

Schroder Global Cities Real Estate Fund – August 2023

LWM FUND SPOTLIGHT SCHRODER GLOBAL CITITES REAL ESTATE FUND

INVESTMENT OBJECTIVE

The Fund aims to provide income and capital growth in excess of inflation (as measured by the UK Consumer Price Index) plus 3% per annum (after fees have been deducted) over a three-to-five-year period by investing in equity and equity related securities of real estate companies worldwide. This cannot be guaranteed, and your capital is at risk. The Fund is actively managed and invests at least 80% of its assets in equity and equity related securities of real estate companies worldwide which generate the majority of their earnings from real estate investment related activities. The Fund may invest in real estate investment trusts. The Fund seeks exposure to companies that invest in cities that the Investment Manager believes will exhibit continued economic growth, supported by factors such as strong infrastructure and supportive planning regimes.

INCEPTION DATE	9 th December 2005
FUND FACTSHEET	https://www.trustnet.com/factsheets/o/y874/schroder-global-cities-real-estate-z-acc

MANAGEMENT

Manager Name	Start Date
Hugo Machin	15 th August 2014
Tom Walker	15 th August 2014

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
-0.19	1.19	-25.29	9.89	-13.78	74	82	6.07

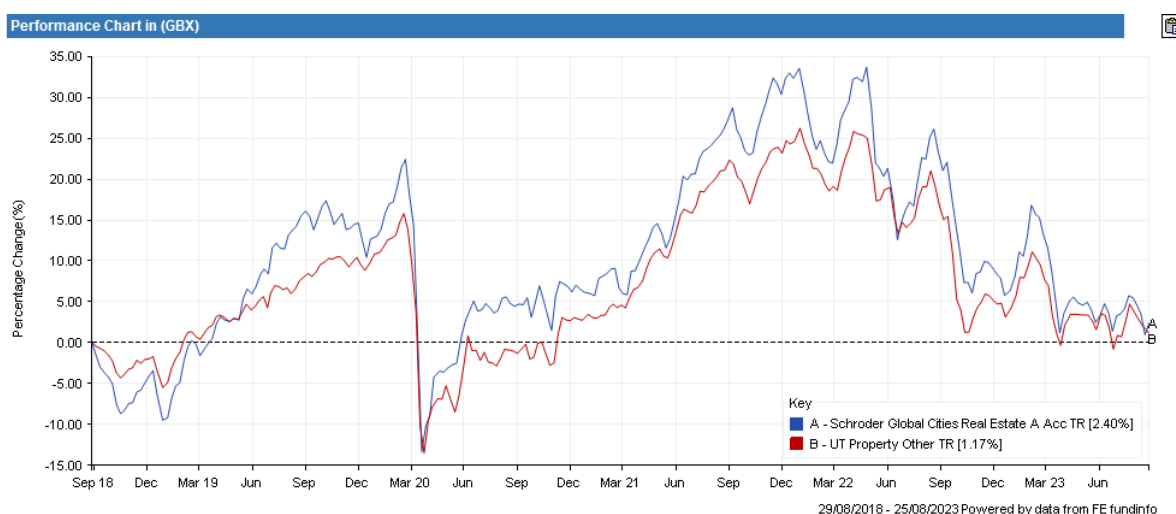
OTHER DATA

Benchmark	CPI + 3% p.a.
Fund Size	£142.62 million
Fees	1.67%

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BULL POINTS (PRO)	BEAR POINTS (CONS)
<ul style="list-style-type: none"> • Focused on different parts of the real estate market – life sciences, self-storage, healthcare, data centres etc. • High levels of occupancy, strong growth and low levels of debt across the portfolio • Leases provide inflation protection. • Sustainability focus. • Active engagement. 	<ul style="list-style-type: none"> • Poor recent performance and rising inflation means fund failing to bear benchmark. • Sector out of favour.

