>	<b>17.24</b>	<b>19.40</b>	<b>27.26</b>
Benchmark <sup>^</sup>	0.64	4.14	16.85	17.88	25.96
<b>Difference (net)</b>	<b>-0.51</b>	<b>-0.15</b>	<b>+0.39</b>	<b>+1.52</b>	<b>+1.30</b>

## Fund Performance (Hedged)

Total returns	1 month	3 months	6 months	12 months	Inception
NZD	%	%	%	%	% (pa.)
<b>Fund at closing prices (net)</b>	<b>-0.03</b>	<b>2.93</b>	<b>11.03</b>	<b>18.67</b>	<b>21.72</b>
Benchmark <sup>^</sup>	0.45	3.16	10.90	17.82	21.06
<b>Difference (net)</b>	<b>-0.48</b>	<b>-0.23</b>	<b>+0.13</b>	<b>+0.85</b>	<b>+0.66</b>

Both funds inception date: November 30, 2023.

Source: Schroders, FundRock as of December 2025. Returns shown net of fees, net of tax PIR and are calculated by FundRock. Performance shown reflects past performance, which is no guarantee of future results. Current performance may be higher or lower than the performance shown. Principal value and investment returns will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance for shorter periods is shown cumulative, since inception shown annualised. NAV performance may differ from performance calculated at closing market prices. The difference between the portfolio and benchmark returns may not equal stated excess returns due to rounding. Since inception from 30 November 2023. <sup>^</sup>Benchmark is the MSCI World ex Tobacco NR NZD for the unhedged and MSCI World ex Tobacco NR NZD Hedged for the hedged. Indices are net dividend reinvested (NDR).

## Summary

Global equities delivered strong gains in 2025, marking another positive year for risk assets despite a more volatile and uneven path. Markets were supported by resilient economic activity, easing inflation pressures and a shift towards dovish monetary policy later in the year. However, the rally was not without interruption, with trade related concerns and a sharp selloff in early April testing investor confidence before markets recovered strongly into year end. As in prior years, enthusiasm around structural growth themes, particularly artificial intelligence, remained an important driver of returns, although leadership became less concentrated as the year progressed.

The US delivered another strong year, supported by resilient earnings and supportive policy expectations, while non US developed and emerging markets recorded even stronger advances as investor sentiment improved. For investors, this marked a particularly strong outcome, with global equities delivering a third consecutive year of double digit returns, an outcome that has historically been relatively rare.

Market breadth improved gradually over the course of the year. While large cap Technology stocks remained key contributors, leadership broadened into cyclical sectors and more rate sensitive areas as expectations for lower rates increased. Small and mid-caps, which had lagged earlier in the cycle, showed improved relative performance later in the year. From a style perspective, at the headline level, Growth and Value delivered broadly similar returns over the year, masking significant divergence beneath the surface. This was primarily driven by the US where Growth continued to outperform driven by ongoing strength in large Technology and structural growth stocks. In contrast, outside the US, Value saw broad based outperformance, as attractive valuations and improving earnings expectations supported returns.

The fourth quarter saw continued gains in global equities, underpinned by easing financial conditions and further evidence of moderating inflation. Following its initial rate cut in September, the Federal Reserve reinforced expectations of further easing in 2026, although it stressed that policy would remain data dependent. This helped sustain risk appetite while also contributing to greater differentiation across sectors and regions.

Regional performance diverged in the final quarter. While US equities continued to advance on resilient earnings and broadening market participation, they trailed non-US equities during the period. UK and European equities advanced most, led primarily by Financials, while Japanese equities also made gains. Emerging markets continued to rally at the end of the year, but at a more measured pace after a very strong third quarter; China bucked the trend by succumbing to profit taking during the period. Overall, 2025 reinforced the importance of diversification in an environment characterised by shifting leadership and periodic volatility. While the fourth quarter extended the market advance, elevated valuations in parts of the market and increasing sensitivity to growth and policy developments point to a more balanced and potentially more volatile backdrop as markets move into 2026, particularly as AI spending and monetisation are increasingly under the microscope.

