Schroders

For professional investors only

Schroder Sustainable Global Core PIE Fund

Q2 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.

Q2/2026

Schroders

Schroder Sustainable Global Core PIE Fund

In this report

The Team

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Fund Performance (Unhedged)

Periods 30 June 2026

Total returns NZD	1 month %	3 months %	6 months %	12 months %	Inception % (pa.)
Fund at closing prices (net)	**4.99**	**15.07**	**12.31**	**31.67**	**27.08**
Benchmark^	4.47	14.12	10.86	29.54	25.36
Difference (net)	***+0.52***	***+0.95***	***+1.45***	***+2.13***	***+1.72***

Fund Performance (Hedged)

Total returns NZD	1 month %	3 months %	6 months %	12 months %	Inception % (pa.)
Fund at closing prices (net)	**0.28**	**14.51**	**10.95**	**23.20**	**22.01**
Benchmark^	-0.10	13.45	9.26	21.17	20.73
Difference (net)	***+0.38***	***+1.06***	***+1.69***	***+2.03***	***+1.28***

Both funds inception date: November 30, 2023.

Source: Schroders, FundRock as of June 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. ^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 rallied strongly in the second quarter, recovering from the geopolitical shock that dominated the end of Q1. The key shift was that investors increasingly looked through the Middle East conflict as signs of de-escalation emerged and oil prices retreated from their April highs. At the same time, confidence in the artificial intelligence investment cycle reasserted itself, with technology and semiconductor companies again becoming the main driver of equity returns. Developed market equities gained 13.8% over the quarter (all figures shown in USD terms), while emerging markets rose 24.0%, their strongest quarterly gain since 2009.

US equities delivered one of their strongest quarters in recent times, with the S&P 500 and Nasdaq 100 recording their best quarterly performance since Q2 2020. The initial rally was led by large growth stocks and hyperscalers, supported by renewed confidence in AI infrastructure spending and stronger earnings expectations. Semiconductors were the standout area, reflecting exceptional demand for memory chips within the AI supply chain.

International developed markets also advanced, although performance varied by region. Continental Europe rallied as geopolitical risks eased and economic sentiment proved more resilient than feared, while Japan also performed well, supported by exporters, financials and continued optimism regarding ongoing corporate reform in the nation. The UK gained but lagged broader developed markets, reflecting its more defensive sector composition and lower exposure to the strongest areas of growth leadership alongside increased political uncertainty.

Emerging markets were the standout region, led by Korea and Taiwan. Here, exceptional returns were supported by strong investor demand for semiconductors, memory and electrical equipment companies with Samsung, SK Hynix & TSMC driving the market forward. By contrast, emerging markets with heavier energy exposure, including parts of the Middle East and Latin America, lagged as oil prices fell sharply over the quarter.

Style and sector performance reflected the return of the AI trade, although breadth improved as the quarter progressed. While Momentum was the standout stylistic performer over the quarter, Growth comfortably outperformed Value though in June, as risk appetite waned, there was a rotation toward Value, and selected areas more sensitive to economic resilience and higher rates. Sector performance was broadly positive with ten of eleven sectors finishing Q2 higher, though there was significant dispersion in performance.

The macro backdrop remains mixed. Earnings expectations improved through the quarter, with US profit and revenue forecasts revised higher, supporting the view that the rally was not driven by multiple expansion but instead fundamental earnings support. However, inflation concerns persist, and the Federal Reserve adopted a more hawkish tone in June, contributing to rate volatility and a stronger US dollar. Commodity markets moved lower in lockstep with oil prices, which fell sharply as the US and Iran moved towards a ceasefire and fears around energy supply disruption eased. Gold and precious metals also declined while industrial metals were provided some support from technology and infrastructure investment demand.

Market Summary and Performance Review

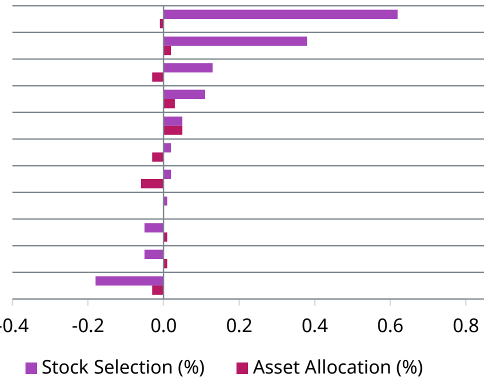
The portfolio outperformed comfortably over the second quarter of 2026, leaving it well ahead of the benchmark over the year to date. Contributions were broad based, driven by strong stock selection across a mix of cyclical and structural growth positions as global equity markets continued to march higher.