FUND PERFORMANCE



Cumulative Performance (GBX)					
	3 Months	6 Months	1 Year	3 Years	5 Years
Fund	0.65%	-8.30%	-17.42%	-1.83%	3.08%
Sector	0.20%	-5.84%	-14.06%	2.05%	1.36%
Relative to Sector	0.45%	-2.62%	-3.92%	-3.80%	1.70%
Rank in Sector *	15 / 28	20 / 28	19 / 26	12 / 21	6 / 16
Fund Quartile *	3	3	3	3	2

Performance by Calendar Year in (GBX)					
	YTD	2022	2021	2020	2019
Fund	-4.77%	-20.01%	25.79%	-4.86%	25.18%
Sector	-2.93%	-17.93%	22.59%	-6.47%	17.74%
Relative to Sector	-1.90%	-2.53%	2.61%	1.72%	6.33%
Rank in Sector *	20 / 27	13 / 26	12 / 22	4 / 20	5 / 18
Fund Quartile *	3	2	3	1	1

Discrete Annual Performance to Last Quarter End (GBX)					
	0-12m	12m-24m	24m-36m	36m-48m	48m-60m
Fund	-9.99%	-3.93%	14.64%	-2.84%	12.25%
Sector	-11.44%	-1.40%	17.42%	-5.63%	5.55%
Relative to Sector	1.65%	-2.57%	-2.37%	2.96%	6.35%
Rank in Sector *	12 / 26	17 / 24	16 / 21	7 / 18	1 / 16
Fund Quartile *	2	3	3	2	1

Fund Price Movement (GBX)					
12 Month High	154.40 (Pence)		12 Month Low	120.20 (Pence)	
Annualised Ratios Over 36 Months					
	Alpha	Beta	Sharpe	r ²	Volatility
Fund	-1.57	1.07	0.00	0.88	14.52
Fund Quartile *	3	3	3	3	2

*Ranks & quartiles shown are for the primary share class, Schroder Global Cities Real Estate Z Acc

Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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Holdings

Top 10 Holdings as at July 31, 2023

Rank	Change	Name	%	Sector Ranking*
1	▲	REXFORD INDUSTRIAL REALTY, INC.	5.19	n/a
2	▲	SIMON PROPERTY GROUP, INC.	5.00	n/a
3	▼	EQUINIX INC	4.67	n/a
4	▶	UDR, INC.	4.52	n/a
5	▲	DIGITAL REALTY TRUST, INC. USD0.01	4.44	n/a
6	▼	INVITATION HOMES INC	3.64	n/a
7	▼	PUBLIC STORAGE	3.53	n/a
8	▶	AVALONBAY COMMUNITIES INC	3.39	n/a
9	■	PROLOGIS INC	3.12	n/a
10	■	MITSUI FUDOSAN CO., LTD.	3.01	n/a
Total			40.51	

* This is the holding ranking within the fund sector composite portfolio (calculated from all available concurrent full portfolios of funds within the sector).

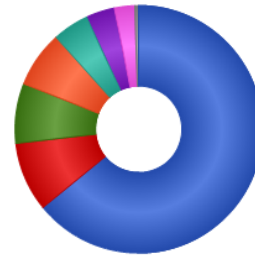


Region Weightings

Region Weightings as at July 31, 2023

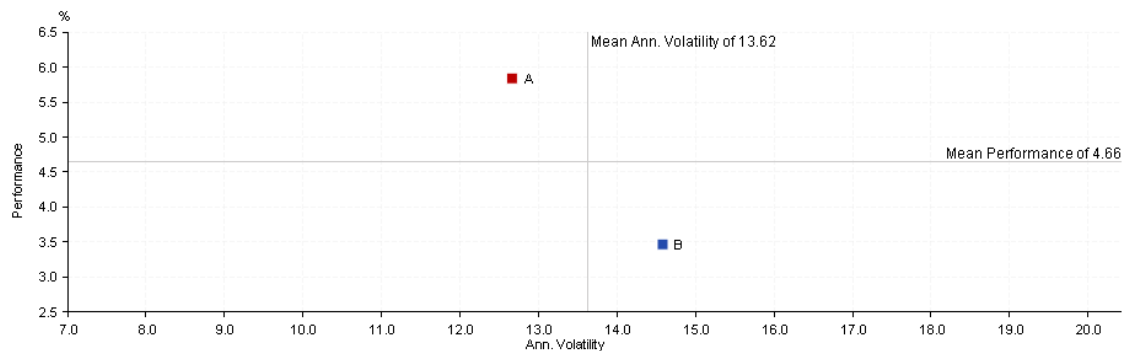
Rank	Change	Name	%
1	▶	NORTH AMERICA	64.09
2	▶	JAPAN	9.08
3	▲	EUROPE EX UK	7.83
4	▼	PACIFIC BASIN	7.34
5	▲	UK	4.72
6	▼	AUSTRALASIA	3.78
7	▶	MONEY MARKET	2.65
8	▶	ASIA PACIFIC	0.50