## Market Summary and Performance Review

The portfolio again outperformed its benchmark over 2025, driven by strong stock selection from a variety of areas. Technology was a key driver over the year, with strong stock selection across Semiconductors, Hardware and Application Software. Industrials also added meaningfully, benefitting from exposure to Manufacturing, Construction and Freight as cyclical areas returned to favour. Additional support came from Utilities, Health Care and Financials, where improving demand trends and solid earnings was rewarded as positive stock selection drove outperformance.

In the final quarter, the portfolio finished just behind the benchmark. Contributions were driven primarily by stock selection within cyclicals and select structural growth areas. Industrials were the standout contributor, with exposure across Manufacturing and Defence & Aerospace proving beneficial, while Financials and Real Estate also supported relative performance. Regionally, holdings in the UK and the Pacific were additive. Detractors were modest and largely confined to more defensive Industries within Communications Services and Healthcare. Overall, maintaining a disciplined balance between attractively valued areas of the market and selective structural growth positioned the strategy well into year end.

# Schroders Schroder Sustainable Global Core PIE Fund

## Relative Fund Performance vs MSCI World ex Tobacco

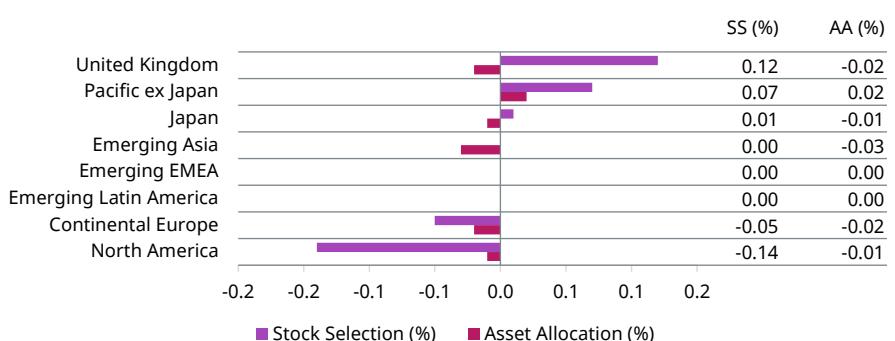
### Sector

3 months to 31 Dec 2025



### Region

3 months to 31 Dec 2025



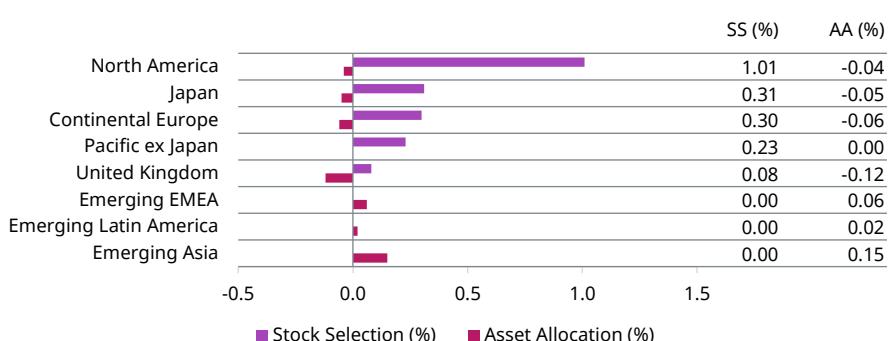
### Sector

12 months to 31 Dec 2025



### Region

12 months to 31 Dec 2025



Source: Schroders & Investment Team Classifications.

## Portfolio Activity and Policy

We continue to advocate a diversified approach, focused on high-quality, fundamentally strong businesses trading at attractive valuations. As such, positioning continues to balance exposure to value pockets alongside structural growth and select defensives. This is intended to support resilience across a range of market environments, particularly against a backdrop of heightened political and macro uncertainty.

During 2025, portfolio positioning evolved in response to shifting market conditions. Early in the year, we maintained our focus on diversification and stability, taking profits in areas of strong US performance and rotating capital into discounted quality cyclicals and defensives elsewhere, particularly in the UK. As volatility materialised, we remained disciplined, selectively adding to higher quality and structural growth opportunities during periods of market weakness, while trimming areas where valuations became less compelling.

