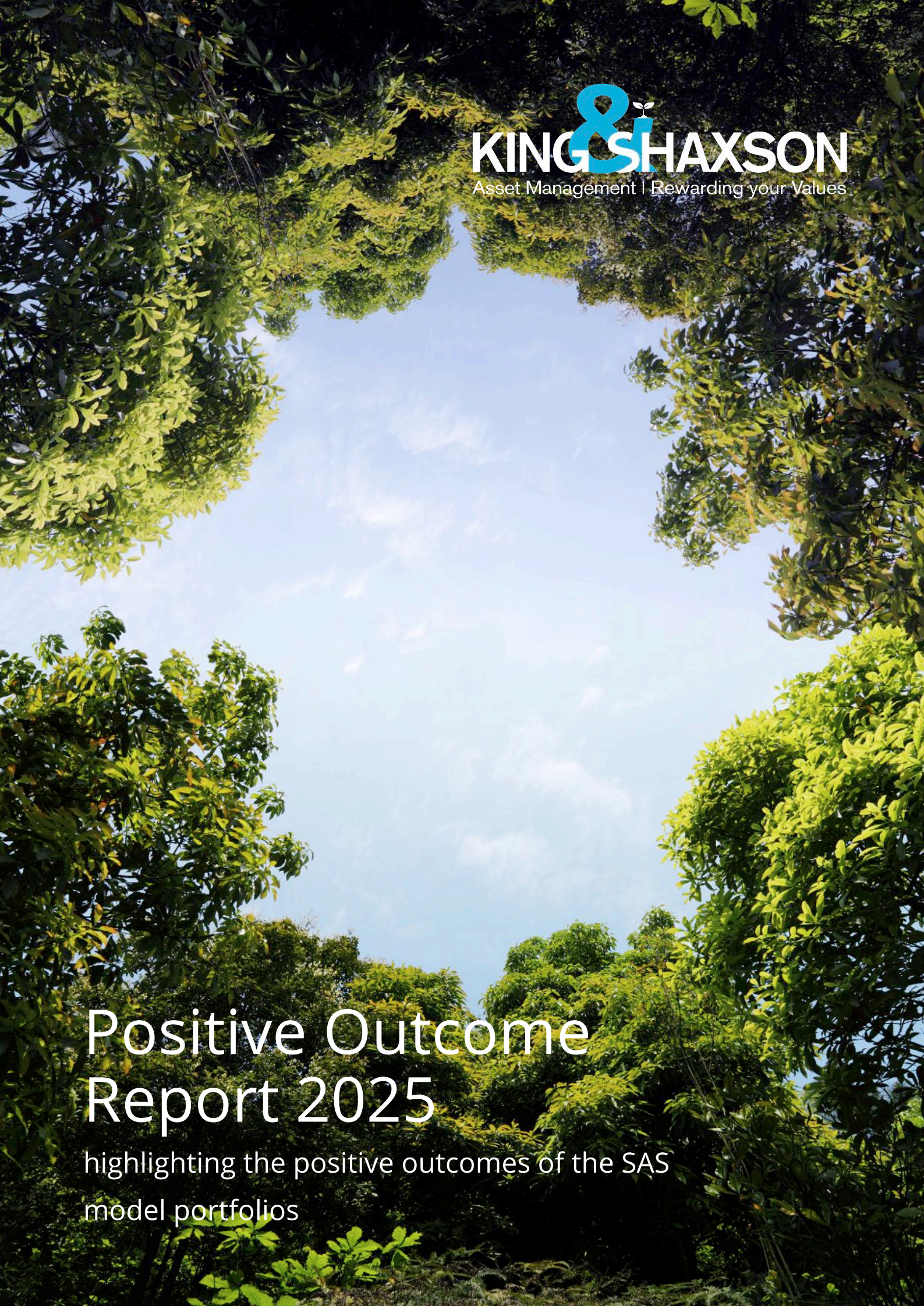


Positive Outcome Report 2025

highlighting the positive outcomes of the SAS model portfolios

CONTENTS

INTRODUCTION

In last year's report we noted that the outlook for many of the stocks in our investment universe were improving, despite headwinds around geopolitics and the cost of capital. In many senses these headwinds have remained, with inflation remaining sticky and interest rates falling slower than expected as a result.

On top of this, conflict and unrest has grown around the world with spending on defence being a key theme so far in 2025, an area negatively screened out of portfolios. In some senses, headwinds have even grown with the election of Donald Trump in the US, heightening policy risk around renewables in particular, and inciting backlash against the sustainable agenda.

After a difficult fourth quarter in 2024, driven by uncertainty around the UK budget, and the 'Trump Bump', the first half of 2025 has seen a movement of capital away from the US and debate rising around the end of so-called US exceptionalism.

The investment into Artificial Intelligence (AI) has continued to be a dominant trend in financial markets, with big-tech companies continuing to perform strongly. Whilst portfolios have limited exposure to many of these names, there are a number of portfolio companies benefitting from the increase in investment of picks & shovels providers, providing solutions to the challenges AI has created, and utilising technology to drive positive change.

Within this year's report, we take a deep dive into the world of labelled bonds, highlighting some of the progress in areas such as conservation. The report also reviews a number of key themes within the portfolios, such as clean energy. These case studies utilise the IRIS+ Five Dimensions of Impact methodology. As seen to the right, this system serves as the foundation for evaluating the depth and quality of impact across selected companies, offering a structured lens through which investors can assess not only what impact is occurring, but who is experiencing it, how much change is being delivered, the contribution their capital makes, and the risks that may affect the durability or effectiveness of that impact.

Introducing this framework ensures a shared understanding of the criteria applied throughout the subsequent analyses and helps anchor each case study within a globally recognised impact measurement standard. [1]

IMPACT DIMENSION	IMPACT QUESTIONS EACH DIMENSION SEEKS TO ANSWER
WHAT	What outcome(s) do business activities drive? How important are these outcomes to the people (or planet) experiencing them?
WHO	Who experiences the outcome? How underserved are the affected stakeholders in relation to the outcome?
HOW MUCH	How much of the outcome occurs - across scale, depth and duration?
CONTRIBUTION	What is the enterprise's contribution to the outcome, accounting for what would have happened anyways?
RISK	What is the risk to the people and the planet should the impact not occur as expected?

As we close out the year, we would like to thank all our clients for their ongoing support and we hope you enjoy reading this year's Positive Outcome report.

