

## Sustainability Updates

As we begin the New Year we always like to start on a positive note, and despite some terrible headlines through 2025 – there were silver linings in the world of sustainability.

While global emissions continue to rise, 2025 delivered meaningful progress in the energy transition. Investment in clean energy is expected to reach a record \$2.2 trillion, with more than twice as much capital flowing into clean power as fossil fuels. Solar and wind expanded fast enough to meet all new global electricity demand for much of the year, putting the world within reach of the COP28 goal to triple renewable capacity by 2030.

Artificial intelligence is playing a growing role in climate progress, driving investment in renewables, grid infrastructure and next-generation energy solutions while also improving climate research and weather forecasting. Clean energy markets have benefited from this momentum, with strong performance and rising capital flows highlighting how digital innovation is strengthening the foundations of the energy transition.

Battery costs fell to new lows in 2025, accelerating electrification and expanding energy storage capacity, particularly in the US. Alongside this, international cooperation delivered important wins, including progress on protecting the high seas and a landmark legal ruling strengthening accountability on climate action. In the UK, renewable electricity generation reached a new record, underlining the steady shift toward a more resilient, cleaner energy system.

## December Market Review

December brought a more moderate close to the year, with global equities and bonds both posting modest declines in dollar terms as markets paused after a strong final quarter. International equities once again outperformed their US counterparts, reinforcing a theme that defined much of 2025, while sterling's rally against the dollar provided an additional boost to UK-based hedged investors. Volatility remained a feature of markets, particularly as the year drew to a close, but the overall tone was one of consolidation rather than concern, with investors taking stock after a year of solid gains.

Softer inflation data across the US, Europe and the UK helped reinforce confidence that global disinflation remains intact, even if uneven. Central banks used their final meetings of the year to cut interest rates while maintaining a cautious tone, tempering year-end rallies but providing reassurance that further easing lies ahead in 2026. Macro developments supported this balanced backdrop, with cooling but resilient US growth, stable energy prices in Europe and calmer gilt markets in the UK. Against this setting, gold and silver continued to perform strongly, underlining their role as effective diversifiers as investors navigated a more thoughtful and measured market environment.

Performance drivers over the month saw active global funds continue to take advantage of a strong international market

as did investments in emerging market funds. Sustainably screened investments in the S&P 500 cooled in December with a small detractor to performance.

## Positioning & Outlook

*There were no new trades in the month of December 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 with an overweight to areas of high conviction such as commodities.*

Looking ahead, narrowing inflation paths, a projected buoyant earnings season and central bank policies are creating a broad and attractive opportunity set for global investors whilst we see enthusiasm around AI continuing to propel markets higher. In Europe, the prospect of progress towards a peace framework in Ukraine could arrive soon which would likely lift sentiment towards EU equities. In the US, markets should be buoyed by Trump's recent tax cuts which should start to show up in consumer spending patterns and corporate earnings. We expect speculation around further cuts to US rates to cool as we move through Q1 as the current and outgoing Federal Reserve chair dampens expectations of further cuts into the end of his tenure.

The principal risk to this short-term outlook remains the buoyancy in AI and whether the companies who have been rewarded for large spend will be able to deliver the earnings promised. Should January earnings come through shallow we would envisage a volatile Q1 but this remains an outlier of the money risk this early into 2026. Looking beyond AI, we see a broad universe of real-world businesses across sectors such as a buoyant energy transition sector, healthcare, banking and industrials that stand to benefit as AI productivity gains spread more widely through the economy. A rotation towards these companies is something we expect to see continuing in February's performance.

Portfolios are positioned through high-quality global, emerging market 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 the bonds of those governments leading in the transition to net zero.

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 delivered strong performance in 2025.

We have avoided a large allocation to pure-play solar and wind developers, given the excessive volatility in the last five years. 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. 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

As we head into 2026 it is a moment to reflect on how the debate around harm avoidance has shifted again within sustainability-focused investing. Nowhere has this become more nuanced than in discussions around defence exposure. Conversations with sustainability heads across our partner firms highlighted a clear need to distinguish between defence production, the manufacture of weapons, ammunition and other lethal systems, and defence participation through dual-use technologies such as semiconductors, cybersecurity, satellite infrastructure and advanced materials. These technologies are primarily civilian and underpin digital, medical and energy systems worldwide. After careful review, we agreed that the Sustainable World portfolios will continue to exclude weapons production but may invest in companies whose technologies sit adjacent to defence, not directly harmful and essential to broader economic or societal resilience. This bifurcation reflects market reality and supports our commitment to clarity, consistency and responsible stewardship.

### Doing Good

This month 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

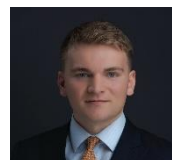
systems and supporting inclusive growth. SDG 3 captures investments in healthcare innovation, infrastructure and services that strengthen health outcomes and system resilience. SDG 9 reflects exposure to the infrastructure, technologies and innovation required to support a more efficient, digital and 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

A core part of our drive change philosophy is engaging not only with companies but with the wider ecosystem that shapes sustainable outcomes. Through our partnership with AdviserAction, we contribute to a collective investor voice pushing for higher standards of corporate behaviour, transparency and accountability. AdviserAction brings together wealth managers, advisers and asset owners to coordinate engagements on issues where individual influence may be limited but collaborative pressure can create real momentum. For TAM, this platform strengthens our ability to challenge companies constructively, support advisers seeking clearer sustainability disclosures and accelerate industry-wide improvements. It ensures that our clients' capital is not just invested responsibly but actively contributes to raising the bar across the market.

### Delivering Financial Returns

December closed out a strong 2025 for the Sustainable World portfolios. We saw double digit returns for the higher risk profiles which we were pleased to see place us among the best performers in the Sustainable investing market. The best performing assets for the year came in the form of silver bullion which returned comfortably triple digits. Responsibly sourced gold and our transition focused commodity product also performed well. Just above these was a very strong showing from our Global Value strategy and our sustainable North American fund. It was a year where the benefits of diversification shone through and our high conviction call in commodities was a real boon to performance.



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