

Santander GO Global Environmental Solutions

6 / 2025

Fund commentary

MARKET REVIEW:

Global financial markets remained mixed in June, reflecting continued caution among investors. The Federal Reserve holds rates steady, and signals two cuts expected this year. The US stock markets' rally to quarter-end highs was driven by the easing geopolitical tensions, trade optimism and the expectation of upcoming Fed rate cuts. In Europe, the ECB lowered policy rates by 25 basis points. European equities dipped on tariff worries as investors fretted over U.S. trade talks and looming tariff deadlines.

PORTFOLIO ACTIVITY:

The portfolio continues to benefit with the recovery from both the broader market and the rally within the environmental theme. The Fund remains well-diversified with approximately 60% in Natural Capital-related themes and 40% in Clean Energy-related themes. Regionally, just over 60% is invested in the US and Canada, roughly 23% in Europe, and the remainder in Asia and Emerging Markets.

Our key sector exposures are in Industrials, Materials, and Utilities where we are overweight given these provide many environmental solutions. With other sectors being largely under-weight including Information Technology where we continue to hold some select exposure to AI and semiconductors with clear and sufficiently significant link to energy efficiency.

FUND PERFORMANCE:

Fund performance was positive for June, up +4.35% (gross of fees in USD) underperforming the MSCI ACWI by 0.14%.

Amongst the strongest positive contributors to relative performance were Cameco, Darling Ingredients and Marvell Technology. The largest relative detractors were Zoetis and Arcadis.

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The environmental theme continues to be volatile despite low valuations in clean energy and the start of interest rate cuts by global central banks (with the notable exception of the US for now). With the beginning of Trump's second presidential term, there are already few announcements related to the environmental space. The escalating tariff risks across the world posted extra uncertainties and we will continue to monitor the policy change. There are ongoing negotiations and discussions between the House and Senate on the revision of Inflation Reduction Act (IRA), the latest version passed by both the Senate and House includes several improvements for the theme, such as the reinstatement of third-party owner (TPO) for residential solar, a more favourable phase-out timeline and the removal of proposed new excise taxes. The final bill is expected to be signed by Trump on 4th July. We believe the longer-term direction remains constructive given strong demand for renewables due to rising power demand from broad electrification linked to the AI theme as well as favourable pricing and time to develop for solar.

In the natural capital space, we see the public need for water and smart agriculture solutions continuing to be relevant with several contracts signed in Q1 2025 as evidence. Growing climate-led supply disruption and focus on new pollutants like PFAS ("per- and polyfluoroalkyl substances") and storm driven floods broadly support these trends on a global basis.

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