[1]IRIS+ and the Five Dimensions of Impact

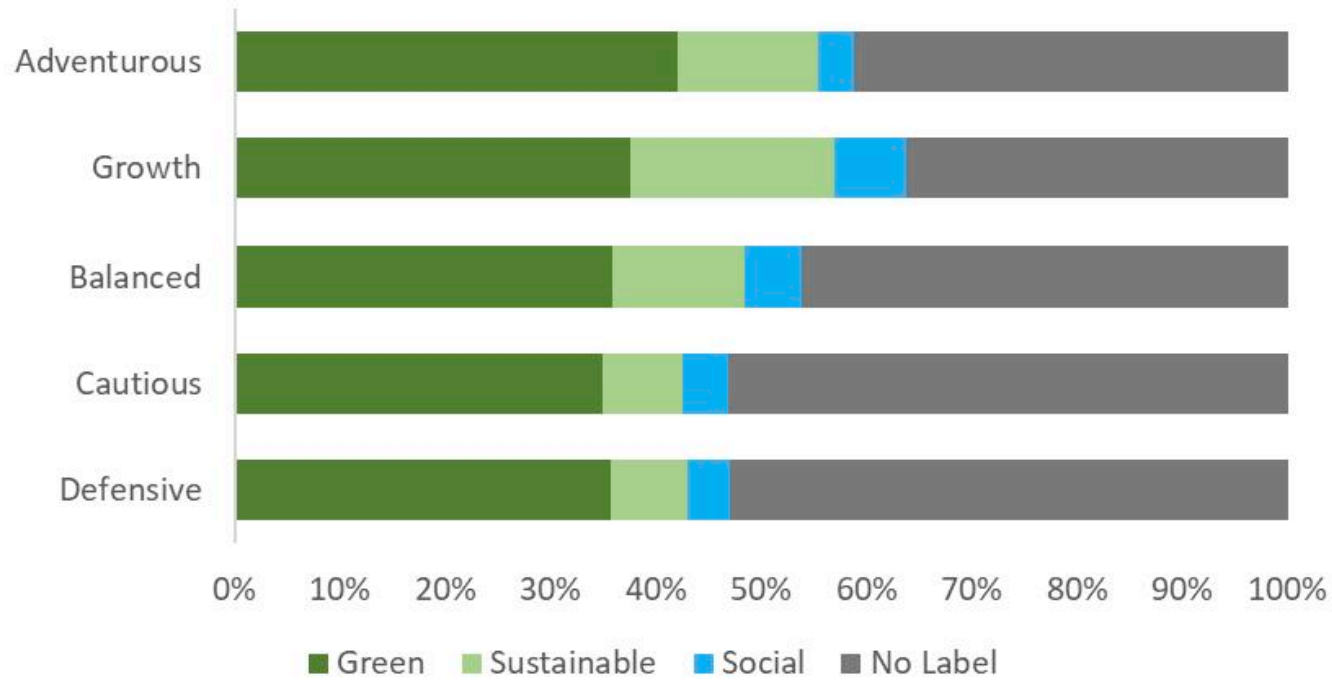
Impact Bonds

Impact bonds have grown into an extremely powerful tool to address environmental and social issues. The green bond market in particular has matured into an asset class that has proven to be a viable funding source to tackle climate change, whilst being a robust alternative to conventional bonds, with issuance growth across regions, sectors and issuer names. Supported by continued regulatory development, issuance of green bonds totalled £24.6 billion in 2024, despite this, climate finance continues to fall short of requirements. Nonetheless, the private sector continues to play an important role to fund the gap where public finances continue to be squeezed.

An emerging area of sustainable debt is 'Blue Financing', which helps to support ocean-friendly or clean water projects as part of the blue economy. The blue economy covers a range of industries, from tourism and marine transport, to fisheries and aquaculture. The World Bank estimates that it supports over 200 million jobs globally, with the OECD expecting it to double in value to $3 trillion by 2030. Blue bonds only account for around 0.2% of total sustainable bond issuance. Nonetheless, leading fund managers within the model portfolios, such as T. Rowe Price, are supporting the development of this type of finance and we provide an example of DP World's blue bond which focuses on promoting healthy eco-systems.

Further on we provide an update to the Rhino conservation bond as well as a case study of The World Bank's Plastic Waste Reduction-Linked Bond, launched in 2024. The report will also take a deep dive into the Asian Development bank and the climate impact they are having in the Asia and Pacific regions.

Portfolios exposure to labelled bonds is found below:



Source: King & Shaxson Asset Management |Normalised to 100%

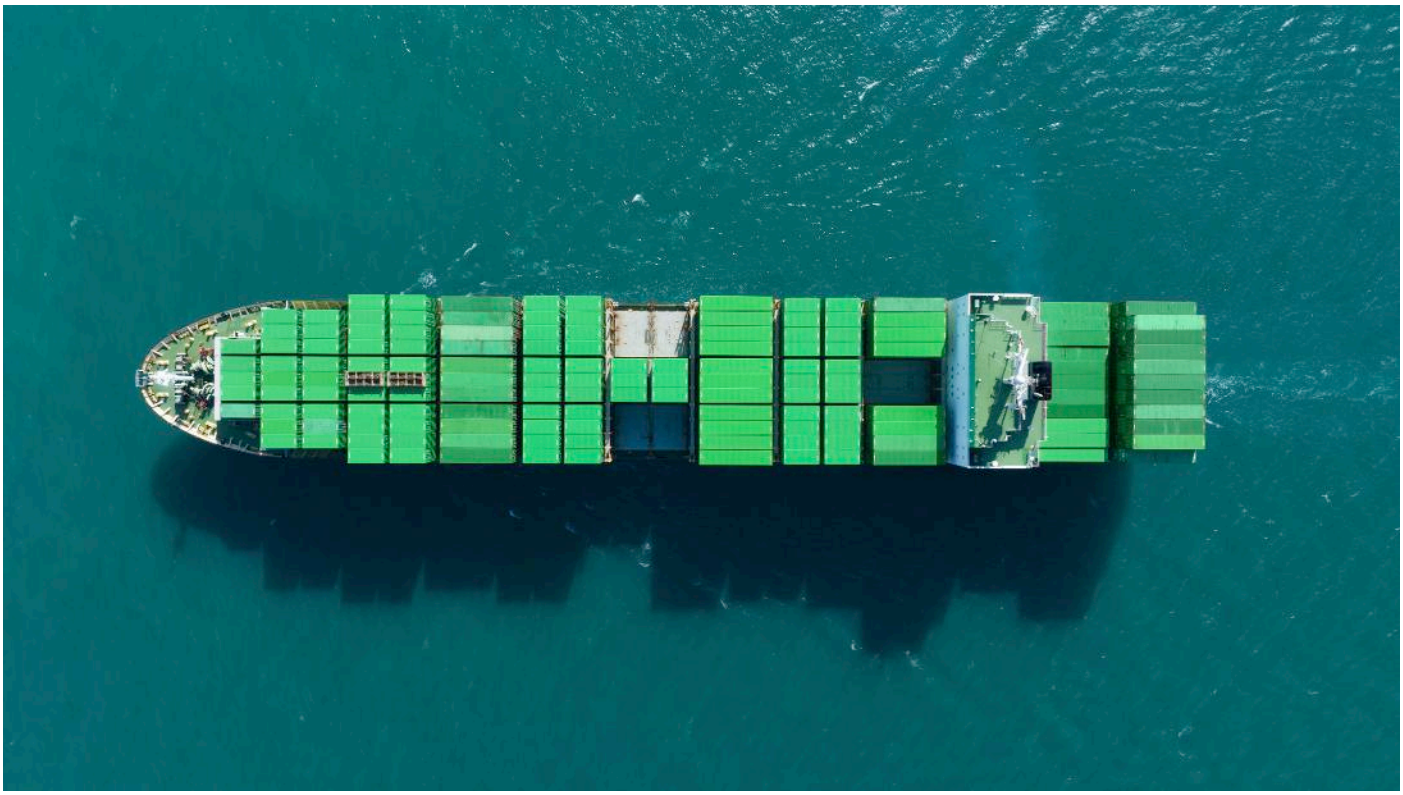
Portfolio Holding Case Study:

DP World Blue Bond

DP World is a global logistics company specialising in cargo logistics and maritime services. This bond is held within the T.Rowe Price Global Impact Credit strategy.

Input	$100 million blue bond issuance
Output	Investments from the bond will focus on sustainable port practices, including sustainable shipping fuels. Marine conservation will promote healthy marine ecosystems and reefs.
Outcome	Enable a lower climate impact of shipping by DP World's customers by reducing emissions and ocean acidification. Furthermore, they'll seek to restore marine biodiversity.
Impact	Avoided 15.15m tonnes of CO2 GHG emissions Restored 47 hectares of mangroves or key marine habitats

Source: DP World's 2024 sustainability report



Portfolio Holding Case Study:

The Wildlife Conservation Bond or 'Rhino Bond'

The Wildlife Conservation Bond, popularly known as the "Rhino Bond," represents a pioneering and innovative financial instrument issued by the International Bank for Reconstruction and Development (IBRD), the development arm of the World Bank.

Input	$150 million investment was made with $70 million allocated as of the end of 2022 for protecting black rhino populations in South Africa.
Output	Rhino population growth, habitat protection, creation and generation of local jobs through tourism.
Outcome	Unlike conventional bonds that give investors regular interest payments, the Rhino Bond directs those payments – totalling around $10 million, into conservation projects in South Africa's Addo Elephant National Park and Great Fish Nature Reserve. At maturity, investors receive success payouts, up to $13.76 million, depending on the black rhino population increase. These payouts follow the percentage of the black rhino growth rate.
2024/2025 Impact Update	Early results for the Rhino Bond are very promising. From a worrying decline of 3.7% in late 2021, the black rhino population has been elevated to a striking growth rate of +7.65% by the start of 2024, far surpassing the 4% target rate. [1] Furthermore, the success of the black rhino population signals other achievements, including improved management of large park areas that are home to other species. Additionally, it signals the Rhino Bond has caused an increase in enhanced counter-poaching measures, and increased ranger staffing and training.

