

July Market Overview

In July, stock markets generally continued their ascent higher. The United States, particularly its big tech and semiconductor companies, led the gains. This strength was driven by ongoing demand for artificial intelligence computing and healthy investment outlooks in chipmakers and cloud infrastructure. Europe saw modest moves upwards, with financial and industrial firms supporting gains, although growth signals and future guidance remained cautious. The UK also posted slight gains, helped by strong performance in energy, mining, and large-cap defensive companies, even as weaker activity data caused a bumpy ride for domestic sectors. Emerging markets outpaced developed ones overall, powered by confident growth in Asia's tech companies, supportive currencies in parts of Latin America, and continued momentum in India. China, by contrast, stayed range-bound without dramatic upside or downside.



STOCK MARKETS

In July, stock markets rose, driven by US big tech and semiconductor firms, with smaller gains in Europe and the UK.

Interest rates, especially at the short end, remain stubbornly high, keeping capital expensive. That hurts high-investment businesses like solar developers, but doesn't affect less capital-intensive, service-focused industrial companies as much. The US dollar rebounded after months of weakening. At the same time, some emerging markets benefited from weakening currencies and easing inflation. Together, these factors helped explain why emerging markets outperformed.

EMERGING MARKETS

Emerging markets outperformed, fueled by Asian tech growth, strong Latin American currencies, and momentum in India.



Sustainability & Renewables

Pure-play renewable energy companies, including solar and wind builders, continued to lag. These firms are

sensitive to high borrowing costs and political shifts, particularly in the United States, which dampened investor confidence. In contrast, companies that support energy transition in a broader way, think grid automation, smart power equipment, building efficiency technology and industrial software, held up better. They benefit from growing electricity needs driven by data centres, AI, grid updates, and stable, service-based revenue models.



RENEWABLE ENERGY

Vulnerable to high borrowing costs, political changes, and unclear green energy policy.

In the US, continued uncertainty around green energy policy, such as credit timelines and permitting processes, added pressure on the renewables sector. In Europe, new ESG rules and efforts to align financial reporting with true carbon-cutting results are pushing investment toward infrastructure that enables decarbonisation, not just headline megawatt figures. Carbon markets themselves stayed in a narrow band: industrial demand remains soft, but quality-focused corporate buyers are still active, often raising the bar through stricter standards.

Portfolio Positioning

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.



FOCUSED U.S. EXPOSURE AND OPPORTUNITIES IN UK & EMERGING MARKETS

US holdings focus on quality tech leaders. Overweights in the UK and emerging markets target value and growth.

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.

There were no new trades in the month of July given our current asset allocation is delivering on our macro view. We are well positioned for a continuation of the broad equity strength that we are seeing in markets through a plethora of strong active managers experienced in investing in the leaders of sustainable trends.



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