

# Schroder Sustainable Global Core PIE Fund

## Q1 2026

### 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.

Q1/2026

Schroders

**Schroder Sustainable Global Core PIE Fund**

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## Fund Performance (Unhedged)

Periods 31 March 2025

Total returns NZD	1 month %	3 months %	6 months %	12 months %	Inception % (pa.)
<b>Fund at closing prices (net)</b>	<b>-1.71</b>	<b>-2.40</b>	<b>1.50</b>	<b>20.34</b>	<b>22.75</b>
Benchmark <sup>^</sup>	-1.50	-2.86	1.17	18.05	21.37
<b><i>Difference (net)</i></b>	<b>-0.21</b>	<b>+0.46</b>	<b>+0.33</b>	<b>+2.29</b>	<b>+1.38</b>

## Fund Performance (Hedged)

Total returns NZD	1 month %	3 months %	6 months %	12 months %	Inception % (pa.)
<b>Fund at closing prices (net)</b>	<b>-6.13</b>	<b>-3.10</b>	<b>-0.26</b>	<b>18.44</b>	<b>17.60</b>
Benchmark <sup>^</sup>	-5.99	-3.69	-0.64	16.75	16.71
<b><i>Difference (net)</i></b>	<b>-0.14</b>	<b>+0.59</b>	<b>+0.38</b>	<b>+1.69</b>	<b>+0.89</b>

Both funds inception date: November 30, 2023.

Source: Schroders, FundRock as of March 2026. 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 equity markets declined over the first quarter of 2026, with the period ultimately defined by a sharp escalation in geopolitical risk. Markets entered the year with strong momentum, supported by resilient earnings and improving breadth across regions and sectors. However, sentiment shifted materially late in the quarter following the outbreak of conflict in the Middle East and the closure of the Strait of Hormuz, which disrupted key energy supply routes and introduced one of the most significant supply shocks in recent decades.

While central banks initially maintained a cautious approach to easing, the sharp move higher in energy prices toward the end of the quarter reintroduced uncertainty into the near-term inflation outlook, complicating the path for policy and contributing to a more cautious tone as the period drew to a close.

Equity performance varied considerably across regions. US markets fell sharply, with large cap growth and technology stocks the key laggards with performance across industries increasingly differentiated. Japan and the UK were among the stronger performers in developed markets, delivering positive returns over the quarter, while Europe also declined albeit less severely than the US.

Emerging markets declined slightly over the quarter in aggregate, masking significant regional divergence. EM Latin America was the standout performer, driven by strong commodity-linked markets as energy prices surged following the supply shock. EM Asia was modestly negative, with strong quarterly returns from Korea and Taiwan offset by a sharp reversal in March as risk appetite deteriorated, alongside significant declines in India and Indonesia where currency weakness and risk-off sentiment weighed heavily, and a difficult quarter for China. EM EMEA was broadly flat.

Market breadth also continued to improve over the quarter. Value and cyclical oriented sectors contributed more meaningfully to returns, particularly outside the United States, and dispersion across stocks, sectors and regions remained elevated.

Precious metals remained well supported through the quarter, reflecting demand for real assets in an uncertain environment. Energy markets moved sharply higher toward the end of the period as supply concerns intensified, amplifying the shift in market tone that characterised the final weeks of the quarter.

## Market Summary and Performance Review

The portfolio outperformed over the first quarter of 2026, with contributions broad based across sectors and regions. Performance was driven by stock selection across a mix of better value and quality pockets, as market leadership continued to broaden alongside heightened volatility.

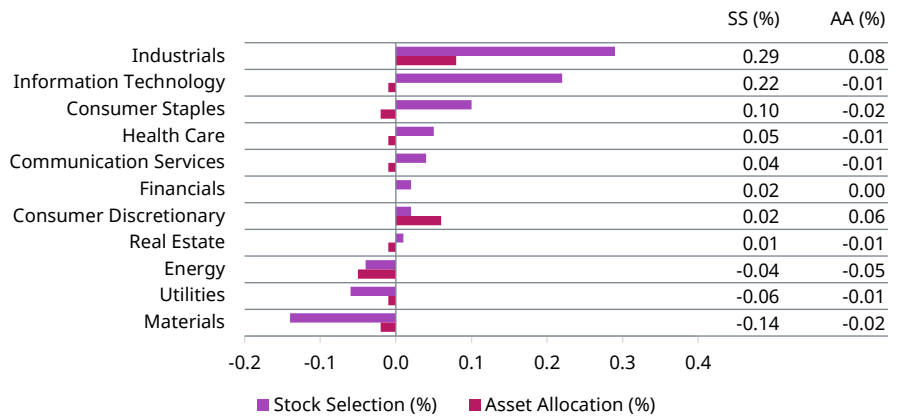
Industrials were the primary driver of outperformance, supported by strong stock selection across Manufacturing, Construction and Business Service names. Information Technology also contributed positively, with gains across most underlying industries including Communications Equipment, Hardware and selected Software names as returns within the AI theme became more differentiated. Additional support came from Communications Services, Consumer Discretionary and Consumer Staples.

