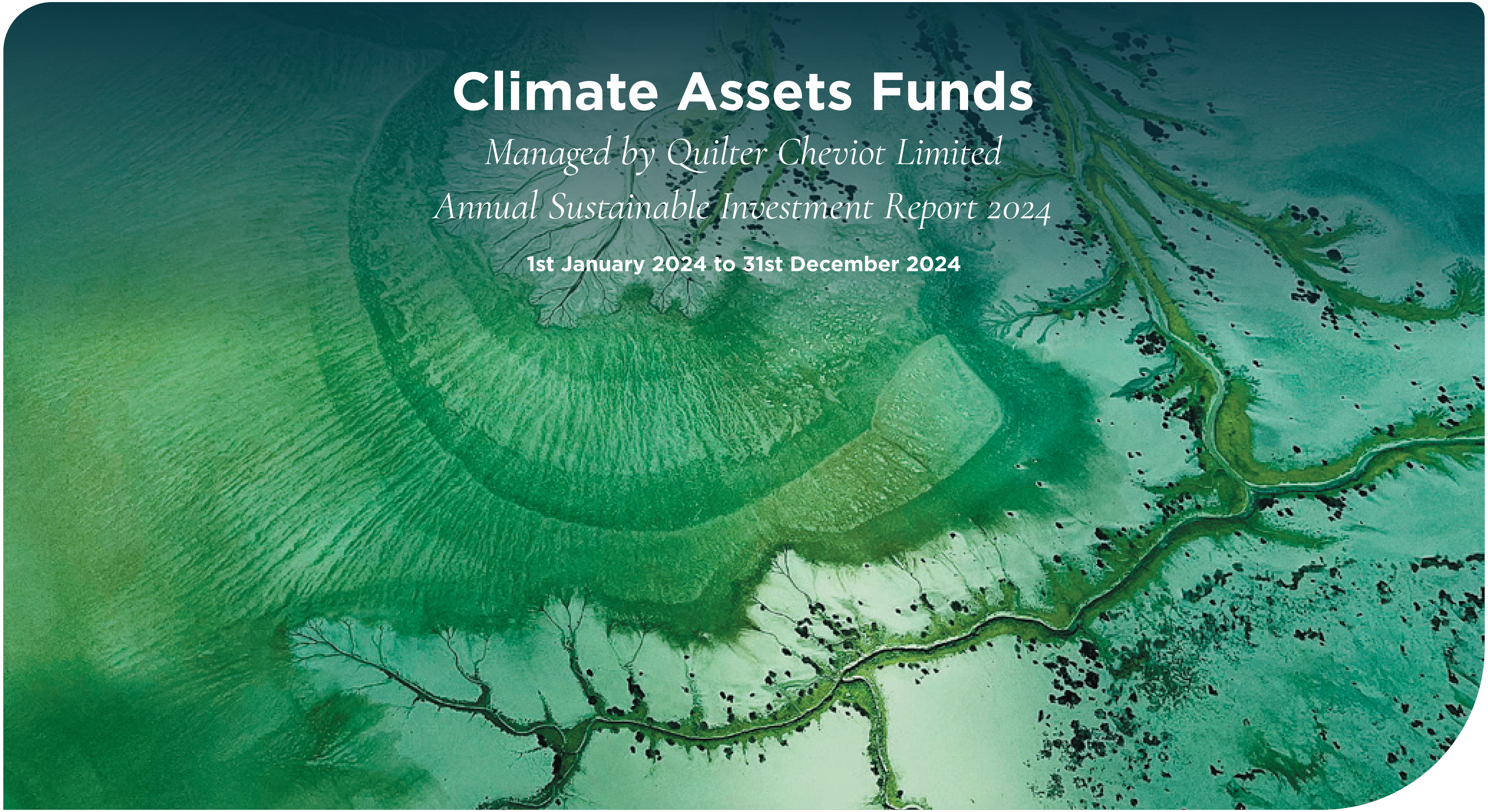
QUILTER CHEVIOT

Climate Assets Funds

Managed by Quilter Cheviot Limited

Annual Sustainable Investment Report 2024

1st January 2024 to 31st December 2024



Approver: Quilter Cheviot Limited, 21 March 2025

SPECIALISTS IN INVESTMENT MANAGEMENT

Contents

The Climate Assets Balanced Fund and Climate Assets Growth Fund may be collectively referred to as the "Climate Assets Funds".

The Climate Assets Balanced Fund and Climate Assets Growth Fund are sub-funds of The Sun Portfolio Fund (FCA Registered Fund Number 504474). Thesis Unit Trust Management Limited ("Tutman") is the Authorised Corporate Director of the Funds.

Each company's revenue alignment with the SDGs is independently determined by Ethical Screening in accordance with its proprietary methodology. The data includes a combination of figures i) disclosed by companies publicly or directly to Ethical Screening, ii) calculated from company reports, and iii) estimated by Ethical Screening from other available information.

Sustainability Label: Sustainable investment labels help investors find products that have a specific goal. This product does not have a UK sustainable investment label. Whilst the Fund pursues investment in companies which have material sustainability characteristics, it does not meet the criteria for a label.

Foreword

Claudia Quiroz

Head of Sustainable Investment

Claudia is the Lead Fund Manager of our sustainable fund range, the award-winning Climate Assets Balanced Fund, Climate Assets Growth Fund and the Quilter Investors Ethical Equity Fund. She also manages segregated portfolios on behalf of private clients, pensions and charities with a focus on sustainable investment. Claudia holds an MBA from Cass Business School in London and joined Quilter Cheviot from Henderson Global Investors in 2009. She has over 20 years' experience in Sustainable, Ethical & Responsible Investment and is a Chartered Member of the Chartered Institute for Securities & Investment.

I am delighted to introduce our 2024 Climate Assets Sustainable Investment Report, sharing our investment philosophy, reflecting on the past year, and exploring exciting opportunities ahead.

It would be remiss not to acknowledge the challenging market conditions that the sustainable investment industry faced last year. With the expectation that interest rates will remain higher for longer and the outcome of the US election, it was a year of strong headwinds. At times, it felt like we just couldn't catch a break.

Higher interest rates typically pose a challenge for strategies like ours, as companies providing sustainability solutions tend to have a growth bias with a substantial proportion of their earnings forecast well into the future. As such, the 'higher for longer' narrative later in the year negatively impacted the Funds' performance. Additionally, Donald Trump's election victory in the US, with his campaign rhetoric on repealing the Inflation Reduction Act and exiting the Paris Agreement, spooked global clean energy markets to the detriment of sustainable investment strategies, including the Climate Assets Funds.

Whilst over the last year, the industry has underperformed traditional investment funds, we remain steadfast in our view that sustainable investment is underpinned by long term attractive fundamentals. Amidst all the noise, it is helpful to zoom out and look at the bigger picture. Take global investment in the energy transition for example, it reached over $2trn in 2024, more than double what was invested in 2020, according to Bloomberg NEF. Or the fast-growing and much discussed Artificial Intelligence opportunity that McKinsey estimates has a total economic potential of $15.5trn to $22.9trn annually by 2040. Both areas of investment are structurally important to our Climate Assets Funds, in line with our 'Clean Energy' and 'Resource Efficiency' investment themes.

"Global investment in the energy transition reached over $2 trillion in 2024, more than double what was invested in 2020"

While it was a challenging year for the Funds, we had reasons to celebrate. At the Investment Association Sustainable Investment awards, Climate Assets Balanced won 'highly commended' for Best Sustainable Multi-Asset Fund, whilst Climate Assets Growth did so in the Best Newcomer category. Meanwhile, Climate Assets Balanced won Best ESG Multi-Asset Fund at the Mainstreet Partners ESG and Sustainability Champions Awards. We are pleased that the strength of our investment process and proposition continues to be recognised by the market.