At the sector level, Technology remained an important source of opportunities. Whilst we reduced exposure early in the year following strong performance, we rebuilt selectively as valuations became more reasonable although we have moved to a neutral position over the final quarter. Healthcare exposure increased over the course of the year, reflecting improving valuation support and attractive fundamentals, while Communication Services continued to feature as a source of stable quality alongside structural growth opportunities. Within Financials, profits were taken when performance was strong and valuations had become stretched although we have added to both sectors more recently. Exposure is focused on high quality global businesses with solid profitability and robust balance sheets. Our select exposure to Utilities continues to provide a defensive anchor within the portfolio, while Consumer Discretionary remains a key underweight.

During the final quarter, we used periods of market volatility to rebalance the portfolio at the margins while retaining our core exposures.

Regionally, exposure shifted through the year, with profits taken in the US early on, followed by disciplined buying during periods of weakness. The UK and Japan continue to offer attractive valuation and shareholder yield opportunities, supporting diversified regional exposure.

The strategy starts 2026 with a broad and diversified global exposure. The largest overweights in the portfolio are within Industrials and Healthcare. The most notable underweights were in Consumer Staples and Materials, alongside Consumer Discretionary where we maintain our underweight exposure. Regionally, our exposure remains consistent with an overweight to North America which still represents the best quality opportunities versus other developed markets. The UK and Europe remain a source of funding as their fundamentals are less compelling, whilst we retain a modest exposure to Emerging Markets, primarily in Technology and Communications.

## Outlook

Global equity markets delivered robust returns in 2025 overcoming a challenging start to the year driven by policy uncertainty, elevated valuations and geopolitics. Looking back to the start of year, we had highlighted several defining themes for equity markets, including the dominance of Artificial Intelligence (AI) led growth, elevated market concentration, the likelihood of higher volatility and the importance of focusing on mispricing rather than attempting to forecast short term macro outcomes. As the year concluded, these themes remained highly relevant, albeit they evolved with the environment entering 2026 increasingly pointing to a modest re-acceleration in economic activity.

At the forefront of many of these themes was the US economy, which enters the new year with some momentum. Growth remained robust through 2025, supported by a resilient consumer and strong productivity gains. Fiscal stimulus, notably through tax cuts, provides an additional impulse into the coming year. While employment trends softened, they did not deteriorate to levels historically associated with recession, and productivity improvements helped offset labour market cooling without impacting inflation. Monetary policy has also become more supportive, but easing is unlikely to be meaningfully stimulative. The post pandemic environment of structurally higher interest rates appears intact, reinforcing the importance of balance sheet resilience and capital discipline. Companies that can self-fund growth, defend margins and allocate capital efficiently are likely to be rewarded, while those reliant on leverage face greater scrutiny. This environment strengthens the case for a quality focused approach that looks beyond headline growth and instead emphasises returns on capital, financial strength and a growth profile that can be maintained over the longer term.

AI also remains a dominant structural force, but the narrative shifted over the course of the year. During 2025, there was a step change in both the scale and financing of AI related investment, with widespread adoption of investment grade debt to fund data centre buildouts and the associated energy and infrastructure requirements. AI related borrowing now represents a meaningful share of the US investment grade credit market, raising legitimate questions about the sustainability of debt funded capital expenditure into 2026. In the near term, company fundamentals remain supportive. Management commentary was constructive, earnings broadly followed through, and capital expenditure guidance continued to rise. However, as the cycle matures, scrutiny is intensifying around returns on invested capital, monetisation timelines, power constraints and the risk of diminishing marginal returns, particularly for the largest participants.

Importantly, as we've pointed out in the past, AI adoption is unlikely to follow a smooth or linear path. For many companies, implementation is expected to occur in stages, reflecting organisational complexity, change management challenges and evolving use cases. This suggests that monetisation may lag capital investment for longer than markets

currently assume, reinforcing the likelihood of uneven outcomes. At the same time, leadership within the theme itself is likely to broaden. Beyond the most obvious beneficiaries, second order opportunities may increasingly emerge as AI spreads across industries and supply chains. This dynamic strengthens the case for selectivity rather than reliance on a narrow group of perceived winners.