[1] Source: Rhino Bond: How innovative finance is saving wildlife

Black Rhino Background

The population of black rhinos declined dramatically in the 20th century at the hands of European hunters and settlers. Between 1960 and 1995, black rhino numbers dropped by a sobering 98%, to less than 2,500.

Since then, the species has made a tremendous comeback from the brink of extinction, thanks to persistent conservation efforts across Africa. Black rhino numbers have doubled from their historic low 20 years ago to more than 6,000 today.[1]

Whilst the recovery is impressive, black rhinos play a crucial role in Africa's ecosystems and local economies, and factors such as poaching and habitat loss continue to plague and pose a threat to the species.

Source: Black Rhino | WWF

Portfolio Holding Case Study:

Plastic Waste Reduction Bond

Plastic Pollution is a global problem in today's society. Every year, 19-23 tonnes of plastic waste leaks into aquatic ecosystems alone, altering habitats and natural processes. Plastic pollution affects everyone; it can take hundreds of years to decompose and even then, only breaks down into smaller and smaller pieces, known as microplastics.[1] These infiltrate the environment, having been found in human blood and vital organs.[2] Moreover, plastic exacerbates other environmental challenges—the production, conversion, and waste management of plastic generates about 4% of greenhouse gas emissions (GHGs), and these are projected to more than double by 2060.[3]

Plastic pollution is particularly acute in Indonesia and Ghana, as it is in many developing countries. Indonesia is the second-largest plastic polluter in the world after China, producing over 3.2 million tonnes of unmanaged plastic waste a year, with over 10 billion plastic carrier bags released into its local environment annually.[4] Only 2% of Ghana's 3.2 million tonnes of annual plastic waste is recycled, meaning a staggering 98% of plastic waste ends up in landfills, waterways, and the environment, posing significant risks to human health and the environment.[5]

Input	The bond is a $100 million 7-year principal protected bond.
Output	Funding towards a community-based plastic waste collection and recycling project in Ghana that helps set up small recycling plants and social enterprises. The proceeds also go towards SEArcular in Indonesia who provide training and employment to local communities and negotiate price premiums for the ocean bound plastic they collect.
Outcome	The World Bank's Plastic Waste Reduction-Linked Bond aims to mitigate plastic pollution through financing plastic collection and recycling projects in Indonesia and Ghana in particular. The returns from the bond directly depend on the plastic and carbon credits generated by the projects, as well as jobs created.
Impact	 Positive outcomes include improving local air quality and sanitation by collecting approximately 230,000 tonnes of plastic waste, and recycling over 180,000 tonnes.

[1] Plastic Pollution | United Nations Environment Programme (UNEP)

[2] Microplastics in environment: global concern, challenges, and controlling measures| National Library of Medicine

[3] Global Plastics Outlook | OECD

[4] National Plastic Waste Reduction Strategic Actions for Indonesia | United Nations Environment Programme

[5] Ghana's Plastic Waste Crisis is a Growing Concern | Centric

Plastic by the Numbers

220 M tonnes of plastic waste generated across the world.

70 M tonnes entered the environment due to mismanagement.

<10% of global plastic waste is recycled.

90 Bn plastic packaging items thrown away every year in the UK.
This is equivalent to approximately 1300 items per person, per year.

Source: Earth Ocean | Plastic Overshoot Day

Impact Bond Issuer in Focus:

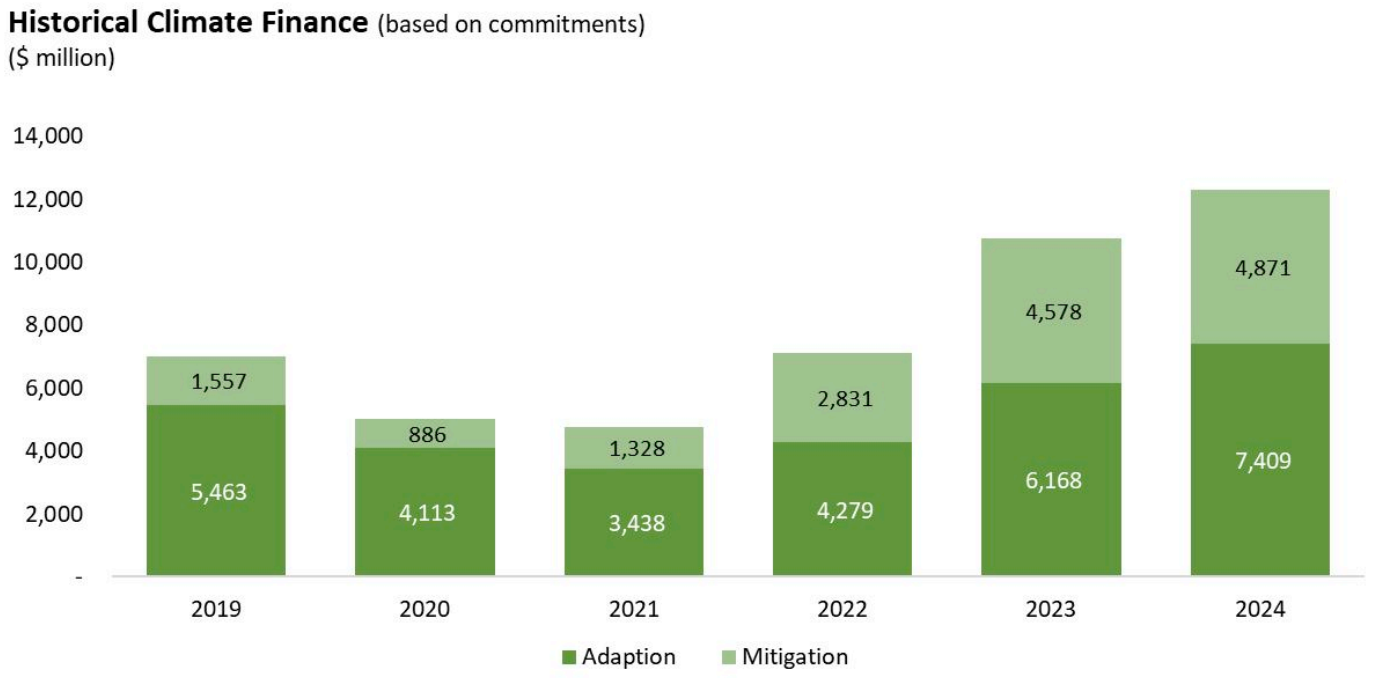
Asian Development Bank

The Asian Development Bank (ADB) was founded in 1966 to help aid its member countries to overcome challenges experienced everyday by the population. Their goal is to reduce poverty and increase the quality of life for people living in Asia. As part of your portfolio, we hold ADB bonds which are used to finance projects which are having broad and measurable progress towards tackling their goals. In 2022, they were able to directly help 263 million people with their projects supporting health, education and social safety nets to prevent the developing member countries from falling further into poverty. Their work also allowed for 93.5 million people who were identified as "poor and vulnerable" have their living standards improved. [1]

The ADB have had an increasing focus on tackling climate issues. In 2021, they increased their 2019-2030 target by committing $100 billion to tackle climate change in developing member countries, up from $80 billion.[2] Since this announcement was made, $34.9 billion has been committed, this includes $12.28 billion in 2024 alone.

In order to put these funds to use, ADB signed an agreement with the Green Climate Fund (GCF) in July 2023. This agreement meant that the two entities would co-finance climate projects.[3] These climate sustainability projects are split into three main themes:

Adaptation	Adaptation projects focus on efforts to enhance resilience and reduce vulnerability to physical risks posed by climate change. Issues include floods, droughts, cyclones and heatwaves.
Mitigation	Mitigation projects aim to directly reduce greenhouse gas emissions, facilitate a transition to a low-carbon economy, or the development of infrastructure.
Crosscutting	Crosscutting projects measure and simultaneously support both adaptation and mitigation across sectors, embedding climate action into core project design.