In last year's report, we discussed the FCA's long-awaited Sustainability Disclosure Requirements (SDR), including the four sustainable investment labels that may be used to market an investment product, where specific criteria are met. In late 2024, we elected to focus on preparing for the FCA's 'Naming and Marketing' requirements ahead of the December deadline. We continue working to understand the FCA's expectations for funds applying for the Sustainability Focus product label and assessing if our investment philosophy and process, underpinned by our five investment themes, is compatible with those expectations. With that in mind, it is worth noting that this report describes our investment process and approach as of the close of 2024. While we do not expect significant changes to our investment process, it may differ in some ways from how we present and articulate it going forward.

At Quilter Cheviot we continue to pride ourselves on our commitment to being a 'responsible investor'. Our framework for active ownership and the integration of Environmental, Social and Governance (ESG) factors and ESG screening into the investment process are cornerstones of our investment philosophy. This report shines a spotlight on our sustainable investment approach and our management of the Climate Assets Funds. For further information on our approach to being a responsible investor, please refer to our **website**.

Finally, I would like to thank our clients and advisers for your continued support of the Climate Assets Funds. My team and I are always happy to meet should you wish to find out more about our philosophy and approach.

Sustainable Investment Team

Claudia Quiroz
Head of Sustainable Investment

Caroline Langley
Investment Director

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Investment Manager

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Sustainable Investment Specialist

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Trainee Investment Manager

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Responsible Investment Analyst

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Mamta Valechha
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Oli Creasey
Property Analyst

Sheena Berry
Healthcare Analyst

Matt Dorset
Equities Analyst

Will Howlett
Financials Analyst

Matt Ennion
Alternatives Analyst and Head of Fund Research

These members of the Research team directly support the Climate Assets Strategy. The team also includes an additional nine members.

Foreword | Meet the team | Investment process | SDGs | Investment themes | Insights | Stewardship | Climate engagement

Investment Process

As part of our sustainable investment offering, there are two Climate Assets Funds, the Climate Assets Balanced Fund and the Climate Assets Growth Fund. Both follow the same investment process.

The aim of the Funds is to provide capital growth and income, net of fees, over the longer term (rolling 5 year periods) and to support the development of sustainable societies by pursuing five environmental and social themes.

Clean Energy - Companies that provide solutions to the problems of using fossil fuels and energy scarcity and security, such as those involved in renewable energy generation, sustainable transport, the EV value chain, products and technologies for sustainable building design and construction and energy efficiency.

Food - Companies that provide solutions to food supply and demand imbalance such as those involved in grain production and harvesting, food testing, food processing, food packaging, measurement and control and high-tech agriculture supplies.

Health & Well-Being – Companies that provide solutions to improve healthcare and well-being such as companies involved in medical supplies and devices, vaccines and products for infectious disease, medical analysis and testing, hospitals, healthcare facilities, social and supported housing, and supporting financial inclusion.

Resource Efficiency - Companies that provide solutions to the problems of resource scarcity, helping expand the circular economy. This may also include waste-to-energy, productivity and efficiency gains, and cyber and technology solutions for facilitating the digital economy.

Water - Companies that provide solutions to high quality water scarcity such as those involved in water supply and distribution, water analysis, monitoring and purification, water metering and efficient methods of crop irrigation.

To learn more about our investment themes, turn to **page 23**.

Positive Criteria

The Funds aim to invest at least 70% in sustainable assets.

We monitor the proportion of revenue generating activity within each company which is aligned with one or more of the UN Sustainable Development Goals (SDGs). At least 50% of the revenue generating activity of a company must be aligned with one or more of the SDGs in order for it to be considered sustainable.

The Funds may also allocate capital to sovereign debt instruments. An instrument is considered sustainable when the issuing country has a score of 75 or higher in the most recent Sustainable Development Report. The report, a Sustainable Development Solutions Network (SDSN) initiative, assesses each country's progress towards the 17 SDGs with a score of 100 indicating all goals have been achieved. Further information on the report can be found **here**.

Negative Criteria

The positive investment approach is coupled with careful screening of companies that generate revenue from controversial sectors of the economy.

We utilise independent research and analysis from Ethical Screening (a third-party data provider) to ensure we apply our criteria fairly and consistently.

- **Strategic Revenue** – we consider whether a particular application of a product or service is a strategic focus for that company or whether it is a minor additional application. For example, radar equipment may be manufactured specifically for military use, or it may be manufactured for multiple civilian applications with some limited use by the military. The former may constitute a strategic focus for the manufacturer.
- **Materiality** – when applying certain exclusions, we also consider the significance of an activity to the company as a whole, currently using a 10% revenue threshold.

We may invest in a company if its activity in an area is not part of its core business and only constitutes an immaterial source of revenue.

The Fund also excludes any company that undertakes revenue generating activity (using a 5% threshold) that is assessed by the independent research provider as negatively impacting achievement of the SDGs. For example, this would include companies that produce vehicles with an internal combustion engine, and those that finance the fossil fuel industry.

Exclusion	Policy	Application
Adult content	Companies involved in the production or distribution of pornographic material.	Materiality or strategic revenue consideration does not apply. We exclude any company involved in the production or distribution of pornographic material.
Armaments	Companies that manufacture or sell weapons or weapon systems, or provide strategic components or services specifically for military use.	We exclude companies manufacturing or selling weapons, or weapon systems, in any capacity. We exclude companies that provide military services or components where that constitutes a material source of revenue for the company.
Alcohol	Companies which derive 50% or more of their revenue from the manufacture or sale of alcoholic drinks.	We consider materiality and strategic revenue, excluding companies that generate revenue from the manufacture or sale of these products when it is material to the company. We would, however, potentially invest in a railway operator that generated a minor proportion of its revenue from selling alcoholic beverages, tobacco products or lottery tickets at train station kiosks.
Gambling	Companies which derive 50% or more of their revenue from the operation of gambling facilities.	
Tobacco	Companies which derive 50% or more of their revenue from the production lines or manufacture of tobacco products.	
Environment	Companies will be excluded where their activities have a significant negative environmental impact. Application of this exclusion considers both an assessment of each company's negative environmental impact and any measures deployed to minimise the impacts and risks.	We consider both i) whether a company operates within a high impact sector (including mining, transport, heavy construction & industrial engineering), and ii) positive steps taken by the company to minimise any environmental impact and a strong thematic alignment. We usually avoid companies from high impact sectors but in certain rare cases we may invest if that company had an above average approach to minimising its negative impact

Exclusion	Policy	Application
Factory Farming	Companies involved in the rearing of animals in intensive conditions.	We exclude any company that is directly involved in the i) breeding and rearing of animals for food, or ii) operation of abattoirs or the transportation of animals to a slaughter destination. No distinction is made between animals in the meat and dairy industries, and all commercial farming of fish is regarded as intensive.
Fossil Fuels	Companies involved in the exploration, extraction or production of fossil fuels, including natural gas, oil and coal.	Materiality or strategic revenue consideration does not apply here, and we have no revenue threshold below which we may invest. We are proudly #FossilFuelFree and in our view this is a crucial component of any sustainable investment solution. By this we mean that we do not invest in any company that is directly involved in the exploration, production, or extraction of fossil fuels.
High Interest Lending	Companies that provide high-interest consumer credit facilities	We exclude any company where a principal activity of the business is the provision of potentially predatory consumer credit activities. This includes activities specifically targeting those on lower incomes, with high interest rates and/or those that operate doorstep collection of repayments.
Human Rights	Companies where there is credible evidence that operations, knowingly or unintentionally, cause or contribute to the abuse of human rights, or with operations in countries regarded as having oppressive regimes where evidence is held of their involvement, either by collusion or complacency, in abuses of human rights.	This also includes companies operating in certain countries, such as North Korea, within which our research provider considers it impossible to undertake business without contributing to, or benefiting from, the human rights abuses associated with the regime.
Nuclear	Companies that are involved in the generation of nuclear power or provide nuclear services to the military.	Companies that are directly involved in the generation of nuclear power are excluded. A company providing a product or service that facilitates the generation of nuclear power would not be automatically excluded if this was not a strategic or material focus of the company's operations.