Valuations across equity markets also remain elevated, particularly in the US where performance continues to be heavily influenced by a small number of large stocks although there was broader participation in 2025. While concentration alone does not imply a bubble, it does heighten the risk that investors inherit exposures by default rather than by design. As a result, we continue to advocate for active management to manage these risks, trim excesses and redeploy capital where mispricing persists. This becomes particularly important as markets transition from a narrow, momentum driven phase toward a gradual broadening of leadership, even if overall index returns moderate.

Outside the US, equity markets benefited in 2025 from predominantly valuation re-rating and improving fundamentals in select spaces. The narrowing valuation discount to the US has not been driven solely by currency effects. International markets increasingly contributed to global equity returns as earnings momentum improved. Growth expectations for 2026 and 2027 are constructive, and recent survey data in Europe point to a gradual cyclical recovery. Fiscal stimulus, particularly in defence and infrastructure spending, provides additional support. In the UK, disinflation progressed meaningfully, although services inflation remains a watch point due to lingering wage pressures. Japan stands out as a potential regime shift market, with expansionary fiscal policy, firmer wage growth and inflation approaching 2 percent. A relatively weak yen and conservative corporate currency assumptions continue to support earnings resilience, reinforcing the case for selective exposure.

Emerging markets remain highly differentiated. China continues to face significant structural headwinds, including overcapacity, elevated debt levels and deflationary pressures driven by intense price competition. However, this is increasingly offset by genuine competitiveness and innovation in areas such as electric vehicles, batteries and solar, supported by policy measures and access to cheap funding. Reasonable valuations and short-term liquidity underpin selective opportunities. India's long term structural story remains compelling, but valuations are demanding even after the underperformance of 2025, suggesting a more selective approach is warranted, with a preference for Financials over Consumer sectors and Technology. Elsewhere, Taiwan and Korea offer a more attractively valued route into the AI ecosystem relative to US peers. A modestly weaker US dollar, while unlikely to repeat the magnitude of depreciation seen in 2025, remains a tailwind for emerging markets by easing financial conditions and supporting earnings translation.

As we look ahead to 2026, a number of themes stand out. Starting valuations are elevated and leave less room for disappointment. Forecasts from strategists remain broadly constructive and point to another year of gains. If realised, this would mark a fourth consecutive year of positive returns and the longest such streak in nearly two decades. While this speaks to the underlying resilience of the equity market, it also reinforces the need for discipline, as upside is increasingly harder earned and setbacks are likely to be more frequent. This has been summed up perfectly in the magnitude of stock price moves on earnings release days and how the market has rewarded beats versus penalising misses.

The broader environment remains best characterised as late cycle rather than end cycle. Growth continues to be supported by easing monetary policy and fiscal stimulus, particularly in the US, but this support no longer translates automatically into higher valuations. Instead, single stock volatility is high, dispersion is rising, correlations between stocks are falling, and performance is becoming increasingly differentiated across regions, sectors and individual companies. This backdrop is supportive of active management, but it also emphasises the importance of risk management and successful stock picking.

From a portfolio perspective, this implies a higher likelihood of more modest and uneven absolute returns than investors have enjoyed in recent years and emphasises that returns are more likely to be earned through earnings growth and stock selection than through rising valuations. Balance sheet strength, pricing power and capital discipline are likely to be key differentiators, while diversification beyond US mega cap growth becomes increasingly important. Elevated volatility and wider dispersion also create opportunities for disciplined rebalancing, allowing investors to add value by trimming areas of excess and redeploying capital into more attractively priced opportunities when bouts of volatility present.

In this environment, alpha is likely to matter more than beta. 2026 appears set to reward risk management discipline and valuation awareness rather than broad market exposure alone. A bottom-up approach focused on Quality and Value remains central to navigating the year ahead, with the important caveat that cheap valuation on its own is not a substitute for balance sheet strength or earnings durability.