[1]ADB.org | Sustainability report 2024

[2]ADB.org | ADB Raises Climate Finance Ambition to $100 billion

[3]Green Climate Fund | Master Agreement between GCF and ADB

Renewable Energy

Mitigation project in Tonga

Tonga is the second most climate vulnerable country in the world due to increased amount of climate incidents and natural disasters caused by climate change. A total of $47.6M has been committed with the aim to transition Tonga from being primarily powered by expensive imported diesel to a sustainably powered nation fuelled by solar.

As part of the project, there is a gender action plan alongside the overarching climate goal. This action plan is aiming to have at least 50% female participation and have 20% female hires within the construction and administration crew. Alongside this, equal pay will be standard for both male and female workers, with a minimum of 30% of management being female. Kristen Graf, Director of Women of Wind Energy, said of the project "women are under-represented in wind and the other renewable energy industries, and believes progress in renewables may depend on correcting that". [1]

Government seeking to achieve 70% renewables by 2030

265,100 tonnes of CO2 emissions avoided from the project so far

Water supply and waste water

Adaptation project in Fiji

The project is targeting the infrastructure in the greater Suva area in Fiji, with a goal to improve the previously existing sewage systems and to build a new intake from the River Rewa to treat wastewater. This is in an attempt to fortify the infrastructure due to their vulnerability to a full range of climate related disasters, from extreme drought to flooding from rising sea levels.[2]

Due to the growing urbanisation of Fiji's population, the current infrastructure is already under strain, and with further urban growth alongside the risk from climate disaster, the project is tackling a huge problem. Before the work on the project began, sewage infrastructure in the capital Suva only covered 36% of the city. The project has been deemed essential but due to Fiji's debt crisis it has previously been deemed too expensive to undertake. The project has been forecast to cost $405M, this is made up of a $3M from the GCF and the remainder is made of loans from ADB. This will improve climate resilience by taking water from further up the river system to ensure water is pure enough for the plant. To ensure water wastage can stay low there will be meters installed to track and locate leaks when they appear and allow repairs to be made.

290,854 Project Beneficiaries

30,000 m³ clean water production per day

[1] Green Climate Fund | Gender Assessment ADB Tonga

[2]Green Climate Fund | Fiji Urban Water Supply and Waste Management Project

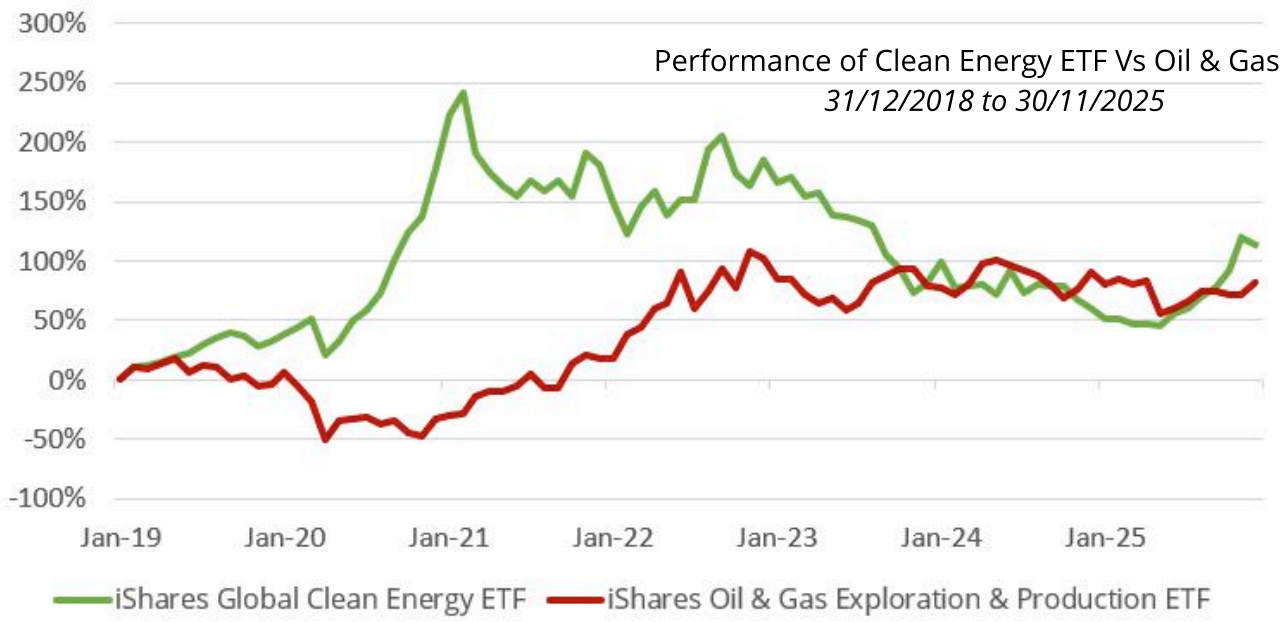
Clean Energy

2024 was the first year on record where global temperatures passed 1.5°C above pre-industrial level, the target that was set by the Paris Agreement in 2015. The ten years since the agreement have been the ten warmest years on record. Whilst we have passed this significant milestone, the long-term goal is not yet dead if we act now, according to the World Meteorological Organisation (WMO).[1]

Over the last year, the sector has struggled to deliver positive returns. Whilst companies have adapted to the higher cost of capital and cost pressures have eased, returns lag those of periods of low interest rates. This is primarily because renewables have high upfront capital expenditure costs, but low ongoing operating costs, whereas oil & gas is the reverse.

The graph below shows the impact of interest rates on the clean energy sector compared to traditional energy. This comparison highlights two key points: although clean energy has underperformed since the "reflation trade" began in 2021, its long-term performance remains strong. It also suggests that while the sector became overvalued during the era of low interest rates, it stands to benefit again as rates fall. For long-term investors, it's important not to be distracted by short-term volatility, especially when investing in solutions to long-term challenges.

Performance of Clean Energy ETF Vs Oil & Gas ETF
31/12/2018 to 30/11/2025



Source: FE Analytics

Policy also plays a critical role for investment in clean energy. Uncertainty grew pre- & post-US election, given the Trump administration's views towards the sector. Sentiment particularly weighed on the US residential solar sector and following the election, the offshore wind sector came into the crosshairs, with projects being halted. Although somewhat paradoxically, the recent passing of Trump's tax bill that killed many subsidies to renewable energy was actually seen as good news for the sector as it provided policy clarity. Performance since the bill was passed has improved.

Technological advances also play a critical role in determining the pace of clean energy growth, not least through improvements driving down costs. Over the last decade, solar PV costs have fallen by 90%, whilst onshore wind has fallen by 70%. As these technologies follow learning curves, the cost of technology has fallen consistently with the