▼ Faller ▲ Riser ▶ No Change ■ New Entry



Volatility

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

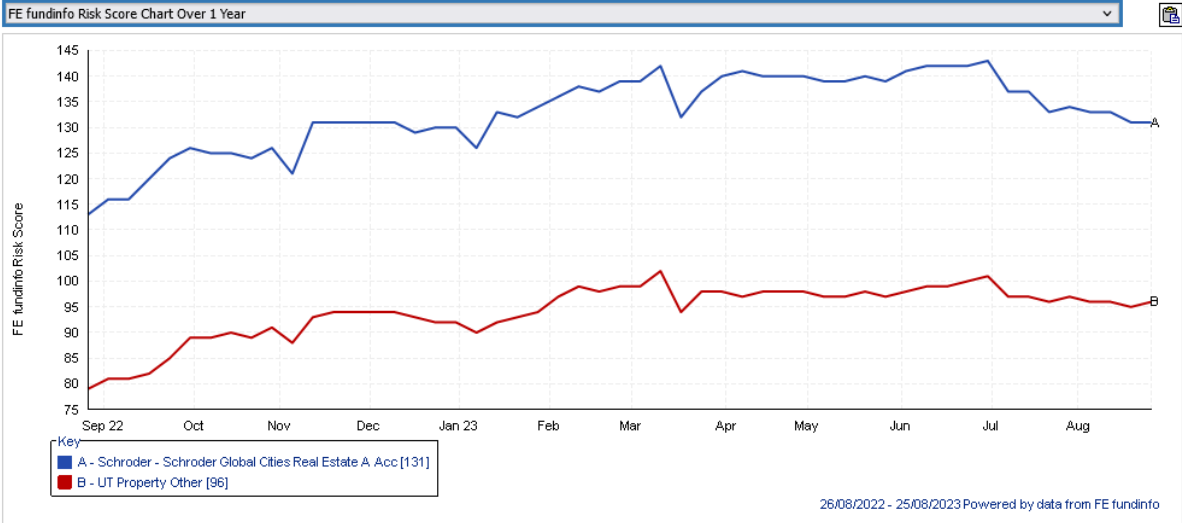


31/07/2020 - 31/07/2023 @FE fundinfo 2023

Key	Name	Performance	Annualised Volatility
■ A	UT Property Other TR in GB	5.84	12.66
■ B	Schroder - Global Cities Real Estate S in GB**	3.47	14.58

** The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

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LWM FUND ANALYSIS

Property can be used as an alternative source of returns, however rising inflation and interest rates have put a dent in the asset class which has dropped out of favour. The challenges within the sector and the performance of the strategy itself is perhaps reflected in the comments from the managers. They remain wedded to the strategy. They invest in the most sustainable companies with assets in the most sustainable locations.

This perhaps leads nicely onto to why this strategy is different. The team came on board in 2014. When I first met them, it was clear that the strategy had a sustainable focus, however they didn't actively promote this. In more recent presentations this has become a key element of the strategy.

 **Sustainable focus – SFDR Article 9** 

Real Assets have a large impact on the environment and create over 40% of the world's CO2 emissions.

UN Sustainable Development Goal 11 – Sustainable Cities and Communities dominates the investment philosophy of this fund. By the end of the century as much as 90% of the global population could be living in urban areas – in order to meet targets set by the Paris Agreement **cities will be a crucial tool in order to achieve climate targets.**

 **A thematic global strategy with ESG at its core**, run by the Global Cities team who sit within the Schroder Global and International Equity Team. The team are supported by **dedicated specialised resources**

 Global Cities utilises a unique, data-led investment process to ensure only the most sustainable companies with assets in the most sustainable locations are included in the portfolio

 **Proprietary universe** of companies defined by a series of exclusions based on ESG credentials

 Fund managers both have **over 20 years experience in the real asset industry**. The efficacy of the process is **proven in performance numbers since the strategy's inception**