FAQ – What is your approach to Animal Testing?

We distinguish between the use of animal testing for medical and non-medical purposes.

We **do not** invest in cosmetics or toiletries manufacturers or retailers due to these companies routinely carrying out and commissioning animal testing for non-medical purposes.

We do invest in some companies within which animal testing is used for medical purposes, such as pharmaceutical companies which are legally required to test for product safety and toxicity – with most tests still carried out on animals.

When considering investment in a company that has any involvement with animal testing, we assess whether it can demonstrate strong governance and policies, particularly regarding the 3R principles – reduce, refine, and replace.

FAQ – What do you mean by Fossil Fuel Free?

Fossil Fuel Free refers to the exclusion of companies directly involved in the exploration, extraction, or production of fossil fuels, including natural gas, oil, and coal. This means that companies directly engaged in these activities are not considered for investment.

Storage facilities that facilitate fossil fuel production would be considered directly involved in the production of fossil fuels and companies undertaking such activity are excluded. We do draw a distinction between this and the storage of fossil fuels for other activities as there are times when the storage of fossil fuels plays a necessary role in facilitating the clean energy transition.

For example, **VH Global Energy Opportunities**, one of the Funds' renewable energy infrastructure alternative investments, owns liquid storage terminals in Texas that store high-sulphur fuels from Mexico. These terminals serve as aggregation points that allow these fuels to be transported to US refineries where they are processed into lower-emission alternatives. This reduces air pollution in Mexico by replacing high-sulphur fuels with cleaner alternatives, thereby mitigating environmental and health threats in the region. Additionally, VH Global's storage facilities are designed with the future in mind. Over time, they can be repurposed to store renewable fuels such as sustainable aviation fuel (SAF) and renewable diesel, ensuring alignment with long-term decarbonisation goals.

To clarify our use of the term "fossil fuel free", it is important to note that many companies rely on fossil fuels for some or all of their operational energy needs, such as heat and power. Companies using fossil fuel energy are not automatically excluded from our considerations. However, we closely monitor Scope 1, 2, and 3 emissions of our investments as part of our ESG integration process. Companies that are identified as overall ESG laggards, based on these and other aggregated data points, may be excluded from our portfolio.

Stock Selection Journey

Quilter Cheviot's team of sustainable investment specialists actively invest across asset classes according to economic and market conditions. This multi-asset investment approach helps to reduce the volatility of returns over the longer term without compromising the income that is generated. The Funds reflect Quilter Cheviot's house views on asset class allocation according to either a balanced or growth risk profile.

Quilter Cheviot's large research team identify attractive investment opportunities based on in-depth analysis, face-to-face meetings with company management and detailed due diligence. The investment approach is multi-layered with the Sustainable Investment Universe identified through a combination of positive and negative analyses.

Positive criteria

Aligns with one of the five investment themes

Undertakes revenue generating activity that is aligned with a target underpinning one of the 17 SDGs?*

+

Negative screens

Ethical exclusions

Excludes those that generate >5% of revenue from activities obstructing the SDGs.

Remove ESG- laggards

=

Sustainable Investment Universe

→

Investment Selection

Attractive investment opportunities

ESG-factor related risks and opportunities

Asset Allocation

Regional Allocation

* An investment may be held as long as there is some positive revenue alignment, however, it would only be classified as sustainable if it accounts for ≥ 50% of its revenue generating activity.

ESG factor analysis

Certain companies from the broader Quilter Cheviot investment universe are considered not investable for the Funds on ESG factor considerations.

This may be determined by the Research team when classifying that company in conjunction with the Responsible Investment team, or it may be determined by the Sustainable Investment team when we undertake additional ESG factor analysis.

ESG factor analysis uses Quilter Cheviot's proprietary dashboards which are managed by the Responsible Investment team and used alongside the Research team and the Sustainable Investment team. They allow us to focus on the most pertinent data points for the industry group within which the company we are reviewing operates. For example, when assessing a pharmaceuticals company, from an ESG factor perspective, we are particularly interested in its strength in ensuring i) access to healthcare for less-privileged communities, and ii) the safety of its products.

When considering ESG factors, a decision to initially invest is not the end of the process. ESG characteristics are broad and dynamic, and a company's profile may change, or new information emerge, which leads us to reassess the appropriateness of our investment. In conjunction with the Research team, twice a year the Responsible Investment team undertakes a review of the categorisation of the monitored investment universe from a responsible investment perspective. Further, an additional ad-hoc review and reassessment may be initiated by the Research team, the Responsible Investment team or our Sustainable Investment team. No matter how it is initiated, when it relates to companies held within the Climate Assets Funds, the three teams work collaboratively to understand and assess the specific issues.

2024 ESG factor-related engagement activity

Where a specific issue or controversy is identified, our favoured approach is to engage with the company to better understand the issue and steer the company towards what we believe the 'right' course of action may be (see **page 38** for further information on our approach to stewardship). Of course, engagement does not always achieve the desired outcomes and so in certain cases the appropriate course of action for the Climate Assets Funds may be to divest.

On a number of occasions in 2024, we engaged with companies to better understand specific issues. Considering the specifics of each matter and the productivity of engagement activity, we did not sell any investments driven by ESG-factor related considerations alone.

For example, concerns relating to Board gender diversity led us to engage with EDPR. We communicated our concerns and were reassured by the plans already in place by the company.

We also conveyed concerns to Watts Water in relation to sustainability disclosures. We had productive discussions and we were able to gain more context on the company's decision to report in line with the EU CSRD and not disclose to CDP. We were further reassured by discussion of internal targets throughout the organisation and a commitment to improve certain disclosures.

Sustainable Development Goals

An important component of our sustainable investment process is the UN Sustainable Development Goals (SDGs) framework. We see the framework as an invaluable tool for assessing the sustainability characteristics that a company may have and we have integrated consideration of the goals across our investment process, from stock selection to reporting.

In 2015, the 193 member states of the United Nations adopted a set of 17 Sustainable Development Goals. These were an international call to action for all countries – poor, middle-income and rich– to promote prosperity while protecting the planet. Supporting targets - 169 in total - were later defined for each goal, and these are monitored and reviewed using a set of global indicators.

While the framework was initially defined at a national level, it can be applied at a company level too. The proportion of a company – most often using revenue generated as an indicator – that contributes to any of the goals and underlying targets can be determined, and this forms a powerful lens through which the sustainability of a company can be assessed.

When undertaking our sustainable investment research, we utilise company SDG alignment analysis and data from an independent research provider, Ethical Screening. In addition to this research being readily available to us, Ethical Screening also produces portfolio level SDG analysis for the Climate Assets Funds, on a quarterly basis.

In addition to determining whether a company is making a positive contribution to the SDGs, it is also important to consider whether any of its revenue generating activity may actually be negatively impacting achievement of the goals.

Our third-party provider's research includes analysis of negative company activity too and the Funds do not invest in any company (using a 5% revenue threshold) that undertakes such activity. As at 31 December 2024, no such holdings were identified for the Climate Assets Funds.