## Active Ownership

The QEP investment team works in close collaboration with Schroders' Sustainable Investment team to facilitate our engagement activity. Company engagements play an important role in our process, with the information gained helping us to understand the sustainability issues corporations face and the specific strategies in place to address them. It also allows us to promote change and make clear our transition expectations for the companies in which we invest. The central store of engagement information available to us, covering all Schroders firmwide engagements, also provides useful qualitative information on issues that may otherwise be difficult to capture from traditional ESG data sources. Schroders' engagement blueprint includes six priority engagement themes capturing issues relating to environmental (climate change, natural capital & biodiversity), social (human rights, human capital management, diversity & inclusion) and corporate governance.

A range of companies held across the QEP investment desk were engaged with on various environmental, social and governance topics during the fourth quarter. We engaged with Xiaomi on the topics of climate change and natural capital as well as governance. Xiaomi's GHG emission targets were discussed, with the company considering aligning its targets with China's updated Nationally Determined Contributions (NDC targets). The company also outlined its plans to manage emissions through energy efficiency improvements and increased renewable electricity usage. Regarding waste management, Xiaomi has set targets for using circular materials in automotive bodies which is a positive step. Lastly, to ensure responsible sourcing of conflict minerals and fair worker practices, Xiaomi requires its suppliers to commit to its Supplier Code of Conduct and undergo CSR audits. Moving to Xiaomi's plans for integrating ESG performance into executive compensation, the company disclosed a target of achieving 5% executive compensation integration with ESG performance (i.e. GHG emission targets, product packaging, waste management, AI policy) but the timeline and quantitative targets were not clearly stated.

We also engaged with multiple European construction companies on the blueprint themes of climate change and human rights. Heidelberg Materials confirmed they embed conflict-sensitive human rights due diligence across global operations. The company outlined how it defines and monitors conflict-affected and high-risk areas within its Human Rights Compliance System, manage escalation of red-flag issues, and assign clear responsibilities from group to country level. Heidelberg described a maturing framework that includes annual risk assessments, site-specific Human Rights Impact Assessments (HRIAs), and plans to pilot enhanced human rights due diligence in 2026-27. Holcim were also engaged with primarily around environmental and governance issues. The focus was on Holcim's strategies for reducing Scope 1 & 2 emissions.

The engagement highlighted Holcim's interim targets, key levers for emissions reduction, and the challenges of implementing these strategies across different regions. These measures include decarbonisation of clinker cement and energy sources, and the implementation of carbon capture, utilization, and storage (CCUS) technologies. Efforts to increase the use of alternative materials and energy sources were also discussed, with an emphasis on the company's progress in Europe and the challenges faced in Latin America. The company representatives also explained how the green-capex budget is prioritised among various decarbonisation levers and so the company is making progress here.

Our stewardship process extends to a proactive voting programme, a mechanism we leverage using the weight of Schroders' asset base and associated voting rights to drive our engagement priorities. We make considered use of our voting rights, acting in line with our fiduciary responsibilities in what we deem to be the best interests of our clients. As a firm, Schroders votes on all resolutions unless we are specifically restricted from doing so with all voting carried out by Schroders' corporate governance specialists. We voted at over 200 meetings and more than 1,700 resolutions for companies held across the QEP desk in the final quarter of 2025. Within these votes, almost 11% were not with management. Votes against management were focussed on compensation plans, the election of directors or auditor related. For example, we voted against Oracle's board election as the proposed director's board tenure is already excessive. We also voted against Microsoft's remuneration proposal because the performance period for the long-term incentive is not sufficiently long, and there is duplication of performance targets across both the short- and long-term awards.

## Schroders Schroder Sustainable Global Core PIE Fund

### Portfolio Characteristics at 31 Dec 2025

Characteristics	Fund	Index
Active Share	23.4%	
Weight in non-index stocks	3.8%	
Ex ante Tracking Error	0.8%	
Beta	1.01	
Number of stocks	493	1,314
Company Market Cap	1,045,532	1,036,561
Dividend Yield (Gross)	1.4%	1.5%
Carbon Intensity (CO2 t/M\$ Sales)	70.6	91.3

