Schroders capital

Schroders Capital Semi-Liquid Energy Transition

Marketing material for professional clients only.

Investment objective

The fund aims to provide a return in excess of 10% per annum[1] (before fund fees have been deducted) over five to seven years as well as aims to support the transition to net zero (through the generation and efficient use of green and low-carbon energy and the avoidance of CO_2e) by investing in a global portfolio of renewable and other energy transition-aligned infrastructure assets which the investment manager deems to be sustainable investments.

Fund features

- Impact-driven strategy with a sustainable objective to contribute to a net zero future
- Specialist access to assets directly impacting the net zero journey, through an SFDR Article 9 Fund[2]
- Diversified portfolio across technologies, geographies, regulatory regimes and weather patterns
- Portfolio diversifier for investors, with returns **positively correlated to inflation and energy prices**, and lowly or negatively correlated to many traditional asset classes
- Investing in assets that are already built and **producing cash yield**, as well as newer assets that **generate superior returns**
- Appropriate liquidity mechanism to offer flexible entry and exit

What is energy transition infrastructure investing?

Energy transition infrastructure strategies take ownership of physical energy transition assets that help to facilitate the energy transition. Examples include wind farms, solar parks, biomass plants, green hydrogen facilities and heat networks.

Due to the long-term nature of these projects, the assets can generate attractive risk-adjusted returns over the long term through a combination of steady income and capital appreciation.

Energy transition assets tend to have low or even negative correlations with public markets and therefore can provide portfolio diversification benefits.

Why invest in the energy transition now?

We believe there are three key steps that the energy transition must follow to decarbonise the wider economy; each requires significant investment into energy infrastructure.

Decarbonisation of power generation

The share of **electricity generated from renewables is expected to increase from 20% to nearer 85% by 2050** to reduce carbon emissions

Electrification of energy use

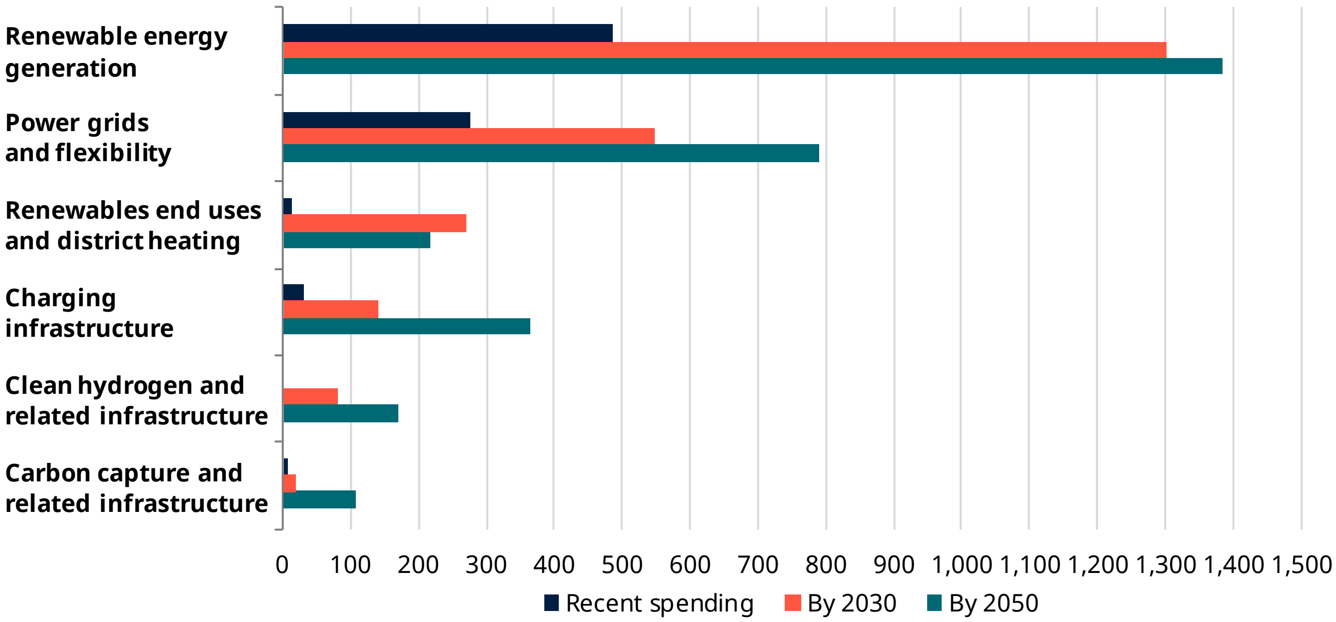
The share of **electricity in final energy consumption is expected to increase from 20% to nearer 45% by 2050** with the growth of electric vehicles, heat pumps etc.