FAQ – Why do the funds not contribute more to SDG 13 - Climate Action?

Our third-party provider's research team attribute a company's revenue to an SDG when its activity contributes to the specific - UN defined - supporting targets for that SDG. For SDG 13 this is rare, as the targets have a significant focus on governmental action and structural change. For example, target 13.2 is to "Integrate climate change measures into national policies, strategies and planning".

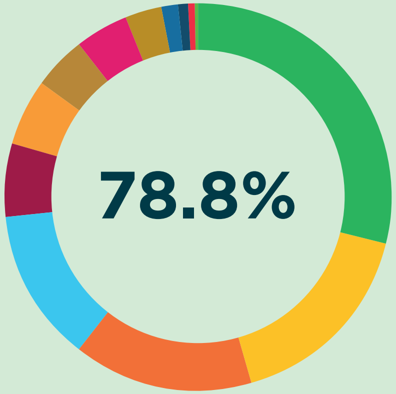
Of course, in practice, many companies held within the Climate Assets Funds provide solutions that play an important role in meeting climate-related objectives. However, when attributing revenue for our SDG analysis, we strictly follow our third-party provider's independent research and only recognise activity that contributes to the specific underlying targets.

> *"...only recognise activity that contributes to the specific underlying targets."*

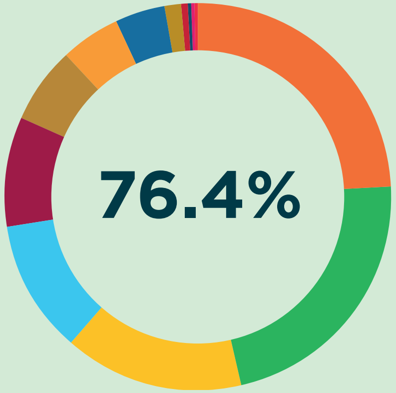
Revenue Alignment To SDGs

Sustainable Development Goals analysis

Climate Assets Balanced Fund



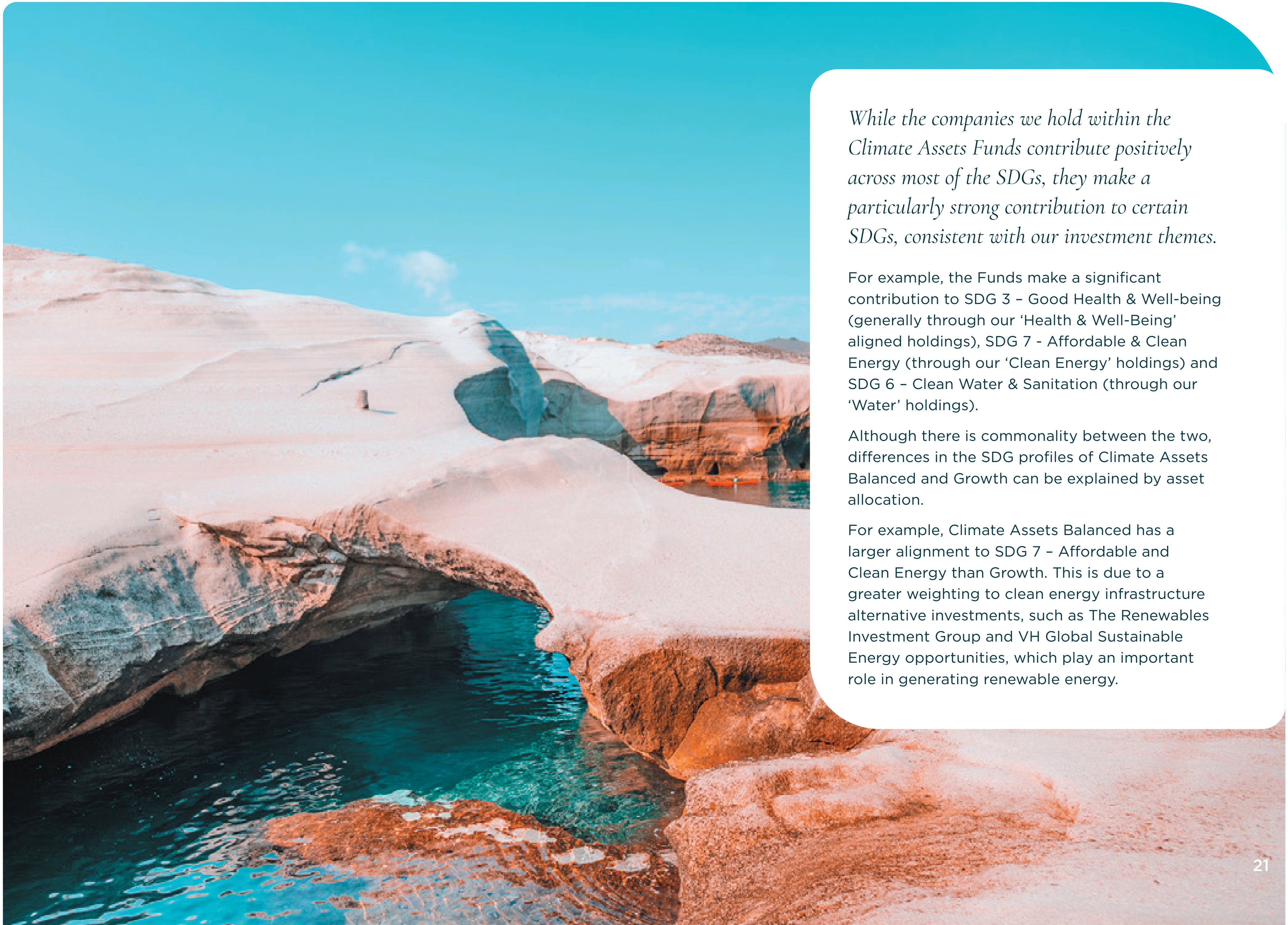
Climate Assets Growth Fund



- Good Health & Well-being (SDG 3)
- Affordable & Clean Energy (SDG 7)
- Clean Water & Sanitation (SDG 6)
- Industry, Innovation & Infastructure (SDG 9)
- Sustainable Cities & Communities (SDG 11)
- Decent Work & Economic Growth (SDG 8)
- Responsible Consumption & Production (SDG 12)
- Zero Hunger (SDG 2)
- Reduced Inequalities (SDG 10)
- Quality Education (SDG 4)
- Partnerships for the Goals (SDG 17)
- Peace, Justice & Strong Institutions (SDG 16)
- Gender Equality (SDG 5)
- No Poverty (SDG 1)

Company SDG Alignment:

78.8% and **76.4%** of the revenue generated by companies held within Climate Assets Balanced and Growth respectively, is aligned to one or more of the SDGs. When analysing SDG alignment at the portfolio level, we include all equity and corporate bonds as well as alternative investments, such as renewable energy infrastructure investment trusts. We exclude UK sovereign debt and cash from the calculations, as SDG alignment is not applicable for these asset types. The excluded component of Balanced and Growth is **17.3%** and **11.7%** respectively.



While the companies we hold within the Climate Assets Funds contribute positively across most of the SDGs, they make a particularly strong contribution to certain SDGs, consistent with our investment themes.

For example, the Funds make a significant contribution to SDG 3 – Good Health & Well-being (generally through our ‘Health & Well-Being’ aligned holdings), SDG 7 - Affordable & Clean Energy (through our ‘Clean Energy’ holdings) and SDG 6 – Clean Water & Sanitation (through our ‘Water’ holdings).

Although there is commonality between the two, differences in the SDG profiles of Climate Assets Balanced and Growth can be explained by asset allocation.

