



Santander GO Global Environmental Solutions

9 / 2025

Fund commentary

MARKET REVIEW:

- As expected, the US Federal Reserve reduced the federal funds rate by 25 basis points, bringing it to a range of 4-4.25%. This marks the resumption of the monetary easing cycle that had paused in December 2024.
- Markets anticipate two additional rate cuts before the end of the year. Global equities rallied, led by the US, as investors embraced risk assets. Meanwhile, the ECB kept rates unchanged, with inflation remaining close to its 2%medium-term target. In China, markets performed strongly in September, supported by robust growth in technology sector, particularly in Al and data centre themes.

PORTFOLIO ACTIVITY:

- The portfolio benefited from the rally in the environmental theme, supported by greater clarity on tax credit eligibility guidance. The Fund remains well-diversified with approximately 60% in Natural Capital-related themes and 40% in Clean Energy-related themes. Regionally, just over 59% is invested in the US and Canada, roughly 27% 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 September, up +1.27% (gross of fees in USD) underperforming the MSCI ACWI by 2.35%. This was driven in part by consumer discretionary, communication services and health care being the best performing sectors, as well as tech stocks such as Apple and Microsoft.
- Amongst the strongest absolute positive contributors were ASML, TSMC and Cameco. The largest absolute detractors were DSM Firmenich and Zoetis.

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- The environmental theme continues to find support amidst low valuations in clean energy and the resumption of the rate-cut cycle in the US. We believe that environmental solution companies in interest rate-sensitive sectors are well positioned to continue to benefit. The signing of the One Big Beautiful Bill Act has helped reduce policy uncertainties surrounding the Inflation Reduction Act. The newly issued tax credit eligibility guidance via executive order further enhanced visibility and boosted investor confidence in the theme.
- Compared to harsher potential outcomes, this was a more positive result, enabling companies to plan their business strategies with greater clarity and long-term visibility. This supports more stable growth and is likely to attract increased capital flows. We have already observed multiple upgrades in the environmental sector and we believe this re-rating trend is set to continue. 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.

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