

Portfolio Case Study: SSE

In November 2025, SSE announced its £33bn 2030 investment plan, centred on upgrading the UK's electricity system to support electrification, energy security and the transition to clean power. Around 80% of total investment will be directed toward regulated electricity networks, aiming to connect new renewable generation and tackle the bottlenecks, whilst expanding system capacity in line with the UK Government's Clean Power Plan.

Prior to this announcement, the investment team at King & Shaxson attended a clean energy conference in November which included the CEO of SSE, Martin Pibworth, as a panellist speaker. It was clear to see the commitment towards the UK's renewable rollout, with the CEO discussing the huge progress the UK market has made. Highlighting his own experience of seeing the company tender on 7MW turbines in 2019, which was the world's largest at the time, to bidding on 14MW turbines only a year or so later. Despite the knock back from the UK's energy crisis, Martin felt the UK expansion of clean energy will continue despite political views.

The company is held amongst a number of funds within the model portfolios, across both equity and fixed income asset classes. SSE has issued a total of nine green bonds, with the use of proceeds being directly allocated to the refinancing of eligible green projects, including Dogger Bank, the world's largest offshore wind farm.

SSE Deal with Springfield Properties

In mid-December, SSEN Transmission agreed its largest housing deal to date with Springfield Properties, to help deliver hundreds of new homes across the Highlands, Aberdeenshire and Moray. The agreement covers 293 homes across six sites and forms part of SSEN Transmission's commitment to enable 1,000 new homes across the north of Scotland.

Global clean energy rollout is increasingly constrained by grid bottlenecks, with transmission upgrades needed to connect new renewable generation and strengthen energy security. SSEN Transmission is addressing this and helping to tackle local housing shortages. The new homes will initially support the workforce building these grid upgrades, before being released to local communities as a mix of affordable, social and private housing.

SSE Main SDG Alignments:



Sources:

SSE.com/Media and SSE.com/news-and-views

SSE 2025 Sustainability Report

<https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

Company Profile:



SSE is a UK-listed energy company with operations and investments across the UK and Ireland, leading the transition to a cleaner energy future. Over recent years it has shifted away from conventional fossil fuel-based operations to focus on renewable generation and electricity networks, becoming the UK's largest generator of renewable energy. This includes the construction of the world's largest offshore wind farm, Dogger Bank, which will power up to 6 million homes.

SSE has a long history in hydro assets, with their first plant becoming operational in 1951 following the 1943 Hydro Electric Development Act (Scotland). These assets, alongside offshore wind, require an intense focus on biodiversity. As a result, SSE utilise expertise from fisheries biologists, who provide advice on fish and fisheries to ensure they are operating within the law and as well as minimising their environmental impact.



67,190 jobs supported in the UK & Ireland

13.3 TWh of renewable energy produced in 24/25 (+19% on 23/24)



Equivalent to the power of circa 13 gas-fired power plants in one year

Market Review

Global stocks had a slightly more subdued last quarter of 2025, albeit largely positive with the notable exception being weakness in Chinese equities after a notably strong Q3. The year was marked with a number of geopolitical events but there was a risk on mood with equities posting strong gains, notably in the UK, Europe and Emerging Markets, as investors broadened their allocations away from the US. Risk assets have also been buoyed by interest rate cuts from major central banks, such as the UK and US, although heading into 2026, the path of monetary policy is less certain given economies remain relatively robust.

UK equities were notably strong once more in the fourth quarter, leaving the main index at record highs. Whilst the returns of the non-screened index have largely been driven by five banks and three defence companies which form smaller or no part of sustainable portfolios, the SRI screened version has kept pace in Q4 (SRI indices include a number of ethical screens such as Arms, Fossil Fuels etc). UK equities in general remain at historically low valuations, so opportunities still remain heading

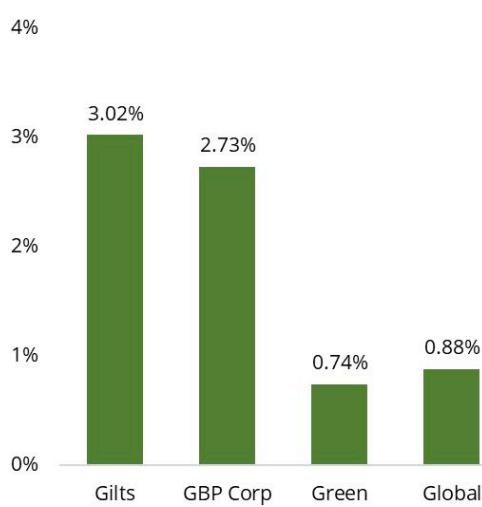
into 2026, including the added benefit of diversification.