These gains were partly offset by positioning in Materials and Energy, which detracted over the period largely driven by a lower than index allocation. Utilities also weighed modestly. Other areas, including Financials and Real Estate were broadly neutral.

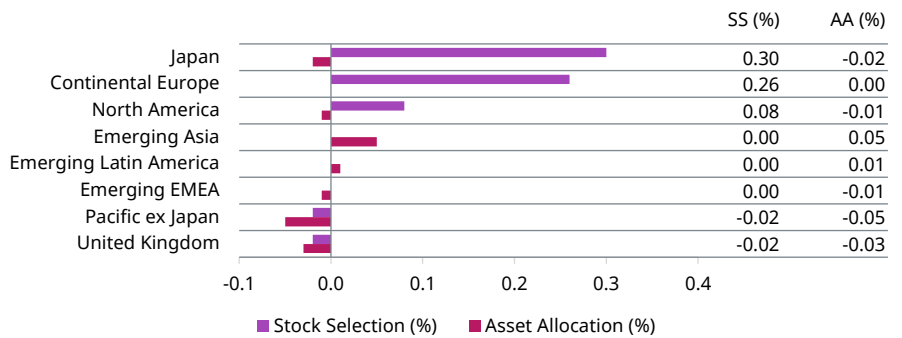
# Schroders Schroder Sustainable Global Core PIE Fund

## Relative Fund Performance vs MSCI World ex Tobacco

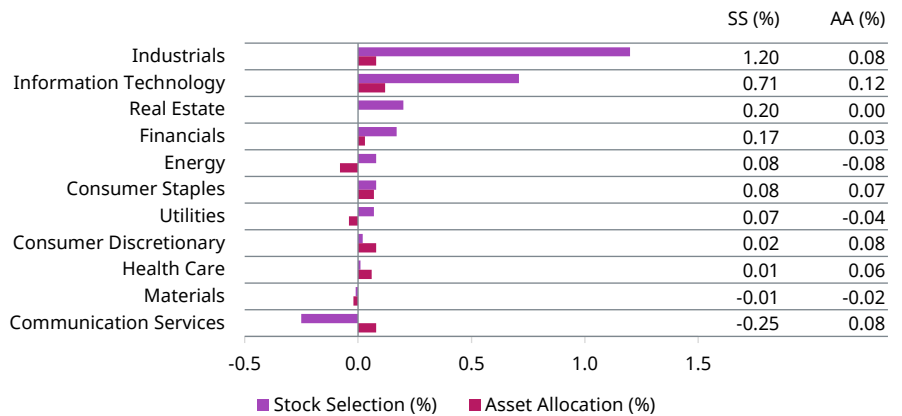
**Sector**  
3 months to 31 Mar 2026



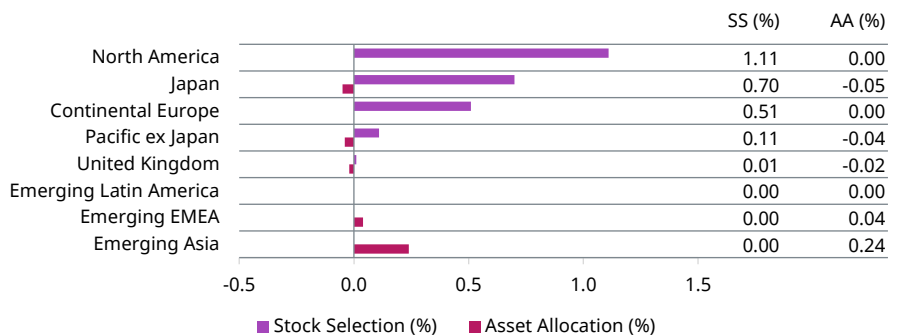
**Region**  
3 months to 31 Mar 2026



**Sector**  
12 months to 31 Mar 2026



**Region**  
12 months to 31 Mar 2026



Source: Schroders & Investment Team Classifications.