For example, Climate Assets Balanced has a larger alignment to SDG 7 – Affordable and Clean Energy than Growth. This is due to a greater weighting to clean energy infrastructure alternative investments, such as The Renewables Investment Group and VH Global Sustainable Energy opportunities, which play an important role in generating renewable energy.

Target-Level Analysis

Each SDG has defined supporting targets that set out the specific action that is required in order to reach the goals. Our SDG company analysis includes considering the company generated revenue that has been attributed to the specific underlying targets.

In many cases a proportion of a company's activity may be relevant to multiple targets. Below, we show an example target for SDG 3, 6 and 7, along with Climate Assets companies that have activity aligned to each.

Example Targets

3 GOOD HEALTH AND WELL-BEING

3.5 - Reduce by one third premature mortality from noncommunicable diseases through prevention and treatment, and promote mental health and well-being.

Example companies: *Medtronic* and *Thermo Fisher*

6 CLEAN WATER AND SANITATION

6.4 – Increase water-use efficiency across all sectors, and ensure sustainable withdrawals and supply of freshwater to address water scarcity.

Example companies: *Xylem* and *American Water Works*

7 AFFORDABLE AND CLEAN ENERGY

7.3 – Double the global rate of improvement in energy efficiency.

Example companies: *EDPR* and *TRIG*

Sustainable Investments

The Climate Assets Funds invest primarily in companies for which their core purpose is aligned to one or more SDGs, with some further investment in companies for which a smaller proportion of its business directly contributes to an SDG.

We do not invest in any company that does not positively contribute to at least one of the SDGs.

Climate Assets Balanced	Climate Assets Growth
86.0%	82.4%

The percentage of holdings in each Fund invested in assets with material sustainability characteristics is determined as follows: For alternatives, corporate debt, and equities, a sustainable asset is defined as one where 50% or more of the business aligns with one or more of the Sustainable Development Goals (SDGs), based on analysis by our third party research provider. Sovereign debt is classified as sustainable if the issuer has an SDG index score of 75 or higher, indicating substantial progress towards achieving all 17 UN SDGs, according to the UN Sustainable Development Report.

Investment Themes

Investments across the five themes provide a broad range of sustainability solutions, products and services. All equities and corporate bonds are allocated to one theme.

Thematic allocations are influenced by sectoral asset allocation decisions and our view on the most attractive investment opportunities. While investments are spread across the five positive investment themes, allocations are not weighted equally. Both Funds are currently weighted towards Clean Energy, Health & Well-Being, and Resource Efficiency following the attractive investment opportunities in those areas. We monitor investment trends across our themes and are poised to invest when appropriate for our strategy and, as such, thematic allocations continuously change.

In the table to the right, along with our Sustainable Development Goal analysis later in this report, we exclude UK sovereign debt and cash from the calculations, as we view these as 'neutral' assets. The neutral component of the Climate Assets Balanced and Growth Funds is **17.3%** and **11.7%** respectively.

Equity and corporate bond holdings in Climate Assets Growth and Balanced have a high degree of commonality. However, the asset allocation differences between a growth (higher equity content versus a balanced mandate) and balanced (higher fixed income content versus a growth mandate) portfolio explain the variation in thematic alignment between the two Funds.

Resource Efficiency - One key reason for the Growth fund having a larger alignment to the 'Resource Efficiency' theme is due to a larger weighting to technology holdings where efficiency, products and data management systems enable consumers to do more with less.

Climate Assets Funds' Investment Theme Alignment

	Balanced	Growth
Clean Energy	18.1%	16.8%
Food	5.8%	4.0%
Health & Well-Being	37.4%	23.5%
Resource Efficiency	26.2%	45.4%
Water	9.3%	7.6%
Other non-core Investments	3.2%	2.7%

(Source, Quilter Cheviot as at 31 December 2024)

Where an investment does not strongly align with its corresponding theme, we classify it as "Other non-core Investments" for reporting purposes. Specifically, any investment with less than 25% alignment to one or more of the SDGs is considered non-core.

Clean Energy

> *Investment in the low-carbon energy transition worldwide hit a record $2.1 trillion in 2024.*"*
>
> **BloombergNEF**

What

We invest in companies whose products, solutions or services reduce the use of hydrocarbon-based fossil fuels. Companies that fall under this area provide solutions to the problems of using fossil fuels and energy scarcity and security. This area is often closely aligned with targets that underpin SDG 7 and sometimes aligned with those that underpin 13 and 15.

Why

Fossil fuels are the most high-profile topic when considering global warming, and for good reason. Fossil fuels – coal, oil and gas – are by far the largest contributor to global climate change, accounting for over 75% of global greenhouse gas emissions.

Fortunately, a significant part of the solution is already known: transitioning to renewable energy sources, particularly wind and solar. Although the generation of clean energy is not a new concept, recent years have seen rapid expansion in this area. However, the investment gap to achieve net zero emissions by 2025 highlights the urgent need for greater commitments and accelerated action. Notably, over 130 national governments, including the European Union, have committed to collaborating to triple the world's installed renewable energy capacity to at least 100 GW by 2030.

The rapid expansion of renewable energy has been significantly driven by technological advancements and innovations that have reduced costs. Over the past decade, the cost of generating power from renewable sources has dropped dramatically, with onshore wind costs falling by over 40%, and even greater reductions for solar and offshore wind. Additionally, there have been substantial advancements in battery storage, which many consider crucial for unlocking the full potential of renewables.

In the past five years, various economic and geopolitical shocks, such as the trade war between the US and China, the COVID-19 pandemic, and conflicts in Ukraine and the Middle East, have highlighted the importance of energy security. Renewables are essential in the strategy.

* **BloombergNEF : Energy Transition Investment Trends 2025**

How

From an investment perspective, exposure to the clean energy sector can be achieved across the value chain, from subcomponent manufacturers to renewable energy generators. Renewable energy infrastructure funds are a key investment route within the alternative investment asset class. We selectively invest in companies with high-quality, well-resourced management teams and prefer diversified exposure to various geographies and technologies.

We also invest in companies that promote the use of clean energy rather than its generation, including those involved in the electric vehicle value chain.

Company Examples

7 AFFORDABLE AND CLEAN ENERGY

The Renewables Infrastructure Group

Renewable Energy Infrastructure Investment Trust

This investment trust invests in a range of assets that generate electricity from renewable sources. It is technologically diversified, owning assets such as onshore wind farms and solar photovoltaic parks, and geographically diversified, with assets across the UK and Northern Europe.

SDG 7: *Aligns with the goal of developing renewable energy, contributing to the target of increasing the share of renewable energy in the global energy mix.*

7 AFFORDABLE AND CLEAN ENERGY

EDP Renováveis

Portuguese Renewable Energy Manufacturer and Operator

The company focuses on generating electricity from renewable sources, including the design, development, management, and operation of wind farms and solar power plants. Its activities contribute to increasing the share of renewable energy in the global energy mix.

SDG 7: *Aligns with the goal of promoting access to affordable, reliable, sustainable, and modern energy for all.*

7 AFFORDABLE AND CLEAN ENERGY

Clean Energy

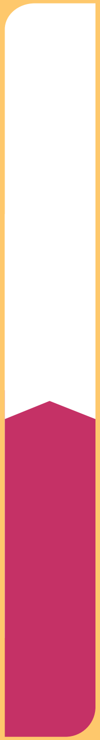
What problems are we currently facing?

2.1bn
people still rely on polluting fuels like wood and charcoal

675m
people remain unconnected to the grid

Sub-Saharan Africa accounts for
83%
of the global electricity access deficit, while Central and Southern Asia have made significant progress

International public financial flows for clean energy rebounded to $15.4 billion in 2022, still significantly lower than the 2016 peak of $28.5 billion



$28.5bn
peak in 2016

$15.4bn
in 2022

What if no action is taken?