Fixed income was positive in the quarter with sterling assets benefiting from the Bank of England's rate cut and a budget that was well received from the market after months of speculation. The UK 10-year gilt yield fell by 0.22%.

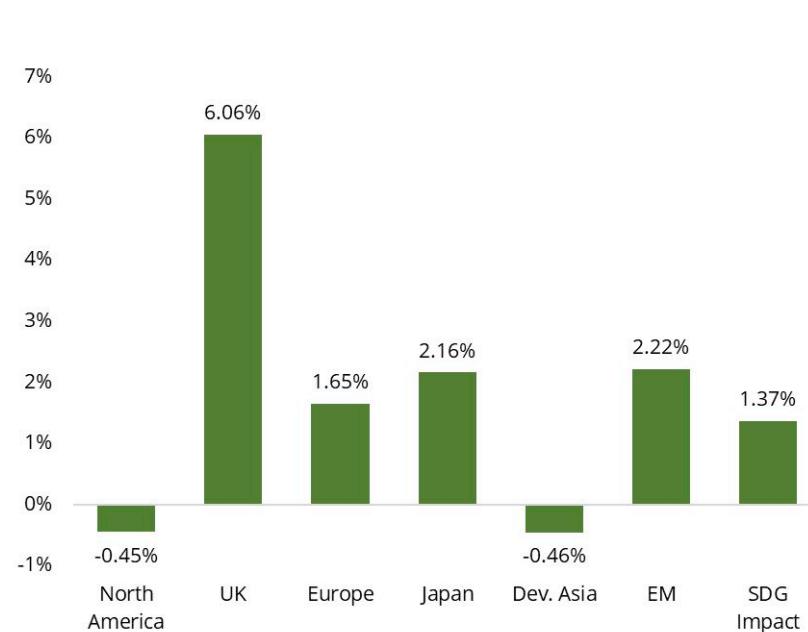
In commodities, copper's rally accelerated in the quarter, with the largest annual price rise in over a decade. Fears of global shortages has fuelled a frantic rally in recent months as demand continues to grow for the build-out of renewables, electric vehicles and data centres. At the same time, ageing copper mines are becoming less productive whilst US tariff policy has created market uncertainty. Similarly, gold and silver have had record years as investors moved into haven assets amidst geopolitical tensions, alongside selling US dollar currency and treasuries in favour of precious metals.

General Asset Class Returns (Q4 2025)

The below asset class returns should be used as a guide only. The fixed income reflects traditional bond indices as well as a leading global green bond index tracked by funds. The equity market returns reflect that of funds that track the SRI Paris Aligned Benchmarks to provide a gauge of returns that better reflect the underlying investment universe.



Fixed Income



SRI Equities

Portfolio Review

With growth equities lagging in the quarter, Janus Henderson Global Sustainable equity fund and Hermes Sustainable Global equity fund both detracted from performance, returning -1.55% and -0.52% respectively. Schroders Global Sustainable Value Equity was a notable positive contributor to performance, returning +5.81%, a holding we added to at October's rebalance (returning +4.94% since then). With UK large cap equities continuing their strong run, Janus Henderson UK Responsible Income returned +4.70%, whilst portfolios UK growth equities lagged, albeit still positive on the quarter. Despite a notably weak December, Healthcare continued its recovery with Polar Capital Healthcare Opportunities returning +7.08% in Q4, putting its 2025 return in line with global equities.

Portfolios Emerging Market exposure outperformed developed markets, with UBAM Positive Impact Emerging Equity returning +6.23%, whilst the new

addition of abrdn Emerging Markets added +3.18% since inclusion in October's rebalance (+7.96% in Q4).

Fixed income was a positive contributor, with longer dated fixed income outperforming shorter dated, whilst sterling based assets outperformed global. The notable performer was the CT UK Social Bond fund, returning +2.06%, which compares to Rathbone Global Sustainable Bond fund returning +1.42% and T. Rowe Price Global Impact Credit returning +1.19%.

UK renewable infrastructure was weak in the quarter given the heightened policy uncertainty, with an amendment to the pricing mechanism the latest blow to the sector. Portfolios had seen a reduction in their UK exposure with a greater focus on global infrastructure, nonetheless the asset class detracted from performance with the RM Alternative Income fund returning -1.62%.