Efficient management of intermittent renewable energy

Hydrogen and electrofuels expected to be significant share of final energy use in **hard to abate segments like aviation, shipping and steel production**

Source: Schroders Greencoat, 31 March 2024. Data from IEA, IRENA report, 31 May 2023. [1]Not guaranteed. [2]See page 4 footnote.

Average annual investment required compared to recent spending (USD billion/yr)

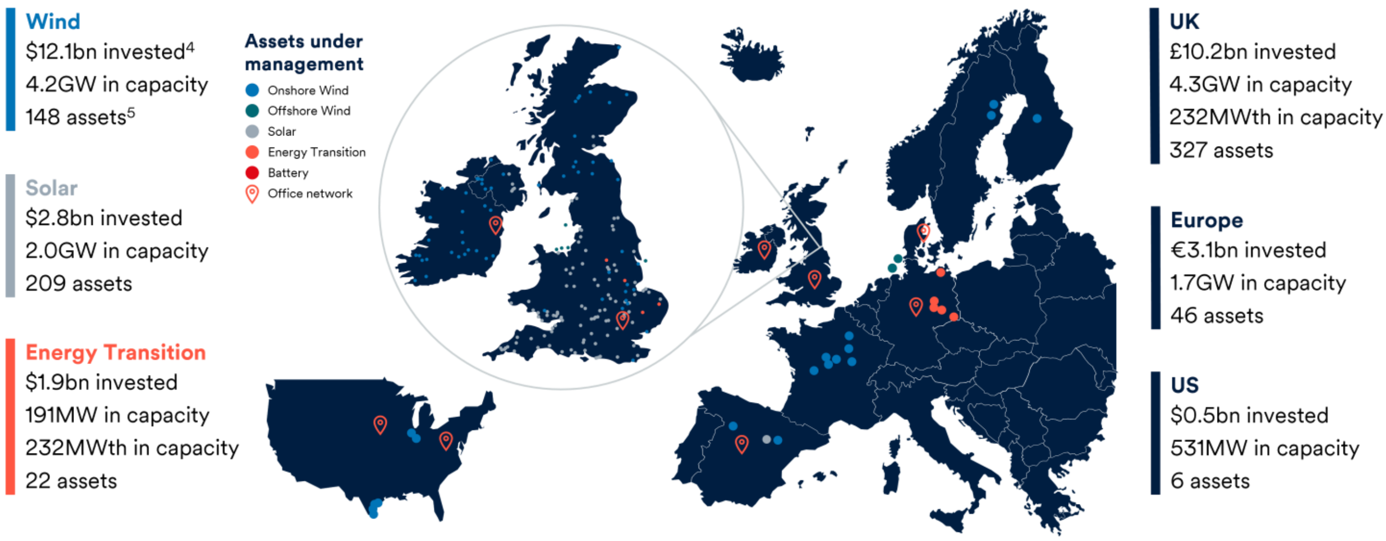


Source: IRENA (2023), World Energy Transitions Outlook 2023: 1.5C Pathway, International Renewable Energy Agency, Abu Dhabi. Recent spending based on 2022; by 2030 - average annual investment required 2023–2030, by 2050 – Average annual investment required 2023–2050.

Schroders Greencoat – a specialist renewables infrastructure investor

The fund is managed by Schroders Greencoat, part of Schroders Capital[1], and Schroders Greencoat is one of the largest pureplay renewable infrastructure managers globally with a presence in the UK, Europe and US[2]. Schroders Greencoat has a proven global track record, based on an extensive in-house asset management team of over 60 engineers and finance professional, strong global network of project partners for fast capital investment and an attractive fee structure with alignment of interest.

