

Santander GO Global Environmental Solutions

8 / 2025

Fund commentary

MARKET REVIEW:

- Global trade tensions remained in focus after the U.S cancelled negotiations with India, fuelling tariff concerns. Entering the earnings season with lofty expectations around artificial intelligence, many technology stocks tumbled as results fell short of market expectations. In contrast, U.S. inflation stayed moderate, strengthening market confidence in an impending Federal Reserve rate cut. Meanwhile, China delivered one of the month's strongest performances, with equities surging on the back of a semiconductor and technology rally, supported by strong inflows and optimism over domestic policy support.

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 60% is invested in the US and Canada, roughly 28% 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 August, up +1.31% (gross of fees in USD) underperforming the MSCI ACWI by 1.16%. This was driven in part by utilities being the worst performing sector in MSCI ACWI over the month and consumer discretionary and health care being the two best performing sectors.
- Amongst the strongest positive contributors to relative performance were Horizon Robotics, Advanced Drainage Systems and Vital Farms. The largest relative detractors were Arcadis and Cadence Design Systems.

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OUTLOOK:

- 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). The signing of the One Big Beautiful Bill Act has helped reduce policy uncertainties surrounding the Inflation Reduction Act. 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. The newly issued tax credit eligibility guidance via executive order further enhanced visibility and boosted investor confidence in the theme. This in turn, 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. Finally, volatility in France around elections is starting to create some potential value opportunities.

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