Portfolio Performance (Q4 2025)

Portfolio	Defensive	Cautious	Balanced	Growth	Adventurous
Quarterly Return	1.41%	1.54%	1.72%	2.14%	2.78%

Asset Allocation Changes

A rebalance took place on 23rd October.

Fixed income exposure has been reduced, notably reducing lower risk portfolios gilt exposure. This was completed in order to take a more cautious approach into the UK budget. Whilst sentiment has improved with regards to the outcome of this risk event, we felt it was prudent to lower exposure. We maintain duration around the 4.5-5yr level across portfolios.

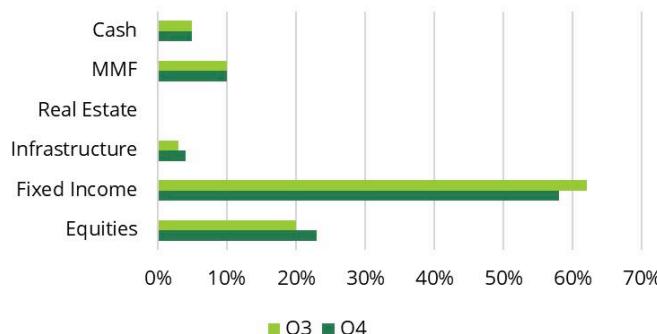
We have increased equity exposure to circa 4% above the neutral position. However, where we have added to equity, we have increased more defensive exposure, through value/ income/ defensive sectors.

We have trimmed back our direct healthcare exposure following a strong Q3. Following an even

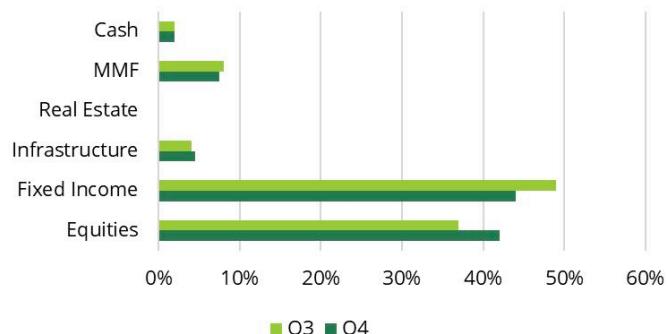
stronger rally based on AI enthusiasm and clean energy recovery, we have sold portfolio holdings in Robeco Smart Energy given concerns over this move. Following weak performance, we have sold Aikya Global Emerging Markets and replaced with the Abdn EM Sustainable Development Goals equity fund. We have sold Abdn Europe ex UK and introduced the Robeco Circular Economy.

We have added 0.5%-1% to infrastructure exposure. Whilst not wanting to add risk ahead of the budget to an asset class vulnerable to UK yields, we note the underlying manager cutting UK exposure for global, which allowed us to add to this defensive asset class. We have no intentional allocation to a property fund, although we achieve some limited property exposure through our infrastructure allocation.