Industrials were the primary driver of performance, supported by strong stock selection across defence & aerospace, manufacturing and construction as preferred names have benefitted from a broadening in capital expenditure driving an improvement in fundamentals. Financials also contributed meaningfully, with gains across banks and investment services as investors rotated into cyclicals through June as Financials recovered following their weakness in Q1. Technology also added modestly, driven by communications equipment, reflecting the portfolio's more selective positioning within the AI theme through durable enablers. Additional support came from Consumer Discretionary and preferred names within the autos space, alongside a lower exposure to Materials.

These gains were partly offset by weakness in Communication Services, primarily across names held in integrated and wireless telecoms as defensive areas lagged the broader rally.

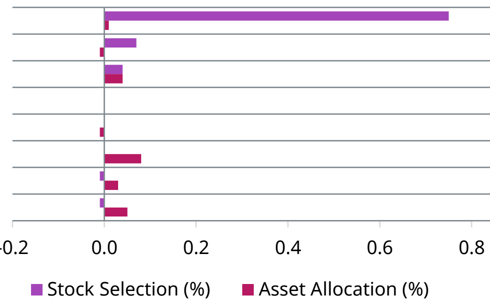
Relative Fund Performance vs MSCI World ex Tobacco

Sector
3 months to 30 Jun 2026



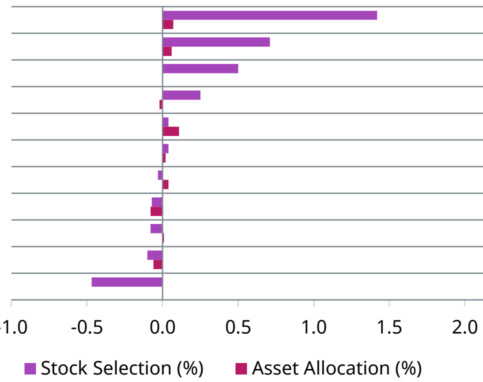
	SS (%)	AA (%)
Industrials	0.62	-0.01
Financials	0.38	0.02
Information Technology	0.13	-0.03
Consumer Discretionary	0.11	0.03
Materials	0.05	0.05
Health Care	0.02	-0.03
Utilities	0.02	-0.06
Real Estate	0.01	0.00
Consumer Staples	-0.05	0.01
Energy	-0.05	0.01
Communication Services	-0.18	-0.03

Region
3 months to 30 Jun 2026



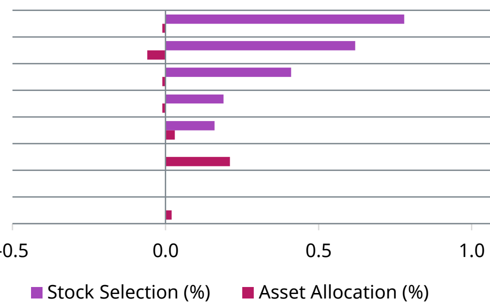
	SS (%)	AA (%)
North America	0.75	0.01
Japan	0.07	-0.01
United Kingdom	0.04	0.04
Emerging Latin America	0.00	0.00
Emerging EMEA	0.00	-0.01
Emerging Asia	0.00	0.08
Continental Europe	-0.01	0.03
Pacific ex Japan	-0.01	0.05

Sector
12 months to 30 Jun 2026



	SS (%)	AA (%)
Industrials	1.42	0.07
Financials	0.71	0.06
Information Technology	0.50	0.00
Real Estate	0.25	-0.02
Consumer Discretionary	0.04	0.11
Materials	0.04	0.02
Consumer Staples	-0.03	0.04
Utilities	-0.07	-0.08
Health Care	-0.08	0.01
Energy	-0.10	-0.06
Communication Services	-0.47	0.00

Region
12 months to 30 Jun 2026



	SS (%)	AA (%)
North America	0.78	-0.01
Japan	0.62	-0.06
Continental Europe	0.41	-0.01
United Kingdom	0.19	-0.01
Pacific ex Japan	0.16	0.03
Emerging Asia	0.00	0.21
Emerging Latin America	0.00	0.00
Emerging EMEA	0.00	0.02

Source: Schroders & Investment Team Classifications.

