Sustainability Updates

The headline that caught our eyes this month detailed a scientific assessment which warns that **several of Earth's critical systems are approaching irreversible tipping points.** Coral reefs are on the brink of collapse, while the Amazon rainforest and key ocean circulation patterns could reach breakdown beyond 1.5°C of warming. With the past two years the hottest on record, the report calls for urgent emissions cuts and coordinated international action to stabilise the planet's climate systems.

A sign of progress however is that **global solar and wind generation has overtaken coal for the first time** - a symbolic milestone in the global energy transition. Despite the International Energy Agency (IEA) halving its U.S. renewables growth forecast following the Trump administration's "Big Beautiful Bill", momentum remains strong elsewhere. The IEA now expects India, the Middle East, and Africa to lead expansion, with solar energy at the forefront. However, the agency cautions that without stronger and more consistent policy support, the world may still fall short of its long-term climate goals.

Lastly, in case you missed it**,** TAM Sustainable World's Portfolio Manager **Dan Babington was voted as the Best Sustainable Fund Selector/Wealth Manager in the industry** at this year's Sustainable Investment Awards. He sat down with Asset TV to explain his motivations, what it takes to be a fund in the Sustainable World portfolios, what the future of Sustainable investing looks like and what the biggest challenge for investors will be in the coming years. You can watch it here.

October Market Review

Global equity markets continued to climb in October, with developed markets up +2.8%. The rally was driven by easing US - China trade tensions and another solid US earnings season. Late-month trade talks boosted sentiment after both nations agreed to pause tariff escalation and ease export controls on rare earth minerals, vital inputs for AI, clean tech and the energy transition. However, with U.S. equities near all-time highs, much of the optimism now appears priced in.

Growth stocks (+4.2%) extended their lead over value (+0.4%), supported by AI and technology innovators with strong ESG and quality characteristics such as solid balance sheets and resilient business models. Industrial metals (+4.8%) and precious metals (+3.5%) led commodities, with gold and silver up roughly +52% and +69% year to date, underscoring their role as portfolio diversifiers and the latter as a material for renewable infrastructure.

In fixed income, emerging-market debt (+2.2%) outperformed as real yields rose, opening opportunities in transition-linked and sustainability-labelled bonds. High yield (+0.2%) slightly beat investment grade (-0.1%) as investors favoured yield in a cautious rate environment.

For investors, sustainability continues to shape both risk and return. Quality companies aligned with long-term themes such as clean energy, electrification and the circular economy are commanding higher valuations, while commodities and sustainable credit offer diversification beyond traditional equities. With much optimism already priced in, maintaining selectivity, diversification and active oversight remains essential.

Positioning & Outlook

> ***There were no new trades in the month of October given our current asset allocation is delivering on our macro view. We are also pleased with our fund selection, leaning into managers with considerable industry experience.***

As we enter the final stretch of 2025, global markets remain in strong momentum. Economic conditions are broadly supportive: growth is steady, corporate earnings are rising, and consumer demand remains firm. Investor enthusiasm around artificial intelligence, clean innovation, and infrastructure investment continues to fuel sentiment. While U.S. equity valuations look stretched, especially in technology, momentum remains powerful and could extend into 2026. The upcoming earnings season will be key. TAM expects the rally to broaden beyond U.S. tech, with opportunities in smaller global companies, select U.K. stocks, and emerging markets.

On the topic of valuations, Dan Babington wrote a note on common misconceptions about markets & what to look out for in financial headlines as the stock market runs higher. You can read it here.

Portfolios are positioned through high-quality global and U.S strategies managed by skilled stock pickers. We remain mindful that markets are climbing even as growth slows and gold prices strengthen. Inflation and employment data will guide central banks, with any inflation surprise likely to spark volatility. We stay fully invested while maintaining protection through diversification. In fixed income, we favour short-dated corporate and sustainability-linked bonds, complemented by allocations to gold, silver, transition-related commodities, and government bonds.