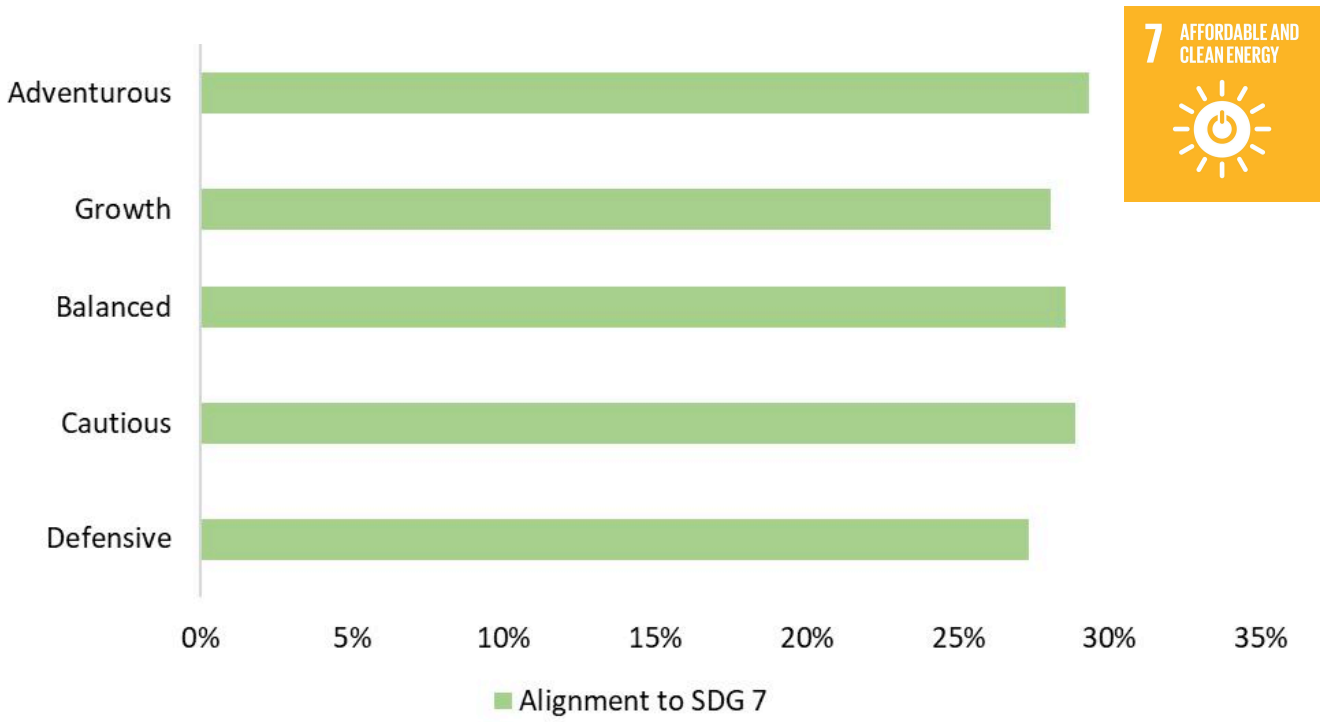
[1] WMO confirms 2024 as warmest year on record at about 1.55°C above pre-industrial level

cumulative increase in production of the technology.[2] Wind turbines, for example, are now significantly more efficient than the earlier iterations thanks to better blade designs, taller towers and the utilisation of smart sensors, including AI integration to maximise energy generation.

Despite the growth and fall in cost of renewables, their integration into the energy system has lagged due to grid limitations and insufficient battery storage. The intermittent nature of solar and wind means there are periods of overgeneration and periods of shortfalls which fuels the narrative that renewables are "unreliable". This has led many to advocate the continued use of traditional energy sources. If more investment was made into developing and deploying battery storage capacity, whilst energy grid technology was improved, this would enable a more widespread adoption of renewables. Renewable energy generation is fundamentally cheaper than traditional energy generation, but the enabling infrastructure around renewables is lacking. This reduces trust and fuels the narrative that fossil fuels need to be the reliable backbone of energy provision.

The desire for clean and consistent "base-load" power has seen a resurgence of nuclear energy generation. This has in part been driven by the energy demand from the AI "hyperscalers" for their power-hungry data centres, which has seen old power stations being recommissioned. Policy is also a big driver, with President Trump signing executive orders to quadruple US nuclear capacity by 2050. Further, the World Bank has ended its decades-long ban on funding nuclear whilst the UK is expanding through Sizewell C. There are exciting new technologies, such as Small Modular Reactors (SMRs), addressing historic risks and concerns surrounding the industry. This remains a divisive topic, but the significant resurgence cannot be ignored, and we will be providing a more in-depth look at the sector outside of this report.

Portfolio Alignment to SDG 7



Source: King & Shaxson Asset Management

[2]Solar panel prices have fallen by around 20% every time global capacity doubled - Our World in Data

Portfolio Holding Case Study:

Brookfield Renewable Energy Partners

What: Brookfield Renewable Partners develops, owns, and operates renewable energy assets, including hydropower, wind, solar, and energy storage, with the primary objective of contributing to the global transition toward a low-carbon energy system. Impact outcomes include generation of clean electricity, reduction of greenhouse gas emissions and increase resilience and sustainability of power systems. These outcomes align directly with climate change mitigation efforts and decarbonisation strategies at national and global levels.

Who: Brookfield's solutions impact a range of stakeholders. Primary beneficiaries include utilities, corporate off-takers and national grids that rely on sustainable power sources. Secondary beneficiaries are global citizens benefitting from reduced environmental degradation, alongside future generations.

How Much: Brookfield delivers a high degree of environmental impact given its size and scale, including over 46,000 MW of installed renewable capacity across more than 25 countries.(6) This contributes to the avoidance of tens of millions of tonnes of CO2e annually, representing a significant and sustained contribution to climate goals with long-term infrastructure investments generating outcomes for decades.

Contribution: Brookfield's contribution is direct and material as a developer and operator of clean energy assets where additional capacity is essential to energy transition goals. It mobilises institutional capital towards renewable infrastructure, accelerating market transformation. They also often enter market or regions where clean energy penetration is still evolving, which enhances its impact. Fundamentally, given its scale, expertise and long-term horizon, it is a key enabler of the energy transition.

Risk: Renewable energy companies face several risks that can affect the realisation of intended impact. These include regulatory and policy risk, community risk such as issues around land use, environmental risks of constructing large assets, and the physical risk of weather disrupting asset performance and/or causing damage. Robust ESG frameworks alongside impact assessments helps mitigate some of these.

Brookfield - Hydro Assets

Powering the AI revolution

Brookfield are the world's largest private investor in the energy transition, with $137B in assets under management, including over 7000 power generating facilities. This includes over 235 hydro sites with circa 8,300MW of capacity with a further 2,400MW under development.

In 2025, two of their sites, Holtwood and Safe Harbour, were contracted by Google in the worlds largest Hydro Framework Agreement. This was a multi-billion dollar deal will enable Google to power its data centres with carbon free energy, with Brookfield providing 3GW of energy over a 20 year time frame. The contract allows Brookfield to continue to service existing customers.

Health & Well-being

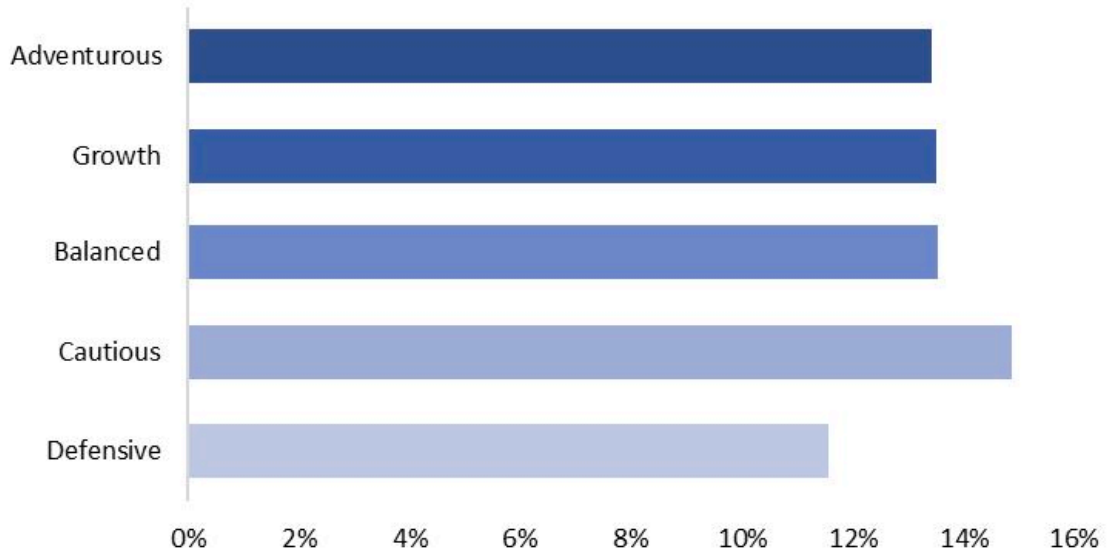
The healthcare sector has faced a prolonged period of weakness over the last year, with sentiment at all-time lows. US policy has created uncertainty, with the threat of sector specific tariffs and cost-cutting impacting healthcare. The Tax and Spending bill has significant impacts on the healthcare sector, not least the cuts to Medicaid expecting to leave approximately 11.8 million more Americans uninsured. Critics of the bill say reform to Medicaid reduces access to care for the most vulnerable. On top of this, the views expressed by Health Secretary Robert F Kennedy about vaccines have affected pharmaceutical names, alongside pressure on drug prices.