Invested over $16 billion across more than 379 assets since 2013[3]



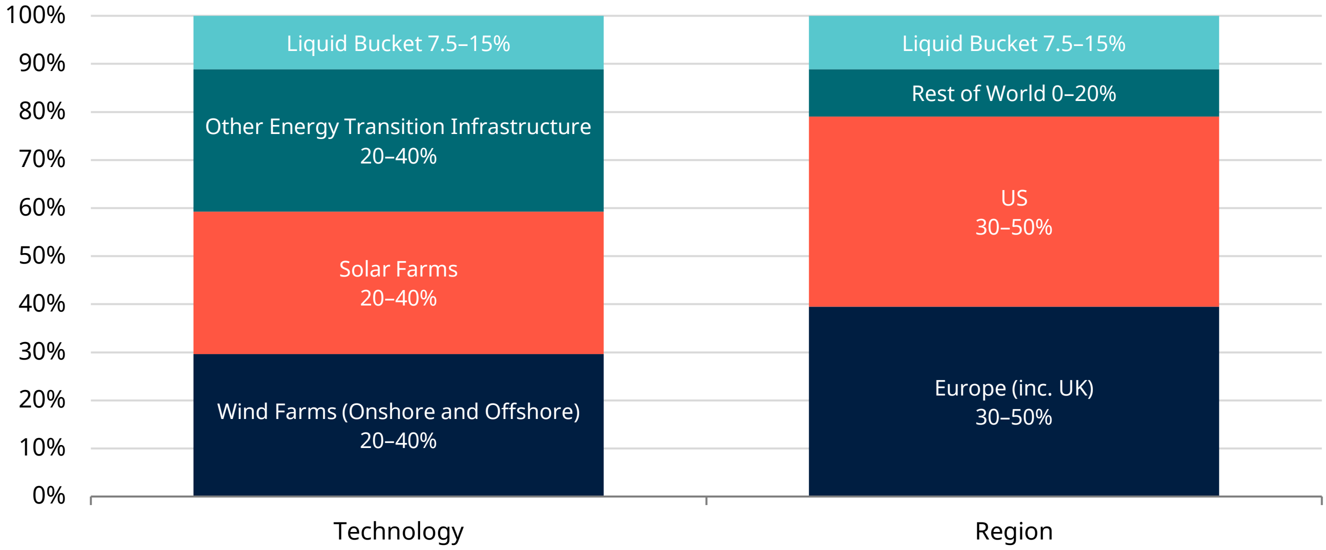
Source: Schroders Greencoat as at 30 June 2024.

[1]Schroders Capital is the private markets investment division of Schroders. [2]Infrastructure Investor Rankings, 2023. [3]Figures include 4 assets in construction or under forward purchase agreements. Inclusive of 68 assets for which management was transferred over from another manager. [4]Enterprise Value for listed fund investments. [5]Including a co-located battery storage project.

What does the portfolio look like?

A diversified portfolio of energy transition infrastructure assets, accessing different technologies on a global basis.

Target allocation[1]



Source: Schroders Greencoat as of 31 March 2024. [1]Fund level post tax IRR net of asset taxes and gross of fees; target returns are not a profit forecast. There can be no assurance that target can or will be met. Indicative technology and geographical split are predicted splits of what the fund might look like once mature; and should not be viewed as a guaranteed of a portfolio split that might be achieved. Schroders Capital Semi-Liquid Energy Transition is a sub-fund of Schroders Capital Semi-Liquid.

Case studies

Onshore Wind, USA

- Schroders Greencoat acquired an 80% stake in a **205MW onshore wind farm** in Chicago, Illinois for $270m
- First 11 years of electricity produced **sold at a fixed price**
- US renewables is a **rapidly growing asset class** requiring significant investment to meet **increasing electricity demand** at competitive cost suited to renewables as being **among the cheapest sources of power**

Solar, Spain

- Schroders Greencoat collaborated with a long-term partner to acquire this **50MW** asset near Zaragoza, North Eastern Spain
- Asset was acquired during **building phase**, resulting in **higher expected returns**
- **Spain** is a strong market for solar assets given the **abundant irradiance**. Other areas of Europe, such as the **Nordics**, provide for more **windy conditions** and represent attractive investment opportunities for wind farm investing

Green Hydrogen, UK

- Schroders Greencoat announced a joint venture with a highly experienced developer and **agreed to work together on all hydrogen projects for the next 3 years**, targeting 500MW
- **First three mature hydrogen projects totalling 55MW**, all of which have been identified by the UK government for **potential subsidies and support**
- Hydrogen is an important piece of the **energy transition puzzle**, as it allows **decarbonisation** of some **heavy industry and transport**

Source: Schroders Greencoat. Information as of 31 March 2024 unless stated otherwise. The figures above represent Total Enterprise Value. Shown for illustrative purposes only. There is no guarantee similar results will be repeated in future transactions.

