

# Santander GO Global Environmental Solutions

4 / 2025

## Fund commentary

### MARKET REVIEW:

- April 2025 was marked by significant volatility in global financial markets, primarily due to U.S. President Trump's announcement of sweeping tariffs on 2nd April. This sparked a sharp sell-off within the U.S. stock markets which experienced the worst declines since 2020. A mid-April pause in the tariffs led to a brief rally, but the US markets closed the month in negative territory. The uncertainty surrounding global trade policy raised concerns about inflation, recession fears and the outlook for economic growth. Meanwhile, European and Asian markets also faced declines amid global trade tensions.

### PORTFOLIO ACTIVITY:

- We took the sell-off opportunities to rotate to higher quality names and minimize the exposure to the potential tariffs from the US. The Fund remains well-diversified with approximately 60% in Natural Capital-related themes and 40% in Energy Transition-related themes. Regionally, just over 58% is invested in the US and Canada, roughly 31% 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 April, up +3.78% (gross of fees in USD) outperforming the MSCI ACWI by 2.85% credited to timely tactical response to the market.
- Amongst the strongest positive contributors to relative performance were Novonesis, SSE and DSM-Firmenich. The largest relative detractors were Lineage and Thermo Fisher Scientific.

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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). 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. 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. We will learn more about the Inflation Reduction Act in the coming months. Here we have seen Republican congressional support for certain provisions, but there is also a strong drive to find funds to enable tax cuts. From a macro perspective, evidence of stagflation is growing with recession worries, although so too have Fed rate cut projections, and at this point recession odds are still debatable. Finally, US stocks are much cheaper now with multiples back to longer term averages in many cases, providing a more supportive environment.

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