

## Sustainability Updates

As we look ahead in 2026 and beyond, we are viewing markets through a lens of opportunity and optimism, outlined in Portfolio Manager, Dan Babington's, most [recent investment note](#).

In encouraging news for the sustainability sector, [global investment in the energy transition reached a record \\$2.3 trillion in 2025](#), driven by electrified transport, renewables and grid infrastructure. Clean energy supply continues to outpace fossil fuels, reinforcing the long-term momentum behind decarbonisation despite short-term policy and regulatory challenges in certain regions.

Alongside this, Europe has accelerated its push for energy independence, committing to [scale offshore wind and renewable capacity as Russian gas is phased out by 2027](#). At the same time, growing attention is being paid to nature-related financial risks, with recent research highlighting data gaps in biodiversity reporting under the TNFD framework. While disclosure challenges remain, this increased focus reflects a [broader shift toward integrating nature, resilience and long-term environmental risk into investment decision-making](#).

## January Market Review

January 2026 got the year off to a constructive start, although with a noticeable uptick in day-to-day volatility after the strong finish to 2025. Equity markets generally advanced, but the more interesting development was the broadening of leadership beyond US mega cap technology, with international markets such as the UK and Europe starting the year strongly and benefiting from a more cyclical tone in sector leadership.

From a Sustainable World perspective, that shift matters because sustainable portfolios are rarely "one theme" portfolios. They tend to blend quality growth (often linked to technology, healthcare and enabling infrastructure) with real economy transition exposures such as electrification, efficiency, grid investment and resource productivity. A broadening market can therefore be healthy for both returns and sustainability outcomes, as capital rotates toward the companies building the backbone of a lower carbon, more resilient economy rather than concentrating only in a narrow set of AI winners. On the fixed income side, government bonds remained more subdued while corporate credit continued to do more of the heavy lifting, reinforcing the value of diversification across asset classes and return drivers.

The exponential strength in precious metals reached its crescendo in January. After a fantastic run both gold and silver saw considerable volatility and a return to the December prices. Although this doesn't sound like a large retracement, euphoria had bubbled through January which made the drop dramatic, albeit no less dramatic than the ascent it negated. Despite a whirlwind of price moves, both metals finished the month positively.

## Positioning & Outlook

*January housed a selection of trades to align with our views for 2026 and beyond. Continued dollar weakness remains a core tenet of our positioning, expressed through an increase in Emerging Markets, and maintaining our responsibly sourced gold position despite recent volatility. We also added a European Equity Value strategy to complement our global equity positions.*

Looking forward, the market appears content to take on risk and continue moving higher, underpinned by resilient economic growth and broadly stable inflation. This backdrop supports corporate earnings and gives investors confidence to rotate beyond the narrow leadership of recent years. We are seeing a meaningful shift away from high-flying US mega-cap technology toward more value-orientated sectors, smaller companies and international markets. From a sustainability perspective, this broadening is constructive. It creates opportunities in areas such as healthcare innovation, industrial efficiency, infrastructure modernisation and the energy transition, rather than concentrating returns in a handful of technology names. We are positioned for this shift by being underweight the US versus our benchmark. However, we still allocate to US equities in the view that despite having a narrower margin of safety (higher valuation), the largest companies in the US are still incredible growth engines, powering the transition to a more AI enabled world.

We do however expect momentum outside the US to continue with capital flowing toward Emerging Markets, China and Japan, where structural reform, domestic consumption and green infrastructure investment are gaining traction. In Japan, renewed political momentum may support corporate governance improvements and capital discipline, themes aligned with long-term sustainable value creation. Across emerging economies, investment in clean energy, digital inclusion and resilient infrastructure remains central to growth narratives. Overall, we envisage a market still willing to take risk, but more selective in where it allocates capital, favouring real-world earnings, balance sheet strength and businesses positioned to benefit from structural sustainability trends rather than simply buying US technology at any price. This has been the central theme we consider when selecting the fund managers to express our views, alongside an unwavering commitment to positive environmental and social 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 examples highlight how each principle is applied in practice this month.

## Avoiding Harm

When assessing harm avoidance, we first examine the screening thresholds a fund manager applies. But secondly and most crucially is understanding the principles of the firm, to build trust in how they have determined these revenues thresholds. This negates worries about the fund attempting to shift the screens in pursuit of financial returns or even breach them. When researching the Edentree European Equity fund for our Sustainable World portfolios, we were reassured by not only the depth of commitment to sustainability but the recent announcement that every fund the firm manages received a regulatory stamp of approval in the form of an SDR label. This shows us that they are fully committed to sustainability with ethical values embedded deeply into the firm's foundations. These are the fund managers that we are looking to partner with in our portfolios.

## Doing Good

In December, we re-mapped our alignment to the UN Sustainable Development Goals. The TAM Sustainable World portfolios' strongest alignment is currently across: Good Health and Well-Being (SDG 3), Industry, Innovation and Infrastructure (SDG 9), and Decent Work and Economic Growth (SDG 8). Together, these reflect a focus on improving quality of life, building resilient economic systems and supporting inclusive growth. SDG 3 captures investments in healthcare innovation, infrastructure and services that strengthen health outcomes and system resilience. SDG 9 reflects exposure to the infrastructure, technologies and innovation required to support a more efficient, digital and lower-carbon global economy. SDG 8 highlights investments that promote fair employment, skills development and financial inclusion, helping to underpin long-term economic stability and shared prosperity.

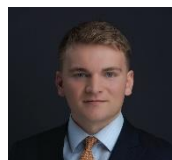
## Driving Change

In a month where we trimmed our exposure to the CCLA Better World fund, it is crucial to note that we remain a signatory of the CCLA Corporate Mental Health Benchmark, reflecting our belief that meaningful sustainability must extend to human wellbeing. The benchmark assesses how major listed companies manage and support mental health across their workforce, focusing on governance, culture, and performance. By participating, TAM joins other responsible investors in engaging with companies to improve disclosure, reduce stigma, and promote healthier, more inclusive workplaces. This collaborative initiative has already led to improved reporting standards and stronger

mental health strategies among large employers. The CCLA Benchmark now covers over 150 global companies, representing \$10 trillion in market capitalisation. Through active stewardship and partnership with CCLA, TAM helps drive systemic change in corporate behaviour. Demonstrating that investing responsibly means advancing both people and planet.

## Delivering Financial Returns

It was a strong start to the year, following on from a fantastic year of performance in 2025. Precious metals led the gains but as retail demand turned to speculation, overexuberance and then panic, much of January's gains were unwound. We took profits in our silver position around the highs which was pleasing, maintaining our long-term conviction through a smaller allocation. Other strong performers included our Emerging Markets holdings and our transition enhanced commodities. Our conviction in a structural weakening of the dollar has so far been supported and the investments we added to benefit have done so.



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