Despite this pressure, widespread changes to US healthcare is unlikely, as with previous years of low sentiment such as Clinton in the 1990s and Obama in 2010. Earlier in 2025, leading investors in the sector saw it at "peak fear" but where the key long-term sector drivers remain in place.

Amongst the key drivers is the innovation and R&D that continues to be undergone at speed, developing needed solutions for complex problems. Behind much of this is the rapid pace of technological advancement, with AI increasingly being integrated into medical research and solutions. Increasing the utilisation of technology within healthcare is one way in which the significant pressures currently faced by traditional healthcare systems can be alleviated. Remote monitoring and telehealth reduce unnecessary hospital visits, freeing up resources for critical care. Advanced diagnostics tools that utilise AI allow for faster and more accurate results, meaning treatments can start sooner and therefore reduce long-term hospital burdens. Technology empowers patients to monitor their own conditions, lowering demand on doctors, whilst also expanding access to care by decentralising its delivery.

The Polar Capital Healthcare Opportunities Fund, a satellite thematic fund, provides direct exposure to healthcare in the model portfolios, alongside various underlying holdings in core funds. The Polar Capital fund targets a multitude of subsectors within healthcare, primarily biotechnology and pharmaceuticals, but also healthcare services, facilities, supplies and healthcare technology. It harnesses a team of eight sector specialists helping them identify leading companies such as Swedish Orphan Biovitrum and Merit Medical Systems, both of which will be expanded upon as case studies in the following pages.

The graph below shows exposure to the healthcare sector based on the equity portion of the portfolios.



Source: King & Shaxson Asset Management

Portfolio Holding Case Study:

Swedish Orphan Biovitrum (SOBI)

What: Sobi are a global biopharma company providing access to innovative medicines in the areas of haematology, immunology, and specialty care. Today more than 10,000 rare diseases have been identified globally, with more being discovered every day thanks to the rapid technological development in genetic engineering and diagnostics. Only 5% of these rare diseases have approved treatments , highlighting the urgent need for innovative therapies.

Who: Sobi operates internationally, with presence in around 30 countries, and delivers medicines to patients in many more. Whilst many rare diseases are very uncommon, together, they affect a significant proportion of the global population: An estimated 400 million people have a rare disease, representing close to 10% of total disease prevalence.

How Much: In 2024, Sobi reinvested 14% of its revenue into research and development to advance its pipeline of innovative treatments. These efforts supported over 42,000 full-time equivalent patients globally, while Sobi's contribution to the World Federation of Haemophilia's Humanitarian Aid programme helped treat over 17,000 acute bleeds during the year.

Contribution: Sobi's contribution is centred on transforming the lives of people with rare diseases, developing innovative therapies and working to ensure every eligible person has the opportunity to benefit from its medicines. The company deepens its patient engagement through its Unite4Rare initiative and supports global access through humanitarian aid, including donating factor medicine to the World Federation of Haemophilia.

Risk: Sobi faces risks related to its dependency on a few key medicines, supply chain vulnerabilities from its reliance on third-party manufacturing and climate change presents physical risks. The company mitigates these challenges through strong board governance and robust compliance programmes. Pharmacovigilance processes are also in place to manage patient safety and regulatory risks.

Portfolio Holding Case Study:

Merit Medical Systems

What: Merit Medical's primary aim is to improve patient lives through innovative, high-quality medical devices used in diagnostic and therapeutic procedures, particularly in cardiology, radiology, oncology, critical care and endoscopy.

Who: Merit's impact reaches patients globally, and through their own design, development, and manufacturing, they are able to guarantee a high level of quality, value and safety in their products across various clinical areas. Since the company's inception, Merit have also engaged in philanthropic work throughout underserved communities, in countries such as Haiti, Peru and Ethiopia, who receive donated medical products through the company's partnerships with various foundations and organisations.

How Much: Merit have a web of over 5600 direct suppliers across 44 countries across multiple continents, serving a worldwide network of hospitals. The depth of their impact is seen in the life-altering results for patients, supported by an unwavering commitment to quality that resulted in zero Class I recalls in any of their devices, and zero FDA enforcement actions in 2024.

Contribution: Whilst delivering healthcare solutions for patients across the globe, Merit have significantly reduced their negative impact on the environment since their base year of 2020, cutting water intensity by 17% due to investments in water-efficiency initiatives, and increasing their renewable energy sources to 31%, compared to 5% in 2020.

Risk: Merit have highlighted their most prominent risks include climate-risks, such as extreme heatwaves or wildfires impacting their key facilities in the US and Mexico. To mitigate such risks, the company have conducted a detailed analysis in line with the Task Force for Climate-related Financial Disclosures (TCFD) recommendations, allowing them to put protections in place and adapt their supply chain to ensure the ongoing availability of their products.

Water & Waste

Water is indispensable to life on Earth and represents a critical, though frequently underappreciated and undervalued, resource. It supports nearly all areas of economic activity, from agriculture and manufacturing to textiles, energy production, and raw material extraction, equating to around 60% of global GDP. However, the earth is facing severe water constraints due to climate change, population growth and major industrial expansion, which could potentially lead to a devastating 40% shortfall in global water supply by 2030.[1] In essence, an economy cannot exist without water, just as a sustainable economy cannot exist without proper waste management.

The environmental services sector is being supported by a number of trends. Governments and businesses are intensifying their efforts to be more conscious of the environment, which is driving demand for waste management and recycling services. Regulation and policy support, such as the EU's Green Deal, is further creating opportunities for companies focused on pollution control and waste management. Technological innovation and infrastructure advances, particularly within waste-to-energy and recycling, are further driving growth and capitalising on the benefits of a circular economy. The sector is also expanding and diversifying, moving beyond traditional waste management into areas such as industrial cleaning, water treatment, pollution control and other specialised services such as hazardous and nuclear waste.

Climate adaption is a growing climate threat. This refers to a wide range of measure to reduce vulnerability to climate impacts as they become more extreme. Even in a very positive scenario, where we are able to cut emissions swiftly, climate change will continue to impact our world for decades to come. The more likely outcome, based on current trajectories, is that global temperatures could be as high as 3 degrees Celsius above pre-industrial averages by the end of the century. Every fraction of warming sees the negative impacts multiply and the cost of adapting to these becoming harder and more costly.[2] There is therefore increasing recognition for the importance of investing in adaptation now, such as more resilient infrastructure, alongside the climate mitigation efforts targeted through the clean energy theme. Building resilience in emerging markets is also a core part of the work done by development banks, which we have exposure to within the fixed income section.

The broader water and waste theme is targeted in portfolios through the Regnan Sustainable Water & Waste Fund. On the following page, we have highlighted SABESP, a leading Brazilian water utility.

[1]A $13 trillion call to action: Building water resilience | McKinsey Sustainability

[2]What is climate change adaptation and why is it crucial? | UNDP Climate Promise

Portfolio Holding Case Study:

SABESP

What: SABESP is the leading sanitation company Brazil, and one of the largest in the world, providing integrated water supply, sewage collection and sewage treatment services. In developing countries, the water crisis is acute; billions lack safely managed drinking water and waterborne disease burdens are high, emphasising how critical SABESP's work is.

Who: SABESP serves 375 municipalities in the state of São Paulo, supplying water to over 28 million people and sewage collection to over 25 million people every day, directly advancing access, quality, and reliability of basic water services at scale.

How Much: In addition to producing 3,128 million m^3 of water and treating 1,342 million m^3 of sewage in 2024, SABESP were also responsible for preserving around 49,000 hectares of the Atlantic Forest, which is vital for protecting water sources.[1]

Contribution: SABESP's contribution is instrumental in accelerating universal access to sanitation at scale. Following the government's 2024 sale, the company unlocked the financial capacity to invest R$70 billion by 2029 and achieve universal water and sewage services four years ahead of the national deadline, connecting populations historically excluded in vulnerable, informal, and rural areas to essential services.