## Portfolio Activity and Policy

Entering the year, our view was to maintain a balanced and diversified global exposure, positioning the portfolio for a continuation of the broadening observed across markets in 2025. This proved resilient as the quarter was disrupted by the escalation of the Middle East conflict and the closure of the Strait of Hormuz, introducing one of the most significant energy supply shocks in decades and driving a period of elevated volatility across global equity markets. Against this backdrop, we looked to trim higher beta areas and add quality defensives trading at attractive valuations. Resilience and risk management remain the priority, with an emphasis on balance sheet strength, pricing power and capital discipline.

Over the quarter, we used periods of market volatility to rebalance the portfolio at the margin while retaining our core exposures. Financials were the key funding source, as valuations became less compelling alongside our move to reduce beta. Within Information Technology, we remained selective, focusing on companies with clear paths to AI monetisation rather than broad thematic exposure, consistent with a market environment increasingly rewarding capital discipline and demonstrated returns over speculative investment. Within Industrials, we actively managed positioning over the quarter, adding through the early part of the year before trimming where valuations became stretched, while maintaining the sector as our largest overweight. Energy exposure was increased, with selective additions to high quality Oil and Gas majors to leave us neutral relative to the index.

The strategy enters the next quarter with its largest overweights in Industrials, Health Care and Communication Services, reflecting their defensive earnings characteristics and quality credentials. Information Technology is now broadly neutral, focused on higher conviction names across Communication Equipment and Hardware. Within Application Software, we remain cautious, with selective positioning favouring cybersecurity. Utilities exposure continues to provide a defensive anchor within the portfolio. The most notable underweights are in Financials and Consumer Discretionary, alongside Materials, where we see less opportunity in a decelerating growth environment, with higher input prices likely to put pressure on margins.

From a regional perspective, North America is broadly neutral, while the UK and Europe remain sources of funding, with capital redeployed into businesses elsewhere offering more attractive valuations and stronger fundamental characteristics. Japan and Emerging Markets Asia are the most meaningful overweights at quarter end.

### Outlook

Global equity markets entered 2026 with strong momentum, supported by resilient earnings and expectations of a gradual broadening of leadership beyond a narrow group of US mega caps. The early weeks of the year were broadly consistent with this view. However, that backdrop has been interrupted by the escalation of the Middle East conflict and the closure of the Strait of Hormuz, introducing one of the most significant energy supply shocks in decades.

Critically, the implications of this shock will depend on its duration. A near term resolution would likely see energy prices retrace and growth expectations stabilise. A more prolonged disruption raises downside risks in a non-linear fashion, as inventories are drawn down, supply chains tighten and confidence weakens. For now, equity markets have adjusted in an orderly manner, with indices modestly off their highs. Importantly, this has been driven more by valuation compression than by a deterioration in earnings expectations, which remain broadly intact. More generally, markets still appear to be pricing a relatively benign outcome as the base case.

Higher energy prices are expected to push headline inflation higher in the near term while acting as a drag on incomes and demand. However, the impact on core inflation should remain somewhat contained for now given the concentration of the shock in energy. Central banks are therefore faced with a more complex trade-off between inflation and growth. Markets have repriced toward fewer cuts, but there is a growing risk that expectations have become overly hawkish if weaker growth begins to dominate. This is particularly relevant given that the cycle was already maturing, with US growth expected to moderate later in 2026 as fiscal support fades.

Within equities, artificial intelligence remains a powerful structural theme, but the narrative has evolved. The focus has shifted from the scale of investment toward monetisation, capital discipline and returns. Within technology, and particularly software, AI presents both opportunity and disruption. While it enables productivity gains for some companies, it also risks redundancy for parts of the existing software stack where functionality can be automated, creating pressure on pricing and margins. As a result, the phase of broad-based enthusiasm is giving way to a more selective environment. Leadership is beginning to broaden, with more compelling opportunities among companies that can translate AI adoption into sustainable earnings growth.