Portfolio Activity and Policy

Entering the second quarter, the portfolio remained diversified broadly, with the largest sector overweights in Industrials and Financials, while Consumer Discretionary and Information technology represented the most notable underweights. We continued to focus on high-quality, fundamentally strong businesses trading at attractive valuations, balancing exposure to structural growth alongside value opportunities and select defensives. Resilience remains central to our approach, with an emphasis on balance sheet strength, earnings support and improving fundamentals.

During the quarter, we used market opportunities to rebalance the portfolio at the margin while maintaining our core convictions. Financials exposure increased as we capitalised on improved valuations given Q1 weakness. Energy was reduced to a modest underweight following profit taking in exploration & production names as oil prices retreated from their first-quarter highs. Within Utilities, we trimmed electric utilities , while maintaining our overweight in electricity transmission & distribution where the structural investment case remains attractive. Information Technology was reduced further as profits were taken across a broad set of positions that have proven beneficial to performance. Though we continue to hold exposure in durable AI enablers and adopters, principally communications equipment, we have moved to underweights to other tech spaces on aggregate. Healthcare remains an overweight, led by pharmaceuticals and health providers, reflecting attractive valuations and resilient fundamentals alongside solid balance sheets.

The strategy enters the second half of the year with its largest overweights in Industrials and Financials. Within Industrials, our exposure continues to favour construction & manufacturing names where fundamental momentum has persisted, while Financials is focused on North American & European complex banks alongside life and health insurers. Healthcare is also held at a larger than index weight. Consumer Discretionary remains the most significant underweight, alongside Information Technology, Materials and Energy.

Regionally, North America is the portfolio's largest overweight, reflecting a more compelling opportunity set from a fundamental perspective. Emerging Markets Asia remains a modest overweight, while Continental Europe, the UK and Japan have all moved to modest underweights as capital has been redeployed into higher-quality businesses offering more attractive valuations and stronger long-term fundamentals.

Outlook

Markets over the second quarter proved more constructive than feared. After heightened volatility triggered by the Q1 energy shock, equity markets recovered strongly, with the MSCI World index up nearly 10% at the halfway mark despite the Iran war and a June selloff across AI related names. Markets increasingly looked through the geopolitical shock as oil gave back much of its earlier rally and earnings expectations remained resilient. Importantly, the recovery was driven more by earnings delivery and ongoing AI related capital expenditure than by broad multiple expansion. This theme holds true across regions, and the distinction matters as the market has not simply returned to the easy beta environment of recent years but has been supported by fundamental realities. Gains have been dependent on earnings credibility, forward guidance, exposure to the investment cycle and the ability of companies to deliver against elevated expectations.

The macro environment has also evolved. The energy shock has shifted from being the dominant market driver to a source of additional inflation raising the potential for policy risk. Oil no longer appears to be pricing a worst-case supply shock, but the legacy of the Q1 move remains visible in stickier inflation, more cautious central banks and a higher hurdle for rate cuts. Rate expectations have swung sharply in a more hawkish direction, moving from around 50 basis points of expected cuts for 2026 to 37 basis points of expected hikes, with the new Fed Chair signalling patience. There remains a risk that markets have moved too far in this direction if growth slows, but for now the economy has held up better than feared.

Growth has been supported by a resilient consumer and the increased capital expenditure cycle. This is no longer just about AI. Demand for capital is also being driven by defence, energy security, infrastructure and supply chain resilience. This has important implications for markets, particularly in terms of the longer-term success of this CapEx spend alongside highlighting the chief beneficiaries of this spending today. Further, after years in which excess savings and very loose monetary policy kept yields structurally low, the current environment suggests there is now a firmer floor under rates. We do not expect a return to the ultra-low rate environment of the prior decade, which reinforces the importance of balance sheet strength, financing discipline and, as already highlighted, return on invested capital.