Risk: Climate change presents a major risk to SABESP's operations, with extreme weather events like droughts potentially impacting water availability, while human capital and cybersecurity risks are also noted. A robust new regulatory model incentivises performance by linking remuneration to the achievement of targets, and the company's risk management framework and strong governance oversight help mitigate these challenges, alongside specific climate adaptation plans.

[1]Sustainability Report 2024 | SABESP

Infrastructure

A core part of the infrastructure theme in portfolios over the last few years has been in electrification, which also forms a key component of 'climate solutions'. Examples of underlying electrification companies include ABB and Prysmian, both of which facilitate clean energy solutions, through components and energy grids, whilst they also enable industries to be more energy efficient and reduce emissions. Part of Prysmian's offering is the provision of cabling solutions to connect renewable energy generation, such as offshore wind, to the grid. ABB, as part of their wide product suite, offer smart grid solutions that enable the integration of renewable energy sources, whilst providing smart power management solutions that optimise energy consumption in buildings and factories. The products and services produced by these companies, alongside their peers, are essential to more sustainable energy and industry.

It is, however, the AI hype that has driven strong returns in many of these companies, as their products and services are also essential to the buildout of digital infrastructure such as data centres. Prysmian's multi-fibre optical and hollow-core cables are critical to high-speed, low-latency and energy efficient connectivity within a data centre and across long distances, allowing for real-time AI inference. Data centres also require huge power input, and Prysmian cables connect them to the grid and renewable energy generation. ABB enable data centres to grow sustainably and operate efficiently through their electrification portfolio, for example through energy efficient cooling systems. Their ABB Ability Data Centre Automation offering facilitates a platform and controls for data exchange and automation between the different systems and equipment.[1]

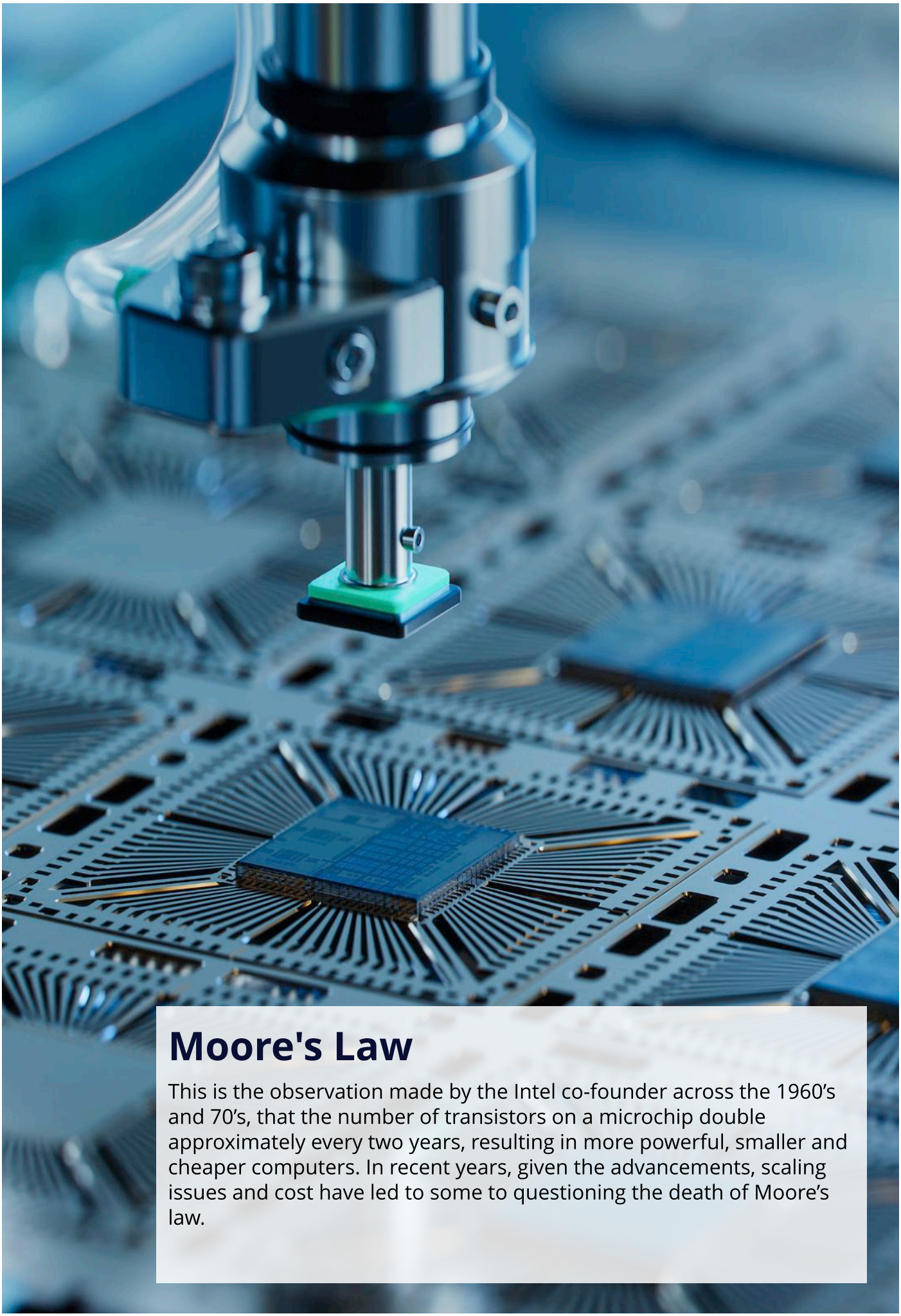
The result of AI capital expenditure driving up valuations was that they suffered a poor quarter of performance at the start of 2025, on the release of DeepSeek data, which called into question how much spending was needed on AI infrastructure. This negative sentiment did not last long however, and the expenditure required is expected to grow rapidly in the next few years. A recent report from McKinsey estimated that there will be almost $7 trillion worth of investment required in global data centre infrastructure by 2030 to meet AI demand.[2]

Another key element around the expansion of digital infrastructure are semiconductors. Taiwan Semiconductor (TSMC) is the world's largest dedicated semiconductor foundry, who manufacture the cutting-edge AI chips which the likes of Nvidia then use in designing GPUs. In fact, Nvidia relies almost entirely on TSMC for its high-performance chips as they are the only ones capable to produce the volume and performance needed. TSMC is the silent superpower of the AI universe, with nearly every meaningful breakthrough in AI being built on chips manufactured by TSMC.[3] The company is one of the largest underlying holdings in the model portfolios, and will be explored in the following case study.

[1]ABB Ability™ Data Center Automation | Collaborative Production Management

[2]AI Infrastructure to Require $7tn by 2030, says McKinsey | Data Centre Magazine

[3]TSMC: The Unseen King of the AI Revolution — How the World's Most Important AI Company Raised Profits 61% this Quarter | User | chroniclejournal.com



Moore's Law

This is the observation made by the Intel co-founder across the 1960's and 70's, that the number of transistors on a microchip double approximately every two years, resulting in more powerful, smaller and cheaper computers. In recent years, given the advancements, scaling issues and cost have led to some to questioning the death of Moore's law.

Portfolio Holding Case Study:

TSMC Taiwan Semiconductor Manufacturing Company

What: TSMC enables global technological advancement through the design and manufacture of advanced semiconductors that power everything from smartphones and cloud computing to electric vehicles and clean energy systems. Advancement of high-performance technologies enables digital innovation in climate, health and mobility solutions, whilst it increases resource efficiency and emissions reductions across global value chains. Whilst the product alone is not a social good, the applications of its products are critical enablers of impact in multiple sectors.

Who: TSMC's impact flows through a wide range of beneficiaries. Technology companies and innovators use advanced chips to power next generation solutions, such as electric vehicles and medical devices. Governments, corporates and individuals benefit from more efficient and capable technologies, such as AI which drives substantial efficiency gains.

How Much: TSMC has a large and long-term influence, with over a 65% market share in semiconductor foundry services and a domination of the most advanced chips that power AI. They invest billions annually in R&D, whilst they are leaders amongst peers in terms of powering their own operations with renewable energy and in reducing freshwater demand. TSMC is systemic, it influences entire technology ecosystems and sustainability transitions across sectors.