Despite a **16%** reduction in emissions intensity in manufacturing, global CO_2 emissions reached a record **37.4** gigatons in 2023

660m
people will still be **living without electricity** by 2030

<30%
of our electricity will be from **renewable energy** sources

But these renewable energy sources will...

provide **power** for only
4%
of our **transport sector**

and only
10%
of our **heating**

How has the situation improved around the world?

	2015	2022
Global electricity access	87%	91%
Access to clean cooking fuels and technology	64%	74%
Total energy generated from renewable sources	17%	19% (2020)

The challenge

3,200 GW (gigawatts)
of global wind power capacity is needed by 2030. In 2023 the world's total wind power capacity was 1017 gigawatts.

Analysis of the data shows global emissions to 2050 remaining above a 1.5° pathway — even if all countries deliver on current commitments.

Source: UNStats.un.org, Sdgs.un.org, LUT/Energy Watch Group, euronews.green, GWEC

Food

"According to the UN Department of Economic and Social Affairs, 13.3% of the world's food is lost after harvesting and before reaching retail markets, and an additional 17% is wasted at the consumer level."*

UN Department of Economic and Social Affairs

What

We invest in companies that provide food solutions, ensuring a sustainable and effective food system. This area is often closely aligned with the targets that underpin SDG 2 and 12.

Why

A sustainable and effective global food system is crucial for any population to survive and thrive. Despite long-term improvements, around one in three people still lack regular access to adequate food. Rapid, though slowing, population growth continues to increase global food demand, necessitating continuous evolution of food systems. Additionally, ensuring the availability of nutritious food, which is often more expensive, is vital. Rising obesity levels and food inflation may push people towards cheaper, less healthy processed foods.

Efficient global food systems are essential from both ethical and economic standpoints. Moreover, the environmental impact of the global food system, strongly linked to climate change, must be addressed. A credible net zero strategy must target significant GHG reductions across the food system.

How

There are many potential solutions to food sustainability challenges, ranging from emerging to established technologies. We consider some areas currently investable, such as food safety and testing, and climate control and refrigeration systems. Other areas are monitored for future investment once the technology matures.

Company Examples

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Sonoco

British Supplier of Packaging

Sonoco is a manufacturer of industrial and consumer packaging products and a provider of packaging services. Its Consumer Packaging segment is focused on the production of packaging for a wide range of food products, which contributes to the target to halve global per capita food waste, with the packaging designed to extend shelf-life

SDG 12: *Aligns with the goal of ensuring sustainable consumption and production patterns.*

2 ZERO HUNGER

Kubota

Japanese Supplier of Agricultural Equipment

Kubota is a leading global supplier of agricultural equipment, particularly in the Asian market, including Thailand and China. The company sells farming equipment, such as tractors and combine harvesters, as well as smart and automated equipment focused on increasing efficiency and reducing labour intensity. It specialises in equipment for rice farming, sold in developing nations like Cambodia, Laos, and Vietnam.

SDG 2: *Aligns with the goal of ending hunger and achieving food security through sustainable agricultural processes.*

* **Goal 12 | Department of Economic and Social Affairs (un.org)**

2 ZERO HUNGER

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Food

What problems are we facing?

2.33 billion
people experienced moderate to severe food insecurity

nearly 67%
of our calories come from only four sources: rice, wheat, maize and soybeans

nearly 33%
of global greenhouse gas emissions are produced by the agricultural industry

70%
of the world's freshwater withdrawals are for agricultural uses

Why we need to take action to improve food production capacity and technology

72%
of global production of staple crops takes place in just 5 regions

78% wheat & **59%** rice

78% of the world's wheat & 59% of all rice is produced in regions which are at extremely high risk of water insecurity by 2050

What if no action is taken?

183m
people will be pushed into hunger

29%
is the projected increase in cereal prices by 2050 due to climate change if emissions are not curbed until 2080

$3.1tn
in predicted revenue losses for public companies due to both water pollution and shortages relating to agriculture

How are we making progress at the moment?

Water desalination technology

22% of the desalinated water in Spain has been used for irrigation for over 10 years

Increased efficiencies in micro-irrigation technology improve water efficiency by up to **90%**

and increase crop yields by **45%**

In India, it has been estimated that switching from rice to millet production during the monsoon season, and from wheat to sorghum in winter could result in a...

32% reduction in water waste

39% improvement in calorie production

140% increase in profits for farmers

Global government spending on agriculture reached a record high of **$749bn** in 2022.

Source: Citi, World Resources Institute, IPCC, ECMWF

Health & Well-being

> *Healthcare is one of the largest global expenses at over $9 trillion a year.*"*

World Health Organisation

What

We invest in companies that provide health solutions, aiming to ensure healthy lives and promote well-being for all. This area is often closely aligned with the targets that underpin SDG 3 and sometimes aligned with those that underpin 1, 4, 5, 10 and 11.

Why

A robust and reliable healthcare system that makes essential healthcare accessible to everyone is crucial for a sustainable and prosperous world. However, achieving this is incredibly challenging due to the evolving and complex health needs of diverse populations. Healthcare is one of the largest global expenses, estimated at US$9 trillion in 2021, and this amount has been consistently rising, both in absolute and per-capita terms.

This increasing demand is largely driven by demographic factors, with the global population both growing and ageing. By 2050, it is estimated that one in six people worldwide will be over 65, with this ratio potentially reaching one in four in the UK. Other trends, such as rising obesity levels and increasing pollution, further strain healthcare systems.

How

The healthcare system is undergoing significant transformations. Advances in medical technology, the availability of data, evolving consumer behaviour, and changing perceptions of healthcare are all contributing to this shift. Innovations and new technologies are enhancing patient convenience and paving the way for new drugs, diagnostics, and treatments.

For our Sustainable Investment Strategy, we invest in a diverse range of healthcare, science, and biotechnology stocks that address modern healthcare challenges. When evaluating healthcare companies, we prioritise their approach to ensuring access to healthcare for less-privileged communities and the safety of their products.

Company Examples

3 GOOD HEALTH AND WELL-BEING

Novo Nordisk

Danish Pharmaceutical Company

Novo Nordisk is engaged in the discovery, development, manufacture, and marketing of pharmaceutical products. It is a global leader in diabetes and obesity solutions, which represent a significant portion of its total sales. The company was an early adopter of integrating Environmental, Social, and Governance (ESG) criteria across its business and is widely regarded as a responsible leader in the pharmaceuticals sector.

SDG 3: *Aligns with the goal by specialising in developing treatments for diseases, including diabetes.*

3 GOOD HEALTH AND WELL-BEING

Thermo Fisher Scientific

North American Medical Equipment Manufacturer

Thermo Fisher Scientific manufactures and distributes laboratory instruments, equipment, and software that contribute to the discovery and development of vaccines and medicines. It is the world's largest manufacturer of analytical and diagnostic instruments, supplying doctors, hospitals, and laboratories globally.

SDG 3: *Aligns with the goal of ensuring healthy lives and promoting well-being for all ages.*

* **Goal 12 | Department of Economic and Social Affairs (un.org)**

3 GOOD HEALTH AND WELL-BEING

Health & Well-Being

What problems are we currently facing?

Every
2 minutes
a woman dies from preventable causes relating to pregnancy or childbirth

Cases of malaria worldwide rose to
249 million
in 2022, with 608,000 deaths

4.9%
of the world's population has now been pushed into extreme poverty due to healthcare expenses

73.1
The COVID-19 pandemic reversed decades of progress, reducing global life expectancy to **71.4** years in **2021** from **73.1** years in **2019**
71.4

Why we need to invest in solutions to these healthcare challenges..