AI remains the dominant theme, but Q2 reinforced that the opportunity set is becoming more selective and nuanced. The strongest performance came from AI infrastructure, particularly semiconductors, memory, data centres and power. Memory has emerged as a clear bottleneck in the buildout, supporting strong returns across parts of the semiconductor supply chain and contributing to the outperformance of select Asian equity markets. The debate is no longer whether AI is real. It is increasingly about who captures the economics of the investment cycle today while keeping a close eye on corporate ability to effectively monetise applications moving into the future. The market still seems willing to reward the theme, but increasingly through infrastructure bottlenecks and earnings validation rather than broad AI exposure. Hyperscaler CapEx remains a key support for earnings, but scrutiny is rising around monetisation and the sustainability of spending. As a result, we continue to favour durable AI enablers and adopters with pricing power, clear customer value and credible earnings growth.

From a regional perspective, North Asia has been the clearest winner. Korea, Taiwan and Japan have benefited from their central role in the AI infrastructure supply chain, with Japan also supported by ongoing governance reform and improving domestic fundamentals. The US has reasserted near term leadership, supported by stronger earnings momentum, AI dominance and relative insulation from the energy shock. Europe continues to muddle through better than expected, although the recovery remains uneven. Europe, including the UK, continues to suffer from a lack of energy independence, anaemic growth and broad political instability.

Regarding market dynamics presently, we would attest a structural shift has taken place. More specifically, high stock volatility - what we would have described as unusual just a few years ago has now become the norm. Though headline volatility is more contained, this masks significant movement beneath the surface and across single stocks. ETF basket trading and option utilisation continue to dominate trading, while single stock liquidity is thinner. This has contributed to outsized intraday price moves and more flow driven price action. Earnings day moves have also become outsized, amplified by concentrated positioning and reduced liquidity alongside rising retail participation, short termism and leverage utilisation. This all increases the risk of sharp dislocations.

At the same time, stock correlations remain low and dispersion remains high. Returns are being driven more by idiosyncratic risk than by simple market direction. This is supportive for active management, but it also means risk control is essential. A wave of mega IPOs is testing market risk appetite, while fast tracked index inclusion can force passive buying and add volatility, particularly in a market where liquidity is already lower. Key risks for the second half include rates volatility, renewed geopolitical shocks, CapEx sustainability, tariffs, midterm politics, private credit stress and any disappointment in earnings or forward guidance.

From a portfolio perspective, the message remains consistent with the themes we have emphasised over recent quarters, but the balance has shifted. The market is still rewarding risk taking, but increasingly only where earnings, cash flows and capital discipline validate the narrative. Diversification beyond narrow index leadership is important, but should be focused on quality with an appreciation for valuation as this is coming under greater scrutiny. Market volatility is likely to remain high, and so the importance of a robust investment philosophy, risk framework and disciplined implementation approach is essential in navigating this type of market backdrop.

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 second quarter of 2026. We engaged with Japanese manufacturer Yokogawa Electric on social topics, focussing on health & safety measures and supply chain management. In response to questions about efforts to reduce incidents and maintain safety, the company outlined initiatives already in place to prevent common accidents and the rigorous risk assessments they conduct. They also monitor the progress against KPIs regularly. The company also confirmed they are strengthening safety oversight and enhancing risk assessments for temporary and contract employees given increased incidents here. The engagement also covered supply chain management, particularly supplier risk assessment. The company uses Self-Assessment Questionnaire (SAQ) results and other criteria to decide on follow-up actions and verify improvements. They have also implemented a system to monitor and verify whether reported improvements are implemented and sustained over time.

We also engaged with multiple integrated oil & gas majors on our blueprint theme of climate change. One example is Repsol. In this engagement the company emphasised the ongoing focus on their carbon commitments, having broadly met their 2025 objectives and alignment with a 2050 net zero pathway while tracking closely to their 2030 targets. Repsol's approach to energy transition places an emphasis on profitability and capital discipline. We questioned Repsol on how their capital allocation supports long-term decarbonisation versus shareholder returns to understand this approach further. Repsol highlighted its flexible capex framework, reliance on existing capacity to deliver near-term targets, and disciplined approach to low-carbon returns. We also raised health and safety concerns, where management explained that an increase in reported incident rates reflects improved reporting practices and greater focus on high-potential incidents rather than a deterioration in underlying performance.

