

Sustainability Updates

There was encouraging news for the energy transition during the month, with the International Energy Agency forecasting record global energy investment of \$3.4 trillion in 2026. Around \$2.2 trillion is expected to be directed towards renewables, electricity grids, battery storage and electrification, compared with \$1.2 trillion for fossil fuels. Growing investment in electricity infrastructure continues to reinforce the long-term case for electrification and the energy transition.

However, the path remains far from straightforward. The World Meteorological Organization warned there is now a 91% chance global temperatures temporarily exceed 1.5°C above pre-industrial levels before 2030, highlighting the urgency of decarbonisation efforts. Meanwhile, the EU is considering a temporary waiver on methane emissions penalties for oil and gas companies amid energy security concerns, demonstrating the ongoing tension between climate ambitions and energy resilience.

May Market Review

May delivered another strong month for global markets, with global equities rising almost 4%. Returns were driven by a rally in US technology stocks, while Emerging Markets advanced an impressive 10%, led by semiconductor-heavy Asian economies such as Taiwan and South Korea. Strong corporate earnings remained the key support for markets, with S&P 500 companies delivering earnings growth of around 14% year-on-year, alongside continued enthusiasm surrounding Artificial Intelligence.

From a Sustainable World perspective, the AI theme continues to extend beyond technology companies alone. Growing demand for semiconductors, data centres and electricity infrastructure is creating opportunities across sustainable themes such as electrification, resource efficiency and grid modernisation. We were also encouraged by continued strength within the energy transition sector, reflecting rising investment into renewable power, battery storage and energy efficiency solutions, a sector which has now staged a meaningful recovery from the lows of 2024. These price moves reflect the reality that meeting future power demand, particularly from AI and digital infrastructure, will require significant expansion of clean energy systems.

Bond markets were more subdued. Government bonds came under pressure as tensions in the Middle East and disruption to shipping through the Strait of Hormuz raised concerns around inflation and energy prices. Corporate bonds performed more strongly, supported by resilient earnings and positive investor sentiment.

Overall, May reinforced the importance of diversification. While AI remains a dominant market driver, the beneficiaries are broadening into infrastructure, electrification, energy transition and energy security

themes, creating a healthier backdrop for diversified sustainable portfolios.

Positioning & Outlook

The month saw a number of portfolio changes as we continued to position for what we believe will be an increasingly inflation-sensitive and geopolitically fragmented world. We removed the CCLA Better World Equity fund and redistributed the proceeds across a blend of core, growth and value strategies, broadening diversification while retaining exposure to high-quality sustainable businesses. Within fixed income, we reduced exposure to corporate debt and increased allocations to short-duration bonds, reflecting our view that inflation risks remain elevated despite recent resilience in markets. We also increased exposure to commodities and initiated a position in an Article 8 classified alternatives strategy managed by iMGP, adding further diversification and resilience to portfolios.

Looking ahead, the AI-driven rally remains well supported by strong corporate earnings and investor demand. However, equity markets have risen sharply and remain concentrated in a relatively small number of companies. Given the scale of recent gains, some periods of volatility would not be surprising, particularly as investors assess inflation, labour market and consumer confidence data over the coming months. Encouragingly, we are beginning to see signs that market leadership is broadening beyond a narrow group of technology stocks into areas such as infrastructure, industrials, value equities and emerging markets.

From a Sustainable World perspective, many of these areas overlap with long-term themes we remain constructive on, including electrification, energy security, resource efficiency and the energy transition. We continue to believe rising investment into grids, battery storage, renewable power and critical infrastructure will be required to meet growing global electricity demand, particularly from AI and digitalisation.

While we remain positive on equities, we are also mindful of the risks posed by higher inflation, ongoing geopolitical tensions and the longer-term implications of deglobalisation. Against this backdrop, commodities, precious metals and real assets continue to play an important role within portfolios. In addition to offering diversification benefits, these assets can provide protection against inflationary pressures and the gradual debasement of fiat currencies. As such, we remain focused on building portfolios that can participate in structural growth opportunities while maintaining resilience across a range of economic outcomes.

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 example highlights how each principle is applied in practice this month.

Avoiding Harm

This month we caught up with the fund management team of the Columbia Threadneedle Global Social Bond Fund. Although the focus is on positive social outcomes, the team applies a disciplined exclusion and screening process to avoid harm. The team estimates that around 50% of the benchmark universe is excluded, either due to involvement in areas such as tobacco and controversial weapons or because issuers fail to meet the fund's social inclusion standards. The process goes beyond simple exclusions, with every bond assessed for the credibility of its social claims. Recent examples include rejecting bonds where the team identified potential social washing or where claimed social benefits could not be substantiated.

Doing Good

Staying with the Social Bond fund, the fund's primary objective is to direct capital towards projects and organisations that generate measurable social benefits alongside financial returns. Using a proprietary social scoring methodology, the portfolio targets investments that improve access to affordable housing, healthcare, education, employment opportunities and essential services, particularly for underserved and vulnerable populations. As at the latest review, over 40% of the portfolio was invested in the fund's highest-rated impact category, comfortably exceeding its minimum target of 30%. Social outcomes are independently reviewed through a dedicated Social Advisory Panel and supported by research from The Good Economy, providing an additional layer of oversight and accountability. Examples of recent investments include affordable housing bonds issued by New York City and Carbon Homes, both designed to support individuals facing housing insecurity. The portfolio therefore provides investors with exposure to a diversified range of social outcomes while maintaining investment-grade credit quality and benchmark-aware risk management.

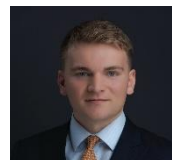
Driving Change

Rounding off our example, stewardship and engagement are central to Columbia Threadneedle's approach. The team engages directly with issuers to improve impact reporting, strengthen use-of-proceeds frameworks and encourage higher standards across the social bond market. Their influence extends beyond individual holdings through participation in industry initiatives and advisory bodies focused on advancing impact investing best practice. During the recent review period, the team highlighted several examples where engagement directly influenced investment

decisions, including challenging issuers on the credibility of social claims and providing feedback where standards fell short. Engagement priorities include increasing social bond issuance, improving transparency, enhancing social intentionality and encouraging greater support for underserved communities. By actively shaping issuer behaviour and contributing to the development of the broader social finance market, the fund seeks not only to finance positive outcomes today but also to improve the quality and availability of social investment opportunities in the future.

Delivering Financial Returns

The Columbia Threadneedle Global Social Bond fund fits into the portfolios because not only does it excel across our three sustainability assessments, but it has a consistent track record of delivering the same returns as a mainstream bond benchmark. We only look to bring the names into our portfolios which can deliver across all four pillars of our process, which we believe has contributed to the strong risk-adjusted performance delivered by the portfolios over the last twelve months. With regard to the underlying strategies which contributed to performance in May, our Vontobel Emerging Sustainability Champions exposure was particularly strong as was the Storebrand Global Plus fund, due to its sleeve of exposure to climate solutions companies.



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