$9.8tn
was spent on healthcare globally in **2021**
equivalent to
10.3%
of global GDP

By 2050...
17%
of the global population will be aged over 65...
...in the UK this figure could be closer to
25%

By 2030...
1bn adults
are expected to be classed as obese

By 2040...
There are expected to be
28.4m
cases of cancer globally
a
47%
increase from 2020 levels

How are advances in healthcare progressing?

146 out of **200**
areas or countries have met, or are on track to meet the under-5 **mortality** target

Global AIDS-related deaths have been cut by **52%** since 2010

47 countries
have **eliminated** at least one tropical **disease**

Source: UNStats.un.org, Sdgs.un.org, World Health Organisation, World Obesity, American Cancer Society

Resource Efficiency

> *According to Circle Economy, in 2023 the global economy was only 7.2% circular, down from 9.1% in 2018.*"*

Circle Economy

What

We invest in companies that provide efficiency solutions, aiming to use resources in smarter and more effective ways. This area is often closely aligned with the targets that underpin SDG 8, 9, 11, 12 and sometimes aligned with those that underpin 16 and 17.

Why

Resource efficiency has become an increasingly important sustainability theme as the world's population continues to grow and consume more materials. Many finite resources are becoming increasingly scarce, contributing to interrelated challenges like climate change, biodiversity loss, and pollution. There is an urgent need to transition to a circular economy based on three principles: eliminating waste and pollution, keeping products and materials in use, and regenerating natural systems.

Take plastics, for example. Global plastic production has risen exponentially from around two million tonnes a year in 1950 to well over 400 million tonnes today. Since plastics are not biodegradable and recycling rates remain low, a vast amount of plastics end up in landfills or, worse, in the sea.

This broad investment theme also includes other forms of efficiency, such as efficient transport solutions, which account for over 15% of global emissions, and companies that promote energy efficiency, which is critical for reducing reliance on fossil fuels and optimising the use of renewable energy.

How

The challenges related to our current use of resources present a diverse range of attractive investment opportunities. A regulatory push towards higher environmental standards and a focus on ending plastic pollution underpin numerous investment opportunities within the waste management and recycling industries. While the transportation sector is one of the largest contributors to greenhouse gas emissions, railway transportation accounts for only a fraction of these emissions, and we support rail companies that help reduce global transport emissions. Electrification is a key trend for managing resources more efficiently and supporting global decarbonisation efforts. We look for companies that support electrification through the manufacture of electrical components, such as semiconductors. Automation is another important trend that can lead to greater business productivity and efficiency, with investment opportunities in industrials that manufacture machinery facilitating the automation of production processes.

Company Examples

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Daiseki

Japanese Waste Disposal Service Provider

Daiseki provides sustainable industrial waste treatment and recycling solutions, including processing waste oil to reduce demand for fossil fuels. It also offers wastewater treatment services, playing a crucial role in improving water safety and quality.

SDG 12: *Aligns with the goal by ensuring sustainable consumption and production patterns.*

8 DECENT WORK AND ECONOMIC GROWTH

Taiwan Semiconductor Manufacturing (TSMC)

Taiwanese Semiconductor Manufacturer

TSMC is the world's largest independent manufacturer of semiconductor wafers and chips for electronic applications. It leads in using the most advanced technology to produce the most efficient chips. Its products are used in a range of electrical appliances and play an important role in global electrification.

SDG 3: *Aligns with the goal by achieving higher levels of economic productivity through diversification, technological upgrading, and innovation, all of which help improve global resource efficiency.*

* **Circular Gap Report 2023**

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Resource Efficiency

What problems are we currently facing?

The World Economy

continues to recover at a slow pace

Global Annual Growth Rate of Real GDP per Capita (%)

2bn people are expected to be living in slum conditions within the next 30 years

THE ENVIRONMENTAL FOOTPRINT of high income countries is **x10 LARGER** than low-income countries

CO_2 emissions from global energy use reached a RECORD HIGH of **37.79bn** metric tonnes in 2023

70% **Global waste generation** is projected to grow by **70%** by **2050**

only **8.6%** of **global material use** was circular in 2023

Issues resulting from our use of plastics are a key example of why we need higher levels of Resource Efficiency

Plastics take **450 YEARS** to **degrade**

98% of plastics produced **are still made using** fossil fuels

9% of all plastic is actually recycled each year

85% of plastic globally goes to landfill or into the sea

How growth and innovation are contributing to increased levels of Resource Efficiency and the wider community

485 › policies have been introduced by 62 countries and the EU to champion sustainable consumption & production

Tripled › the levels of company sustainability reporting since 2016

1.93% › the increase in the proportion of GDP spent on R&D in this space globally

increased from 1.69% in 2015

OVER 95% › of the world now has mobile broadband access

a significant increase from 78% in 2015

Source: UNStats.un.org, Sdgs.un.org, UNEP, Circulatory Gap Report, Circular Online, DW

Water

"According to the UN Department of Economic and Social Affairs, at current rates, 1.6 billion people will lack safely managed drinking water by 2030."*

UN Department of Economic and Social Affairs

What

We invest in companies that provide water solutions, ensuring safe and clean water is available to all. This area is often closely aligned with the targets that underpin SDG 6 and sometimes aligned with those that underpin 14.

Why

It is estimated that around US$850 billion is spent annually on providing and maintaining water resources, but this is insufficient to meet the world's evolving water needs. Population growth is driving higher water demand, urbanisation is changing water demand patterns, and climate change, along with associated extreme weather patterns, is increasingly challenging the water supply. These factors strain water systems and put lives and livelihoods at risk.

Developing countries need to invest in new infrastructure to extend water access and sanitation, while developed countries must replace aging infrastructure and leverage new technologies to improve water conservation.

How

The scale and complexity of these challenges present a range of attractive investment opportunities. From a portfolio construction perspective, the diversity of the water industry translates into a diverse return profile among companies in the sector, which is useful for navigating the economic cycle. We invest globally in a broad range of water stocks, from defensive utilities to growth companies involved in innovative water technologies, allowing us to position the fund appropriately depending on the economic cycle stage.

*** Goal 6 | Department of Economic and Social Affairs (un.org)**

Company Examples

6 CLEAN WATER AND SANITATION

sabesp

Companhia de Saneamento Basico do Estado de Sao Paulo (SABESB)

South American Water and Wastewater Utility

SABESP provides water and sewage services to a range of residential, commercial, industrial, and governmental customers across the state of Sao Paulo in Brazil. It is one of the world's largest sanitation companies in terms of population served, providing services to over 26 million customers. SABESP plays a vital role in providing safe, clean drinking water and wastewater services, often to underserved communities.

SDG 6: *Aligns with the goal by ensuring sustainable management of water and sanitation for all.*

6 CLEAN WATER AND SANITATION

xylem Let's Solve Water

Xylem

North American Water Technologies Provider

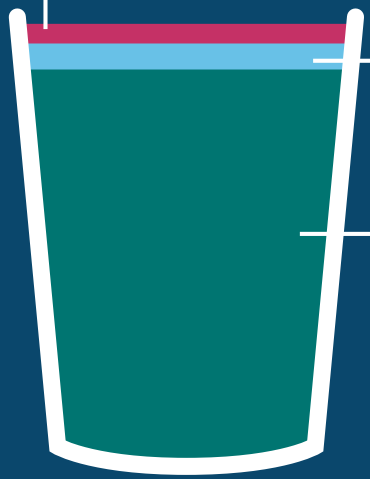
Xylem provides products and services for water and wastewater applications, addressing the full water cycle: collection, distribution, use, and disposal. Its products include water and wastewater pumps, treatment and testing equipment, valves, heat exchangers, and dispensing equipment. Xylem holds a leading market position in a highly fragmented industry and plays a crucial role in facilitating water sanitation.