Contribution: TSMC are critical to the global tech economy, providing leading-edge fabrication technology not available elsewhere at scale. They drive Moore's Law forward, reducing the energy use per computing unit. They are leaders in integrating ESG practice into supply chains and operation, whilst engaging in sustainability R&D. Their support for innovation enables firms to build impact technologies that, through the solutions of others, makes them a critical multiplier in the global impact chain.

Risk: TSMC does face external and operational risks. It is geopolitically sensitive given its concentration in Taiwan. It is also at risk of supply chain disruptions including any constraints placed upon resources. If operational standards fall it could have negative environmental impacts, whilst its global supply chain presents social risks such as labour practices. It mitigates these through expanding the location of its facilities, investing in environmental resiliency and having a highly transparent ESG reporting process.

UK Renewable Assets

Portfolios operational renewable infrastructure exposure has lagged the wider clean energy recovery, with 2025 being a tale of two halves. The asset class performed strongly in H1 2025 given the flight to safety and allocation of capital away from the United States. The second half of the year has seen a prolonged period of weakness as UK assets face pressure due to political concerns and rising bond yields. With these factors in mind, over the last eighteen months we have been reducing our exposure to the asset class, but the environmental impact cannot be understated.

The below holdings are two of the UK's leading renewable operators held within portfolios. The below data provides a breakdown of the impact outcomes based on £1m invested, sourced from the companies' annual reports:

	 metric tonnes of carbon emissions avoided	 equivalent to carbon sequestered by ... acres of U.S. forest for one year	 GWh of renewable energy generated	 equivalent to ... homes' energy use for one year
Greencoat UK Wind	**103.09**** →	**103.0**	**5,484** →	**289,827**
The Renewable Infrastructure Group (TRIG)	**72.94**** →	**73.2**	**5,986** →	**316,358**

*** Calculated using total avoid emissions / market capitalisation as at 31/12/2024.*

Source: Bloomberg

Cybersecurity

Another area of increasing importance as our world becomes more digital is cyber security. Modern companies are using data collection and processing that leads to insights and monetisation on a scale not seen before, but as data becomes more valuable the risk of breaches increases.

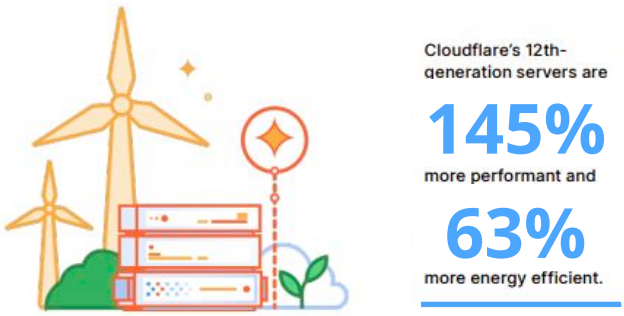
Data breaches are becoming more high profile, which means that governments are beginning to enforce privacy regulations more aggressively. Alongside this, as the modern economy becomes more fundamentally reliant on data, connectivity and digitisation, the more exposed to cyber security risk it also becomes. Cyber security therefore extends beyond cyber defence to include considerations related to digital risk, data integrity, business continuity and customer privacy.[1] Cyber security is therefore a core component of a sustainable future in our modern, digital world.

The cyber landscape today is more complex than it has ever been, which has profound and far-reaching implications for organisations and nations. There are several factors driving this complexity: escalating geopolitical tensions, increased integration and dependence on complex supply chains, rapid adoption of new technologies and the proliferation of regulatory requirements.[2] This growing complexity of cyber-space, alongside the risk to reputation of failing to be secure, presents a structural growth opportunity for companies providing cyber security services.

Cyber is a major threat for some of the worlds largest operators of power, water and waste infrastructure, as well as other major infrastructure such as transport, all of which form a key part of our investment universe. It was reported that 90% of the worlds largest energy companies suffered cyber security breaches in 2023. As a result, cyber security companies are enabling utilities (and other firms) to operate securely - a lack of support would hinder their progress if not protected from digital threats. In November 2025, highlighting the risks, the UK government announced plans to strengthen its defence against counterattacks in transport and energy.

Stock profile: Cloudflare Inc.

Cloudflare is a web infrastructure and cyber security company located in the US. As part of this security they protect websites from attacks and help organisations secure internal apps and networks. Cloudlfare have dedicated utility services helping those companies operating critical infrastructure to remain secure. Sustainability is a key part of Cloudflare's mission, with a focus on lowering their environmental impact [3]:



[1] Wisdom Tree | Cyber Security wcbr_presentation

[2] World Economic Forum, Global Cybersecurity Outlook 2025

[3] Cloudflare 2024 Impact Report

Financial Services

As the world becomes more polarised, particularly around trade fragmentation, risks have increased for developing countries. Global value chains have been seen as a path to greater prosperity for decades, allowing countries to climb the income ladder by focusing on specific stages of production. Over half of the world's trade is conducted in this fashion, accelerating productivity and job creation. This is at risk from trade deals that are conducted on a country-by-country basis, and risks unravelling decades of progress brought about through the global value chain for developing economies.[1]

There has also been a pullback in international aid commitments, the most significant being the slashing of USAID by the Trump administration. Countries may have to turn more towards multilateral development banks, increasing pressure on them to fill the void. To achieve this, development banks have acknowledged the need to innovate and there have been programmes of reform as a result. This is predominantly so that they can attract more private capital, which only flows if the conditions are right, to scale up as governments reduce the amount they contribute.[2]

One way in which development banks can be more innovative is by utilising blended finance to manage and reduce risk, making projects more attractive to private capital. This is not a new concept, but work remains to increase its adoption and bridge the financing gaps, particularly with regards to funding the low-carbon transition.[3]

The model portfolios have exposure to development finance through HSBC Development Bank Bond Fund, which exclusively invests into bonds issued by multilateral development banks. This provides low-risk short-dated fixed income to the portfolios whilst maintaining a strong positive social focus.

[1] Global trade policy fragmentation would pose risks for developing countries

[2] Ajay Banga: Development is how we compete, grow and stay secure

[3]How blended finance initiatives can align capital behind climate action | World Economic Forum

Portfolio Holding Case Study:

HDFC Bank

What: HDFC Bank contributes to increasing access to financial services in India. It has a focus on expanding banking access to underserved rural populations; providing credit to micro-, small- and medium-sized enterprises, farmers and women entrepreneurs; and digital financial inclusion through mobile banking and rural banking initiatives. These outcomes support economic empowerment, poverty alleviation and inclusive growth.

Who: HDFC serves a broad and diverse customer base, the vast majority of which is in India. Its impact-related efforts target unbanked and underbanked individuals; small enterprises lacking access to formal credit; and women, low-income household and marginalised communities that are often excluded from mainstream finance.

How much: HDFC's work in these areas is significant given its scale and duration. The bank has expanded its reach to 235,000 villages with tens of millions reached through their inclusive banking initiatives. Outcomes are large in number but also long-term and transformative as they enable economic participation and financial resilience.

Contribution: HDFC is an innovator in digital banking, enabling low-cost and scalable delivery to remote regions. It proactively opens branches in underserved regions and provides tailored products for informal workers, micro-entrepreneurs and farmers who are often excluded from financial services. They also invest in financial education and awareness campaigns to ensure effective use of their services.

Risk: There are risks that the desired outcomes are not achieved. These include vulnerable borrowers become over-indebted, digital literacy gaps limiting the effectiveness of tech solutions, operational risks and market risks that could affect repayment capacities. HDFC strongly address these through risk assessments, internal controls, local partnerships and training/customer support tools.

Financing Rural Farmers

A key component of HDFC's work in increasing financial inclusion and access to finance is through the provision of funding to small and marginal farmers. They have been able to leverage their knowledge and experience with rural customers to create and deliver products and services at affordable prices to establish a strong rural presence. Their reach now extends to 235,000 villages, and they have put in place a strategy to further penetrate these villages and add more customers. So far they have financed and supported 3.5 million small and marginal farmers through customised agriculture loans and leveraging government schemes.

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