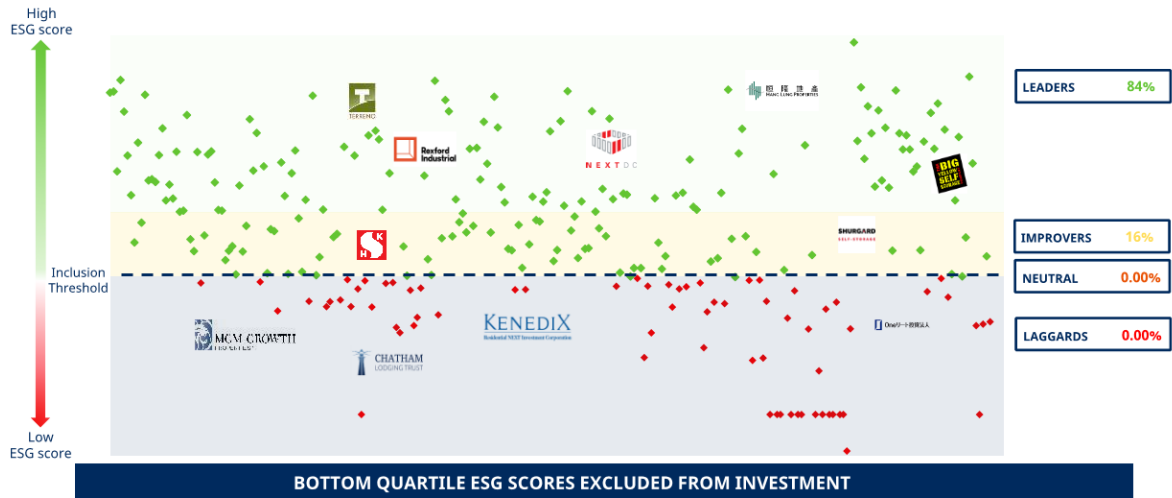
 A high conviction portfolio of **c.60 stocks**

This is important because the fund managers focus is on the long term structural changes and how this strategy can benefit from this. The belief is that cities are a vital tool to help achieve climate goals. The investment process looks to identify those very best cities. The index they have created produces data points across four areas:

			
i. Environmental score	ii. Transport score	iii. Innovation score	iv. Economic score
8.3bn data points	1.4bn data points	18,378 data points	49,500 data points

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ESG is an important element of the overall strategy and as the chart below indicates, this is about including the leaders rather than the laggards.



Source: Schroders, January 2023. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Ultimately engagement plays a part in the overall strategy. Below is some of the engagement in Q1 2023.

Q1 Engagements

Alexandria Engagement

Renewable power/
decarbonisation/
Sustainability oversight

Hang Lung Properties

Transparency, risk, and reporting

AvalonBay Communities

Nature-related risk and
management

Keppel DC REIT

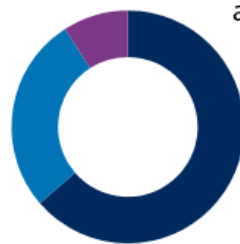
Climate alignment

Digital Realty Trust Inc

Cyber Security and Climate
alignment

Ingenia Communities Group

Climate alignment



Equinix Inc.

Renewable Power and
Decarbonisation

Invitation Homes Inc ESG

Corporate culture and
oversight of human capital

Welltower

Climate risk and oversight

Prologis Inc

Investment in the
workforce

Source: Schroders. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

In terms of exposure, this will be different to many other property strategies, as shown below:

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Life sciences



Self-storage



Apartments



Healthcare



Data centres



Manufactured homes



Industrials

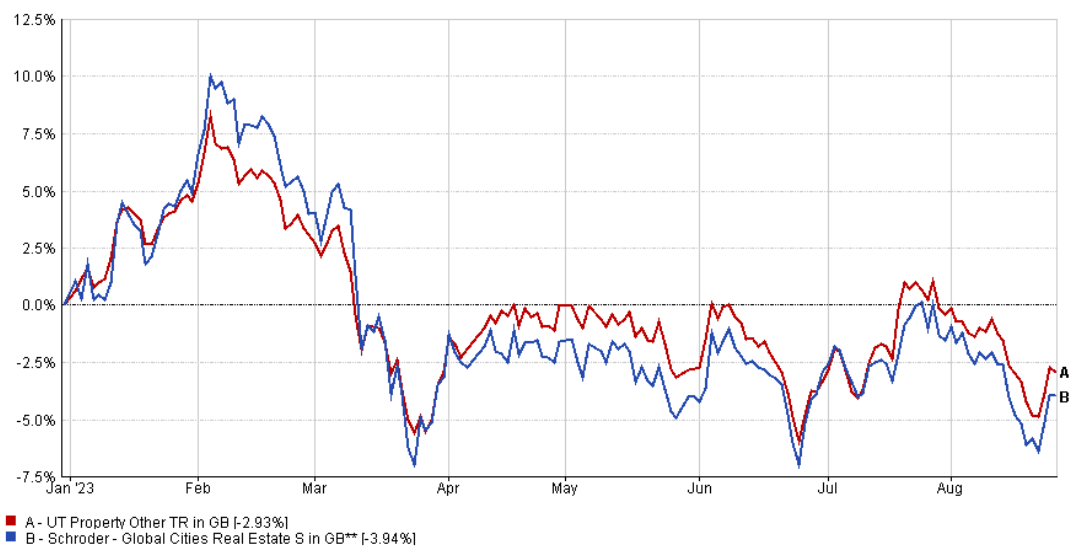


Source: Schroders, December 2022. Sectors mentioned are for illustrative purposes only.

They acknowledge it has been a tough period for real estate, but they believe being invested in the trends of the future is where this fund is different and can deliver on its performance aims. In the short term the focus on macro-economic data is impacting how investors feel. In the main they have made few changes over the last quarter although they have reduced some exposure to Sun Hung Kai on the back of a slower China recovery, and they have sold out of Kenedix Office on risks around the Japanese office market.

Ultimately it must be about a belief in two things. Can property generate returns in the future, and if so, does this team have the ability to achieve this? If we look at the performance this year, we see it clearly continues to struggle.

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



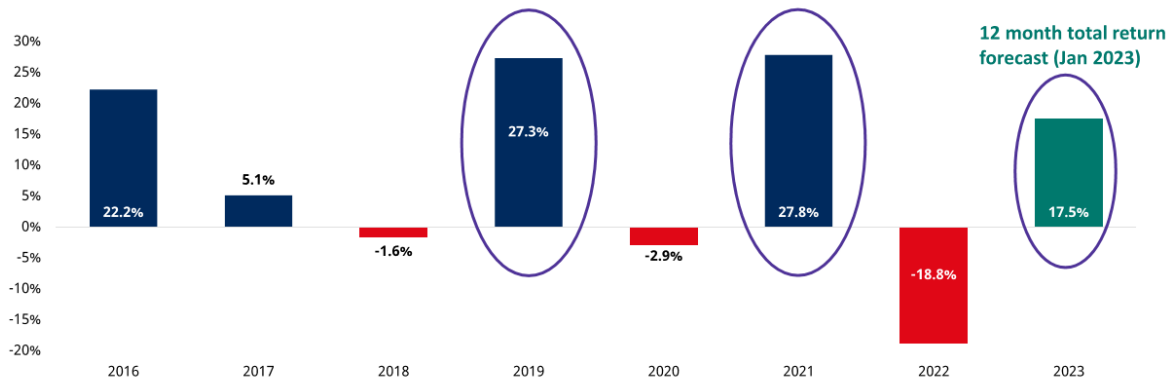
30/12/2022 - 25/08/2023 Data from FE fundinfo 2023

At the start of the year the team were expecting better performance.

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Negative years tend to be followed by strong positive years

Past 7 years of annual Global Cities performances



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, January 2023. Data shown is gross of fees. Please note that this data is based on the Schroder Global Cities Real Estate fund, it is unaudited and provided for information purposes only. The forecasts included should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

In summary, the performance recently has dropped back but since the team came on board in 2014 the performance has been strong.

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



15/08/2014 - 25/08/2023 Data from FE fundinfo 2023

** The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

The team are passionate about the future and not investing in the past. This is what is different and should in theory enable this fund to recover. For investors looking for a sustainable investment strategy with a long term track record, this is certainly one to look at. It could also be argued that it is cheap and therefore this makes it a more attractive entry point in terms of investors putting in new money.

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However, when markets are down and performance is weak, this can make investors nervous, and therefore there has to be that belief that this team are doing something different and that the strong performance will return.

The source of information in this note has been provided by Schroders and is correct as of August 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.

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