

Sustainability Updates

There was encouraging news for the energy transition during the month, with **global renewable power capacity rising by a record 692GW in 2025**, taking total installed capacity above 5,000GW. Renewables accounted for 86% of all new power additions, led by solar and wind, reinforcing the strength of long-term momentum behind the transition. IRENA also noted that expanding renewable capacity can improve energy security at a time of heightened geopolitical instability and volatile fossil fuel markets.

However, policy support remains uneven. In the US, TotalEnergies has agreed with the government to abandon offshore wind projects off New York and the Carolinas, with almost \$1 billion being redirected into oil, gas and LNG investments instead. The decision reflects the administration's preference for fossil fuels over offshore wind and serves as a reminder that, **while the long-term direction of travel for clean energy remains positive, progress is unlikely to be linear across all regions.**

Q1 Market Review

The first quarter of 2026 began with a sense of continuity. Markets rose 2.7% through February, extending the optimism of 2025, but beneath the surface leadership was shifting. Investors rotated decisively away from the US into international markets, with emerging economies leading the advance, supported by improving fundamentals and a weaker dollar. Europe and the UK also outperformed on more attractive valuations, while easing inflation and expectations of rate cuts reinforced the case for remaining invested, even as enthusiasm around AI became more measured.

From a Sustainable World perspective, that broadening in market leadership was encouraging. Performance became less concentrated in a narrow group of US mega-cap technology stocks and more supportive of areas such as industrials, infrastructure, healthcare and other parts of the market where sustainable strategies are often well represented. That shift created a healthier backdrop for diversified sustainable portfolios.

March, however, reset the tone. Escalating conflict in the Middle East drove a sharp spike in oil prices, forcing markets to reprice inflation and interest rate expectations. The narrative shifted from rate cuts to the possibility of hikes, unsettling both bonds and equities and eroding earlier gains. Emerging markets led the decline, while the FTSE 100 proved more resilient, supported by energy exposure and a weaker pound. It was a clear reminder of how quickly sentiment can turn and why diversification remains central to portfolio construction.

For sustainable investors, recent price action is a reminder that the transition is rarely linear. Short-term support for traditional energy can return when geopolitical risks rise, but the long-term case for renewable power, grid

investment, energy security and resource efficiency remains intact.

Positioning & Outlook

March saw no trades after an active start to the year, which included a number of changes to align portfolios with our views for 2026 and beyond.

Looking ahead, the outlook for 2026 remains increasingly tied to oil. Energy prices will continue to shape inflation, interest rate expectations and growth, while the fragility of the recent ceasefire suggests volatility is likely to persist. A renewed escalation would risk higher oil prices and slower growth, while a sustained de-escalation would support a more constructive backdrop for equities. Our base case remains a partial resolution, with oil settling at elevated but stable levels and markets adjusting accordingly.

From a Sustainable World perspective, this backdrop continues to reinforce the importance of energy security, resilience and diversification. While higher oil prices can create short-term support for traditional energy, they also strengthen the long-term case for electrification, renewable power, grid investment and resource efficiency. Against this backdrop, we remain focused on positioning portfolios to capture opportunities across both structural growth and real-economy transition themes, while maintaining the resilience needed to navigate a more inflation-sensitive environment.

As a reminder, TAM's Sustainable World portfolios are built on four pillars: Avoid Harm, Do Good, Drive Change, and Deliver Financial Returns. The following examples highlight how each principle is applied in practice this month.

Avoiding Harm

When assessing harm avoidance, we look first at the screening thresholds a fund manager applies, but more importantly at the principles behind them. What matters most is whether those thresholds are grounded in a clear and consistent philosophy, rather than being adjusted in pursuit of short-term returns. In our recent meeting with Martin Todd, Fund Manager of the Federated Hermes Global Sustainable Equity fund, we were reassured by the thoughtfulness behind the strategy's approach. The portfolio maintains strict exclusions where appropriate, while allowing limited flexibility in areas such as distribution, helping preserve diversification without compromising the fund's overall sustainability objectives. For us, that balance reflects a mature and credible approach, supported by the depth of resource and expertise within Federated Hermes.

Doing Good

We also caught up with David Rowlett, Fund Manager of the T. Rowe Price US Impact Equity fund. We were thrilled to

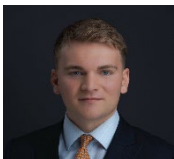
hear that the Responsible Investment team, who works on the fund, continue to go from strength to strength in their impact alignment approach. To qualify for potential inclusion in the strategy, a company must have at least 50% of revenues aligned to the UN's 17 Sustainable Development Goals. The team have increased the depth of resource which means greater coverage and more potential names in the portfolio. This is a benefit to the end investor as this opens more opportunities for diversification within the portfolio and increases the likelihood of a smoother investment journey.

Driving Change

Active ownership remains an important part of how we assess managers, and T. Rowe Price continues to stand out in this area. Its engagement approach is closely integrated with the investment process, using company dialogue, stewardship and proxy voting to encourage better outcomes on both impact and governance. We continue to see value in this discipline, particularly where it leads to stronger disclosure, clearer accountability and measurable progress over time.

Delivering Financial Returns

Looking solely at March, after a strong start to the year, it was a weaker month for the Sustainable World portfolios as the conflict in the Middle East triggered a broader risk-asset sell-off. The strategies that offered the most protection were the JSS Enhanced Commodity fund and the Pictet Climate Government Bond fund, the latter benefiting from its unhedged share class as the dollar strengthened. The main detractors were silver, which gave back the previous two months' gains, and Emerging Markets, which came under pressure as the dollar regained its safe-haven appeal and the outlook became more uncertain.



Daniel Babington

Portfolio Manager

Daniel.Babington@tamassetmanagement.com