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 1,100 meetings and more than 15,500 resolutions for companies held across the QEP desk in the second quarter of 2026. Within these votes, 11% were not with management. Votes against management were focussed on compensation plans, the election of directors and capital management. For example, we voted against Royal Caribbean's board election as the proposed director's board tenure is already excessive. We also voted against Arista Networks remuneration proposal because there is insufficient disclosure regarding sign-on bonus terms, and there is duplication of performance targets across variable pay plans.

Portfolio Characteristics at 30 Jun 2026

Characteristics	Fund	Index
Active Share	23.4%	
Weight in non-index stocks	3.2%	
Ex ante Tracking Error	0.8%	
Beta	1.00	
Number of stocks	473	1,278
Company Market Cap	1,065,367	1,050,460
Dividend Yield (Gross)	1.4%	1.5%
Carbon Intensity (CO2 t/M$ Sales)	75.0	96.0

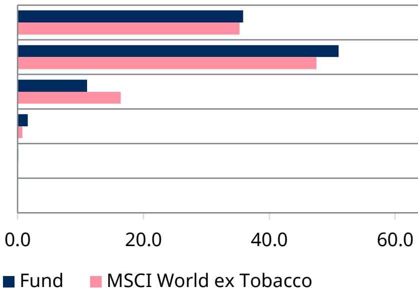
Source: Schroders & MSCI. Tracking Error is sourced from Aladdin.

Index: MSCI World ex Tobacco

Portfolio Analysis

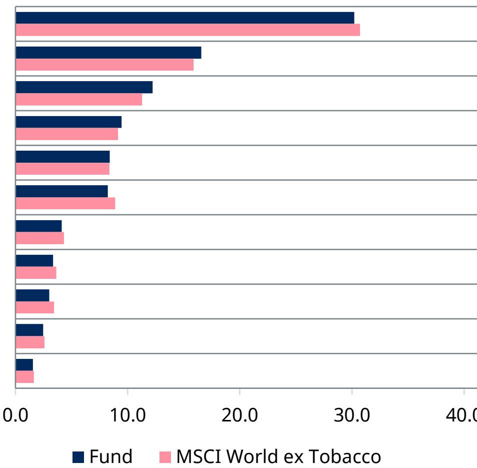
Portfolio Weightings
Market Capitalisation (%)
at 30 Jun 2026

	Fund	Index
Super Mega-cap >US$500bn	35.86	35.31
Mega-cap US$50bn to US$500bn	51.03	47.53
Large-cap US$10bn to US$50bn	11.05	16.38
Mid-cap US$2.5bn to US$10bn	1.63	0.76
Small-cap US$500m to US$2.5bn	0.08	0.00
Micro-cap <US$500m	0.00	0.00



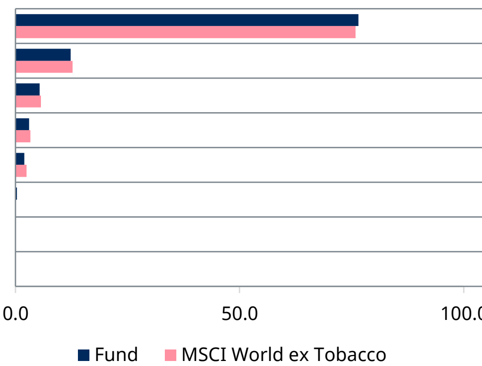
Sector (%)
at 30 Jun 2026

	Fund	Index
Information Technology	30.21	30.72
Financials	16.56	15.89
Industrials	12.23	11.28
Health Care	9.46	9.14
Communication Services	8.41	8.37
Consumer Discretionary	8.23	8.89
Consumer Staples	4.14	4.32
Energy	3.37	3.63
Materials	3.01	3.44
Utilities	2.46	2.59
Real Estate	1.57	1.64



Region (%)
at 30 Jun 2026

	Fund	Index
North America	76.48	75.85
Continental Europe	12.32	12.71
Japan	5.42	5.69
United Kingdom	3.07	3.30
Pacific Ex Japan	1.96	2.46
Emerging Asia	0.32	0.00
Emerging EMEA	0.07	0.00
Emerging Latin America	0.00	0.00



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.

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