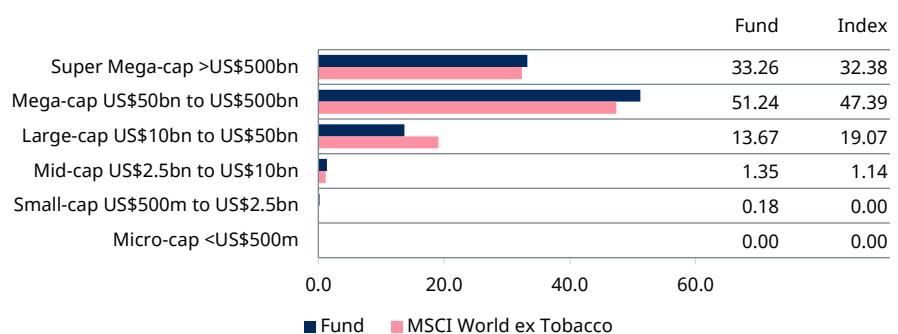
Source: Schroders & MSCI. Tracking Error is sourced from Aladdin.

Index: MSCI World ex Australia

# Portfolio Analysis

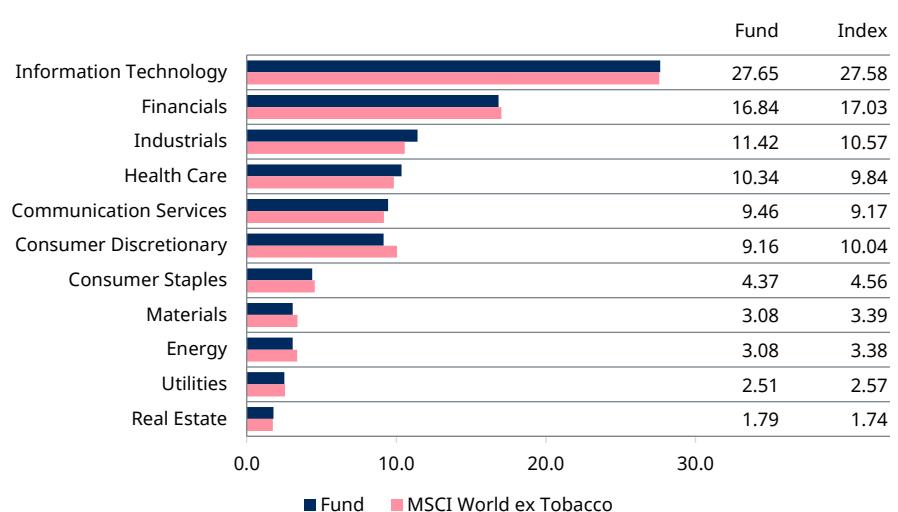
## Portfolio Weightings

### Market Capitalisation (%) at 31 Dec 2025



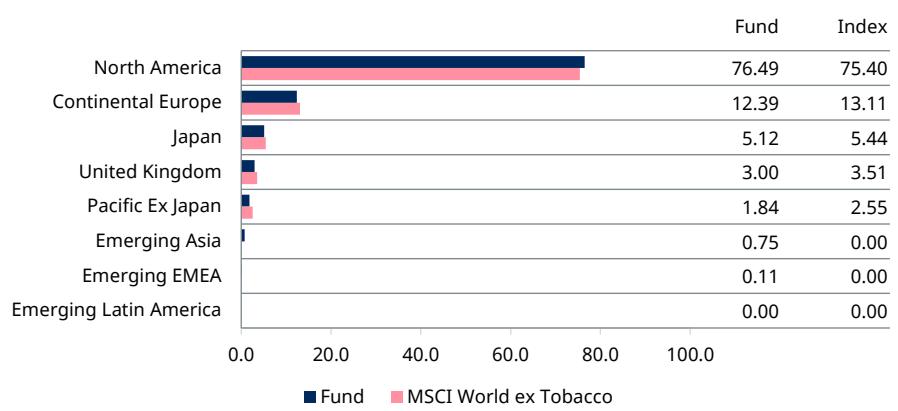
## Sector (%)

### at 31 Dec 2025



## Region (%)

### at 31 Dec 2025



Source: Schroders & Investment Team Classifications

## 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](http://www.schroders.com/talkingpoint).

## Important Information

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](http://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](http://www.schroders.com.au). This disclaimer extends to FundRock, and any entity that may distribute this document.