International (ex US) equity markets had been a strong source of returns heading into the quarter, supported by multiples rerating, improving earnings revisions and a more constructive currency

backdrop. The energy shock creates some headwinds that are unevenly distributed. Europe, which had only recently shown signs of cyclical recovery, faces renewed stagflationary pressure through higher gas prices. Asia carries the most direct exposure given its energy import dependency. Japan's structural story around strengthening wages, inflation and corporate reform remain a differentiated opportunity. Emerging markets remain highly selective as China offers pockets of genuine innovation but requires careful navigation. India's long-term credentials are strong, but valuations remain demanding while Taiwan and Korea offer a more attractively priced route into the AI supply chain. Currency dynamics and dollar strength will continue to influence the attractiveness here.

Beneath the headline moves, we continue to observe a changing market structure which demonstrates some fragility albeit with some opportunity. Trading is increasingly dominated by ETFs and basket flows, while underlying liquidity in single stocks has declined. At the same time, positioning remains concentrated in AI, large cap growth and momentum. This combination creates vulnerability to sharper moves if crowded exposures begin to unwind. Dispersion across stocks, sectors and regions remains high, and valuations leave limited room for disappointment, with the market showing a more asymmetric response to weaker outcomes.

We continue to view the environment as late cycle rather than end of cycle. Growth is slowing but not collapsing, and policy remains broadly supportive even if the room for manoeuvre has narrowed. Resilience within our portfolios remains the priority and we are focused on balance sheet strength, pricing power and capital discipline. Our view is that companies that can generate returns without reliance on leverage are best placed to sustain performance through a more challenging period. More generally we remain ever anchored in quality alongside value. Cheap stocks do not automatically offer a margin of safety when growth is decelerating, and we remain vigilant on value traps.

Elevated volatility and wide dispersion across stocks, sectors and regions are not only sources of risk, rather they are a source of opportunity for disciplined investors. Our process is designed to harvest these moments, trimming areas of relative strength and redeploying capital into more attractively priced positions as dislocations present themselves. The opportunity set remains attractive, but it is less forgiving than in recent years. Alpha and disciplined risk management are likely to matter considerably more than beta, and 2026 is shaping up to reward those who have built diversified portfolios with balanced exposures to navigate a range of potential outcomes.

### 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 environmental, social and governance topics over the first quarter of 2026. We engaged with ASML to deepen our understanding of the company's strategy across several ESG topics, including environmental delivery, cybersecurity and select social and governance matters. Within social our focus was on human capital, where ASML discussed talent attraction and retention and provided an update on the Beethoven initiative, which aims to support regional growth and infrastructure. They also provided comments on potential implications of migration policies for recruitment and wider employer brand-building in a competitive labour market. We also discussed business ethics, including whistleblowing arrangements, responsible product use considerations and diversity, as well as supply chain oversight—particularly the company's approach to conflict minerals and its engagement through the Responsible Business Alliance self-assessment questionnaire process. Cybersecurity was a further area of focus, with ASML outlining preventative measures to manage both external and internal threats. Finally, we discussed the company's environmental priorities, including energy efficiency targets, how customer purchasing decisions influence energy performance, and ASML's pathway towards its 2040 net-zero ambition, including progress on renewable electricity procurement and the use of power purchase agreements. Overall, the engagement provided additional insight into how ASML is addressing sustainability risk in its operations and supply chain.

We also engaged with multiple banks on our blueprint theme of climate change. Our engagement with HSBC focused on its assessment of potential green bond issuance. HSBC outlined that it has considered this and is aware that other entities have issued such bonds, but remains focused on maintaining a clear and

consistent linkage between funding requirements and eligible green assets. The bank noted that it has not ruled out issuing a green bond in future; however, it continues to apply a high bar to ensure robust traceability between proceeds and deployment, taking into account evolving market standards and stakeholder expectations. Separately, our engagement with Santander focused on progress towards reducing emissions, and we sought an update on the status of the bank's carbon neutrality goal for Scope 1 & 2 market-based emissions, which the company previously confirmed they were working towards. We will review Santander's next sustainability report for further detail on delivery and disclosure, and plan to re-engage to clarify details.

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 2,700 resolutions for companies held across the QEP desk in the first quarter of 2026. Within these votes, almost 10% were not with management. Votes against management were focussed on compensation plans, the election of directors or auditor related. For example, we voted against Energizer's board election as the proposed nominee sits on a number of external boards which may impact their role. We also voted against UniCredit's remuneration proposal because the percentage change in the CEOs base salary is greater than 10% with no reasonable explanation.