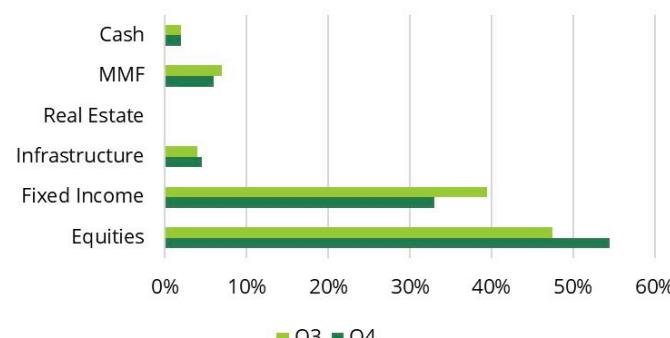
Defensive



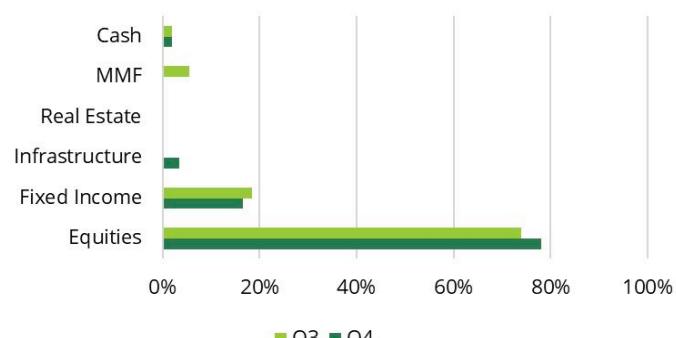
Cautious



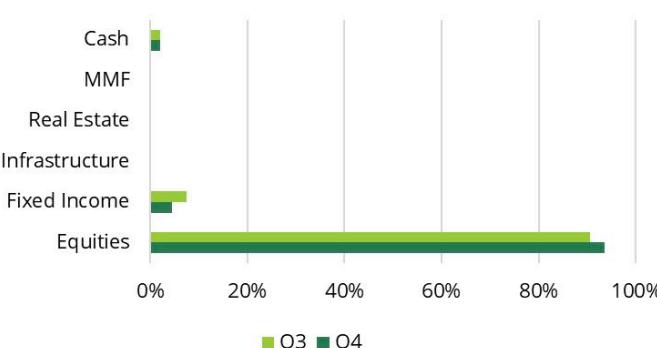
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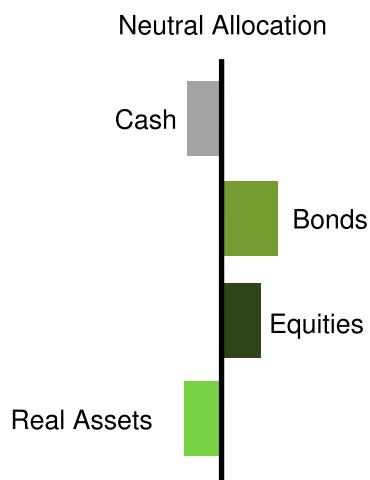
Growth



Adventurous



Asset Allocation Positioning



Outlook

Given the growing rhetoric around an AI bubble during the quarter, a big question hanging over equity markets is whether the AI trade and big technology will continue to drive equities higher, as the case has been over the last few years. Valuations look high and earnings reports are increasingly under scrutiny, with companies falling short of lofty expectations duly punished. Despite this, the growth in earnings continues to be positive and the theme isn't going away. We expect continued volatility in the short-term as investors question the story and the amount of money being spent.

2025 saw investors diversify away from the US amidst the volatility created by the Trump administration's policies. Earlier in the year, this saw a sell-off in US dollar assets, including currency and treasuries. Over the year, equities outside of the US benefitted with strong relative performance as investors diversified, and we expect that this trend will continue. This has been beneficial for portfolios that are underweight to the US compared to global indices on a relative performance basis. Emerging markets is another key area we expect to continue to benefit from this, with macro tailwinds powering its performance, alongside a recovering China story given trade tensions appeared to have eased.

Broadening markets have also been a positive trend for portfolios which target sustainable themes that have been unloved over the last few years. Clean energy is one example of this, which has performed strongly recently, benefitting from policy clarity and the increase in energy demand from AI. Other tailwinds include falling interest rates and costs of capital, which has been a thorn in the side of renewable energy development, alongside many other key sustainability themes that are future

focused. We therefore continue to be positive about a recovery in key ethical areas, notwithstanding inevitable short-term volatility driven by political rhetoric.

Central banks will be in focus in the coming months as economies continue to show mixed signals. The UK appears to be in a worsening economic situation, although some point to sticky inflation constraining the Bank of England's (BoE) ability to cut interest rates aggressively from here. The market expects roughly two rate cuts in the year ahead, which we expect to be delivered. Further, the potential for some form of peace in Ukraine would be positive for energy prices falling, further reducing inflation. Conversely, Europe appears in a stronger economic position, buoyed by increased fiscal spending. We anticipate that the European Central Bank will remain on hold for the foreseeable future.

The US is a harder situation to read, with the Federal Reserve governor being replaced in May. A Trump aligned candidate is expected to push for greater cuts than is priced in, and the available data does show falling inflation and a weakening jobs market which would allow for this. However, a lot of this data is incomplete following the government shutdown. We anticipate them to remain on hold for the next quarter as better quality data comes through. The US mid-terms later in the year present an interesting dynamic, with Trump currently performing poorly in the polls. He faces the prospect of losing some domestic power if the House turns Democrat, as is expected, but will continue to hold sway over foreign affairs. Whilst pushing for rate cuts, he'll be conscious that a big factor behind his victory was inflation and that the cost of living continues to be on Americans' minds.

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