Fund information

Legal structure	Luxembourg SICAV part II
Pricing frequency	Monthly
EU SFDR	Article 9*
Dealing frequency	Last business day of each month with NAV delivery T+20
ISIN	LU2696138317
Bloomberg	SCMLETC LX
SEDOL	BLFDGS0

Data for C Accumulation USD share class.

*The fund has the objective of sustainable investment within the meaning of Article 9 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). For information on sustainability-related aspects of this fund please go to www.schroders.com

Risk considerations

Renewable energy infrastructure assets tend to have a significant element of their revenues derived from long dated government support programs (e.g. Renewable Obligations) or contractual arrangements with creditworthy counterparties (e.g. Corporate Power Purchase Agreement) As such investment strategies focused on these assets tend to be classified as "secure income" or "low risk" as the well-contracted income generation is a key component of the return composition.

Commitment funding risk - The fund will have an investor commitment/draw-down funding model which exposes the investment vehicle to the credit risk of its investors. If an investor fails to comply with a drawdown notice, the investment vehicle may be unable to pay its obligations when due.

Higher volatility risk - The price of this fund may be more volatile as it may take higher risks in search of higher rewards, meaning the price may go up and down to a greater extent.

Infrastructure asset risk - The fund invests in illiquid assets which are harder to sell; the investment strategy is therefore specifically designed for buy and hold. Investments have no guaranteed valuation and are subject to capital loss. Investment risk is concentrated on specific sectors, countries, currencies, or companies, with resulting concentration risk.

Infrastructure risk - The fund may invest in sectors that are subject to significant regulation and so changes to such regulation or government policy could have a negative impact on financial performance. Where revenues or cash flows earned or generated by an infrastructure asset depend substantially on the level of use, changes in demand could adversely impact such revenues and cash flows, which could result in losses to the Fund.

Maintenance & renewal risk - During the lifetime of an investment, components of certain infrastructure assets are likely to need to be replaced or undergo a major refurbishment. Timing and costs of such replacements or refurbishments are forecast, modelled and provided for but various factors such as shorter than anticipated asset lifespans or underestimated costs and/or inflation higher than forecast, may result in life-cycle costs being higher than projected.

Market risk - The value of investments can go up and down and an investor may not get back the amount initially invested.

Private market valuations - In times of stress it may be difficult to find appropriate prices for private asset investments and they may be valued on the basis of proxies or estimates. This may lead to significant changes in the valuation of the fund, or the inability to determine a reliable net asset value which may lead to a suspension of the fund.

Property development risk - The fund may invest in property development which may be subject to risks including, risks relating to planning and other regulatory approvals, the cost and timely completion of construction, general market and letting risk, and the availability of both construction and permanent financing on favourable terms.

Tax risk - The fund and its returns may rely on certain available tax efficiencies at the inception of the Fund which may be subject to changes in tax treatment or interpretations. Any change in the actual or perceived tax status or exposure of the Fund or its investments as well as in tax legislation, practice or in accounting standards could adversely affect the anticipated level of taxation.

Currency risk - The fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates.

Derivatives risk - Derivatives, which are financial instruments deriving their value from an underlying asset, may be used to manage the portfolio efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund.

Interest rate risk - The fund may lose value as a direct result of interest rate changes.

Liquidity risk - The fund invests in illiquid instruments, which are harder to sell. Illiquidity increases the risks that the fund will be unable to sell its holdings in a timely manner in order to meet its financial obligations at a given point in time. It may also mean that there could be delays in investing committed capital into the asset class.

Operational risk - Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.

Performance risk - Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macroeconomic environment, investment objectives may become more difficult to achieve.

Sustainability risk - The fund has the objective of sustainable investment. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

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