Sustainability Updates

There was encouraging news for the energy transition during the month, with analysis from Ember showing that global clean power generation grew faster than electricity demand in 2025, marking a structural shift away from fossil fuels. Renewables generated more electricity than coal for the first time, while clean power met all incremental demand growth globally. Separately, more than 50 countries agreed to pursue trade measures aimed at reducing fossil fuel dependence and accelerating green energy cooperation, reinforcing the long-term momentum behind electrification and renewable infrastructure.

At the same time, recent geopolitical tensions highlighted the importance of diversification within sustainable investing. ESG-focused strategies with strict climate exclusions generally lagged broader markets as rising oil prices boosted traditional energy stocks following the US-Iran conflict. More diversified transition-focused strategies proved more resilient, supporting our view that sustainable portfolios should balance long-term transition themes with real-world energy security and resilience.

There were also notable developments within traditional energy markets, with the UAE announcing it will leave OPEC from May 2026. The move may weaken OPEC's influence over global oil supply and contribute to greater market volatility, further reinforcing the importance of diversified and secure energy systems over the long term.

April Market Review

April marked a strong recovery for global markets, with client portfolios returning between roughly 3.5% and 7% depending on risk profile. US equities led the rally as enthusiasm around Artificial Intelligence returned and corporate earnings significantly exceeded expectations. Mega-cap technology and AI-linked companies were the standout performers, although from a Sustainable World perspective this also reinforced the importance of the electrification, semiconductor and infrastructure investment required to support the rapid growth of AI systems and data centres.

UK and European markets lagged the US-led rally, while investors largely looked through the conflict in the Middle East, believing disruption to energy markets would prove temporary. Nonetheless, the episode reinforced the importance of energy security and resilient infrastructure, themes that continue to support long-term investment in renewable power, grid modernisation and resource efficiency.

Within fixed income, government bonds remained under pressure as markets reassessed inflation risks linked to oil prices, while credit markets performed more strongly on the back of resilient corporate earnings. Overall, the month reinforced the importance of diversified portfolios with exposure across equities, real assets and selective credit as market leadership continues to broaden beyond a narrow group of US technology stocks.

Positioning & Outlook

The last month 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, markets remain broadly supportive of risk assets, underpinned by resilient corporate earnings, continued enthusiasm around Artificial Intelligence and easing concerns that geopolitical disruption will materially derail global growth. However, while US technology stocks have reasserted market leadership in the short term, we continue to believe the opportunity set is broadening beneath the surface. Areas such as industrials, infrastructure, electrification and resource efficiency remain increasingly important as the global economy adapts to the growing energy and resource demands created by AI and digital infrastructure.

Recent tensions in the Middle East also reinforced the importance of energy security and resilient supply chains. While higher oil prices can temporarily support traditional energy markets, they also strengthen the long-term investment case for renewable power, grid modernisation and efficiency-focused businesses.

Alongside this, we continue to see strategic value in commodities and precious metals within portfolios. Gold and silver have historically performed well during more inflationary regimes and periods of geopolitical uncertainty, offering diversification benefits when traditional assets come under pressure. Silver also remains uniquely positioned through its dual role as both a monetary metal and a critical input into electrification, solar power and next-generation infrastructure. Against this backdrop, we remain focused on diversified exposure across structural growth themes, transition opportunities and real assets, while maintaining the resilience needed to navigate a more inflation-sensitive and geopolitically fragmented 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

One thing we continually stress within the portfolios is that "avoid harm" is rarely as simple as applying blanket exclusions. Different managers can arrive at broadly similar sustainability outcomes through very different philosophies and thresholds. A good example is the Janus Henderson US Sustainable Equity fund, which we discussed with the team last month. The strategy combines strict exclusions with a more nuanced transition-aware approach. The strategy excludes exposure to areas such as fossil fuels, controversial weapons, tobacco, gambling, pornography and harmful chemicals, while also screening against UN Global Compact and OECD violations. However, rather than applying absolute rules in every circumstance, the managers allow limited exposure to businesses involved in transitional activities where there is credible evidence of movement toward a lower-carbon future, such as natural gas power generation aligned to a sub-2°C pathway.

This reflects TAM's own philosophy. We are less interested in who can produce the longest exclusions list and more focused on whether a manager applies sustainability principles consistently, transparently and credibly. In practice, this means assessing not only what a fund excludes, but how it monitors controversies, engages with companies and balances sustainability objectives alongside diversification and long-term returns. That pragmatic approach allows us to avoid unnecessary harm while still constructing resilient, diversified portfolios capable of navigating changing market conditions.

Doing Good

Staying with the Janus Henderson US Sustainable Equity fund, they build on the harm avoidance framework with a structured thematic approach aligned to both proprietary sustainability themes and the UN Sustainable Development Goals (SDGs). The managers only invest in companies where at least 50% of revenues are linked to products or services contributing positively to environmental or social outcomes. These opportunities are mapped across themes such as cleaner energy, efficiency, sustainable transport, water management, healthcare and environmental services, all of which are directly connected to long-term structural sustainability trends. The portfolio also reports alignment to the UN SDGs, with particularly strong exposure to goals including Climate Action, Responsible Consumption & Production and Affordable & Clean Energy. This layered approach is important because it moves beyond simple ESG scoring and instead focuses on identifying businesses whose core revenues are actively contributing to a more sustainable global economy.

Driving Change

A strong recent example from Janus Henderson relates to corporate climate governance and emissions transparency. Through its sustainable equities team, Janus Henderson has engaged with companies on strengthening decarbonisation pathways, improving disclosure quality and aligning executive incentives with sustainability targets. One area of focus has been encouraging portfolio companies to adopt science-based emissions targets and improve reporting around Scope 3 emissions, particularly in sectors where supply-chain impacts are material. The managers have also demonstrated a willingness to escalate concerns through proxy voting where progress has been insufficient, reinforcing that stewardship is embedded into the investment process rather than treated as a separate exercise.

What we particularly value from a TAM perspective is that this engagement is tied directly to investment materiality. Rather than engaging for engagement's sake, the team focuses on issues that can improve long-term resilience, governance quality and risk management, ultimately benefiting both sustainability outcomes and shareholder returns.

Delivering Financial Returns

April was a strong month for the Janus Henderson US Sustainable Equity fund as stock markets rebounded from the conflict induced lows. Emerging Markets also reversed losses, with the Vontobel Emerging Markets Sustainability Champions fund continuing its impressive strength since it was added to the portfolios twelve months ago. On the whole, the portfolios have continued their strength and continue to outperform peers across the industry within the sustainability space. We are pleased with the levels of diversification we can deliver within a responsibly invested mandate.

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