## Portfolio Characteristics at 31 Mar 2026

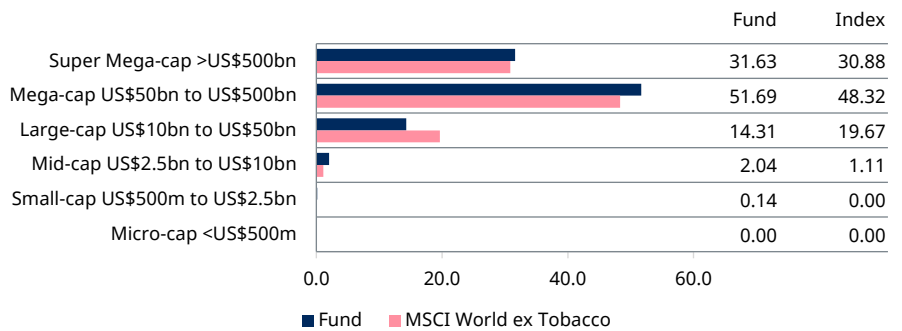
Characteristics	Fund	Index
Active Share	25.2%	
Weight in non-index stocks	4.1%	
Ex ante Tracking Error	0.9%	
Beta	1.00	
Number of stocks	483	1,306
Company Market Cap	908,871	891,890
Dividend Yield (Gross)	1.6%	1.6%
Carbon Intensity (CO2 t/M\$ Sales)	78.5	104.7

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

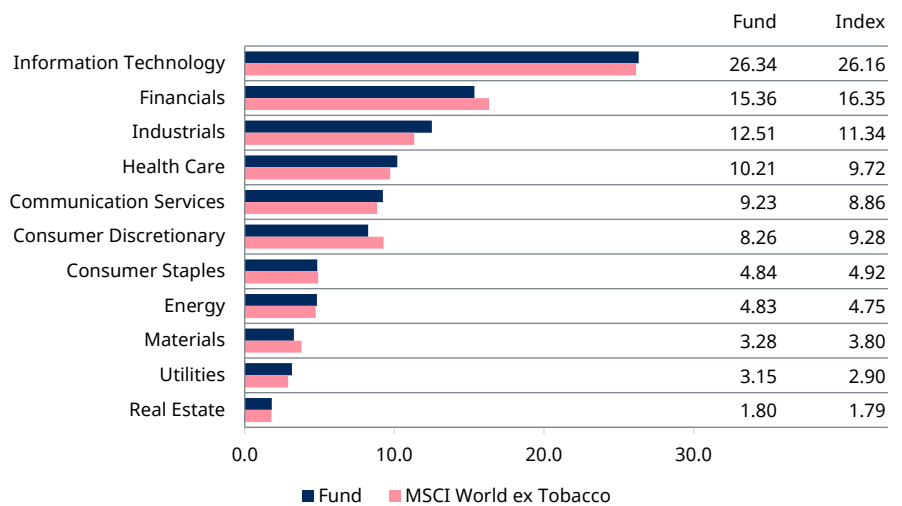
Index: MSCI World ex Tobacco

# Portfolio Analysis

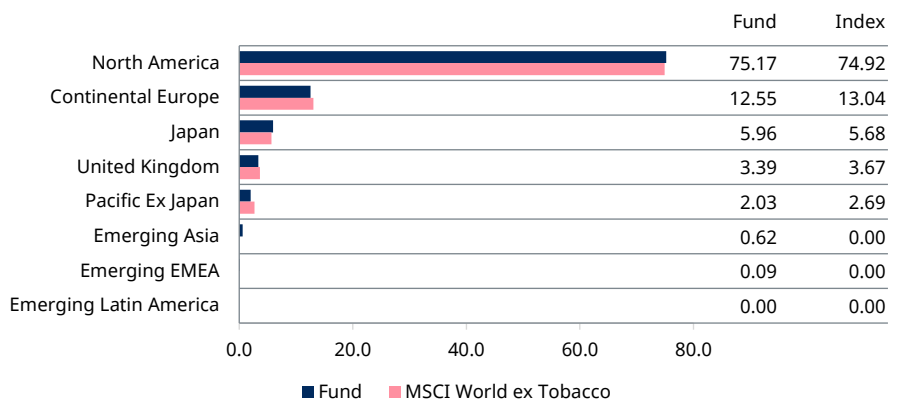
## Portfolio Weightings Market Capitalisation (%) at 31 Mar 2026



## Sector (%) at 31 Mar 2026



## Region (%) at 31 Mar 2026



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

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