Our US holdings remain at benchmark levels in the view that the market remains strong with considerable momentum in secular technology growth. The US has a considerable lead on the rest of the world so valuations in the highest quality names are justified, in our view. Given a sustainable mandate, we do not own all names in the S&P 500, but our avoid harm and do good mandate leads to healthy allocations to the names we see as poised to lead well into the future. In the UK market, we hold an overweight position, attracted by historically low valuations. In emerging markets, we also stayed overweight, especially in South America and India – this has delivered strong performance in the last six months.

We are avoiding pure-play solar and wind developers, seeing them as too risky. Instead, we invest through active managers that spread exposure across the electrification and efficiency chain. Looking forward, we believe the most reliable long-term growth will come from the quality side of the energy transition. Those companies focused on electrification, efficiency, and grid modernisation because their earnings are more stable, and they benefit from long-term trends like data-heavy infrastructure and carbon-cutting goals. Pure-play renewables may need clearer US policy or lower interest rates to truly shine again. For now, our strategy of balancing stability and transition opportunities through diversified exposures seems sound.

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

This month we caught up with our Sustainable Short-Dated Bond fund managed by TwentyFour Asset Management. Above and beyond their negative screening, which is strong and in line with our minimum standards, we had an interesting conversation outlining analysis they had done on the financing of fossil fuel projects in their Banks positions. Their proprietary work found that US banks have been drastically reducing their harmful lending with Goldmans Sachs cutting by as much as 85%. Unfortunately, they found Japanese banks have been allowing an increase which prompted the selling of TwentyFour's holdings in Mizuho bank. This goes to show that our fund managers use a variety of approaches to avoid harm and are willing to make difficult decisions if they don't like what they are seeing.

Doing Good

TAM delivers on this pillar by investing in strategies that create measurable environmental and social benefits alongside strong financial returns. A prime example is the World Bank Plastic reduction linked Bond, which directs capital to protect marine life and local ecosystems.

Such instruments show how fixed income can fund tangible impact - linking investor returns to real sustainability outcomes like plastic reduction and ecosystem recovery. By allocating to outcome-based and sustainability-linked bonds, TAM ensures client capital helps tackle challenges such as waste management, climate change, and biodiversity protection while maintaining disciplined, risk-adjusted performance. This reflects how TAM's Sustainable World portfolios do good, by financing solutions that deliver positive change without sacrificing returns.

Driving Change

TAM is proud to remain a supporter of the CCLA Corporate Modern Slavery Benchmark, underscoring our belief that responsible investment must safeguard human rights and dignity across global supply chains. The benchmark evaluates how major listed companies identify, prevent, and address risks of forced labour and exploitation, assessing governance, transparency, and remediation practices. By taking part, TAM joins a coalition of investors using engagement to encourage stronger oversight, improved disclosure, and genuine accountability from corporations operating in high-risk sectors. This initiative has already driven progress, with more companies publishing modern slavery statements, enhancing supplier due diligence, and implementing independent audits. Through our partnership with CCLA, TAM continues to champion investor action that protects people as well as profits, helping to build fairer, more ethical global markets.

Delivering Financial Returns

The best performing fund in October was silver bullion**.** Historically undervalued relative to gold, TAM have had high conviction which has played out perfectly this year with another 8%+ to add to its 30%+ in Q3. Given the metal's unique role in the energy transition as a crucial component in photovoltaic solar panels, usage in electric vehicles (EVs) batteries, charging infrastructure, and electronic control systems, we see continued upside potential from not only its relationship with gold but also its sustainability credentials.

In second place, was the Royal London Global Sustainable Equity fund, returning 6.79%. The strategy is a high conviction pick for TAM. It invests in high-quality companies that contribute positively to society and the environment while maintaining strong financial performance. The fund combines rigorous ESG analysis with active ownership, aiming to identify businesses delivering solutions to global challenges such as climate change, resource efficiency, healthcare, and financial inclusion.

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