SDG 6: *Aligns with the goal by facilitating the efficient provision of water and sanitation services.*

6 CLEAN WATER AND SANITATION

Water

Only 1% of all water is drinkable



1.5% of the world's water is located in glaciers, ice caps, and permafrost, or is buried deep in the ground

97.5% of the earth's water is salt water, found in the oceans

2.3bn people live in water-stressed countries, with climate change exacerbating the issue

810m people have no safe drinking water at all

In 2022, **2bn** people lacked safely managed drinking water services

1.8bn people lack even basic sanitation

3.5bn people lack safely managed sanitation services

$260bn lost globally each year due to a lack of basic water and sanitation

$18.5bn of potential annual economic benefits if there was universal access to basic water and sanitation

4.1bn people are projected to be living in water-stressed areas by 2025

Eutrophication affects **245,000** square kilometres of marine ecosystems globally.

$6.7tn of investment in water infrastructure is needed by 2030

$22.6tn needed by 2050

40% the projected shortfall between the supply and demand of water by 2030

How do we invest in Water?

1. **Water use efficiency technologies**
2. **Pollution management providers**
3. **Water system infrastructure specialists**

Companies that make a positive impact by ensuring and facilitating the efficient provision and sustainable management of water and sanitation services for all

Drivers of Change

Global focus on efficiency:

$8.7 billion in water and sanitation-related development assistance received in 2020 alone

20% increase in the proportion of the population using safe drinking water sources since 2020

Since 2015 increase in water use efficiency globally of 12%

Source: UN Water, Water.org, Water UK, World Bank, SDG 6 Data

Caroline Langley

Deputy Fund Manager

Caroline has nearly 20 years of investment experience, having joined Quilter Cheviot in 2006. Co-creator of the Climate Assets philosophy, she has been the Deputy Fund Manager for the award-winning Climate Assets Funds since 2018. She also manages charity and private client portfolios, working with clients directly or alongside advisers. Caroline has an MSc in Environmental Technology from Imperial College, specialising in Global Environmental Change and Policy, is a Chartered FSCI and an FCA (ICAEW).

Insights: The Healthcare Opportunity

Warren Buffett once said that "the best investment you can make is in yourself". Clearly healthcare is fundamentally important in achieving that, and we are seeing consumers and nations prioritise health spending like never before.

Healthcare is one of the largest global expenses – estimated at $9 trillion in 2021 – and the amount has been consistently rising, both in absolute and per-capita terms. This increasing demand is largely explained by demographic factors, with the population both growing and ageing.

By 2050, it is estimated that one in six people in the world will be aged over 65, and this ratio may be as high as one in four in the UK. Other trends are also coalescing to further strain healthcare systems. For example, obesity levels continue to rise in the developed world, leading to diverse health complications, as do levels of pollution. The task to meet these ever-increasing challenges is vast and requires huge investment.

Much has been made to date about the impact of Novo Nordisk's Wegovy and Ozempic the GLP-1 drugs (glucagon-like peptide receptor agonists) licenced for treating obesity and diabetes. Novo Nordisk's share price performance in 2023 and the first half of 2024, as a result of the demand, was staggering. Some 25,000 Americans are signing up for Wegovy every week! So great is the demand for Wegovy, that Novo Nordisk has been struggling to keep up, needing to increase its supply capacity. In December 2024 the market negatively reacted to the newsflow about Novo Nordisk's next-generation drug CagriSema failing to achieve best in class weight loss data, we have remained holders and expect further data in 2025 to be more reassuring. Longer term we continue to see Novo Nordisk as a major player in the evolution of these drugs. Early studies show that GLP-1 drugs may even have a role in reducing cognitive decline in Alzheimer's patients.

However, not all of healthcare has been so eventful in the year. Companies in the medical technology and life science sub-sectors have struggled in 2024 as a result of the overhang of the stockpiling of medical tools by bioprocessing companies in the Covid period taking a long time to unwind. Demand is now returning to more recognised levels but there have been other headwinds. Funding has been hard to come by for biotech projects due to higher interest rates and there's also been deteriorating demand from China caused by the economic troubles they are experiencing.

These pressures are abating, but at a slower speed than many would like. This does not mean the opportunity in healthcare has either passed or is not presently there. The whole healthcare sector has the potential to be an artificial intelligence winner in the long-term, while still providing investors with the traditional defensive characteristics they have become accustomed to.

Simply put, AI has broad potential in the hospital, at home and in the clinical trial process. It has the ability to help streamline processes, improve research and development, improve data quality, automate repetitive tasks and help drive patient engagement. It can benefit the sector by offering efficiency benefits and the ability to make more informed decisions.

Take the development of a new drug as an example. The time spent researching, manufacturing, testing and bringing a new drug to market can take 10 years or more. Even then, a drug has a less than 10% possibility of making it from a phase I clinical trial to market.

Discovering and developing a drug is a complex process so the efficiency gains and computing power of AI could be very significant and potentially identify targets that were previously thought undruggable. Clearly there will need to be important guardrails in place to ensure patient safety is prioritised. But AI can help make healthcare more proactive rather than reactive.

It extends beyond pharmaceutical use cases too. Medical imaging, for example, is an area well suited for AI as it contains huge amounts of data and can really help with image recognition and highlighting any abnormalities. The possibilities are nigh on endless, and as healthcare becomes more personalised, new solutions and increased supply gives an investor the opportunity to participate in that success.

The fundamental outlook in healthcare is supportive with the growing and ageing population elevating patient volumes. Some of the headwinds that impacted the tools sub-sector are abating and innovation continues to be a focus. With a boost from AI over the long-term, the future looks bright.

This is not to say there are not challenges remaining in the sector. In pharmaceuticals, there are a variety of clinical trial readouts expected none of which provide certainty of success. But in the round, and especially for a sustainable investor, those challenges can be overcome thanks to the potential and criticality healthcare provides. Innovation and bringing new technologies and therapies to market helps drive change, efficiency and create opportunities which should help drive change and growth in the sector.

Harry Gibbon

Investment Manager

Harry joined Quilter Cheviot's internship programme in May 2018 and moved to work with Claudia Quiroz and Caroline Langley later that year. He has since been promoted to Investment Manager and assists with the management of the Climate Assets Funds as well as portfolios for private clients, pensions, trusts and charities. Harry is a Member of the Chartered Institute of Securities and Investments and he has completed the CISI Chartered Wealth Management qualification and the CFA Certificate in ESG Investing.

Investment Review

Market Review

Global equities enjoyed another strong year of returns in 2024. US stocks were the standout performers due to higher economic growth rates and a greater weighting to the best performing sectors of the past 12 months, in particular technology. Although major central banks began cutting interest rates, the size of the reductions was smaller than many had anticipated at the start of the year, causing bonds and renewable infrastructure to underperform.

While some of the strong US performance was a result of higher stock valuations it was also supported by rising earnings, driven by revenue growth and margin expansion. The gains mean that US stocks now account for more than two thirds of the MSCI All Country World index. Technology, financials and industrials have all performed well since election day, due to the expectations of higher GDP growth, a lighter regulatory touch and a greater focus on reshoring.

From a macroeconomic perspective Donald Trump's re-election poses a potentially significant change to the prevailing order of the past year or so. Republican control of both houses of Congress, further supports so-called "Trump trades" and helped send US stock benchmarks to new all-time highs towards the end of the year.

US economic data continues to look solid compared to Europe, with the services sector especially strong. While the unemployment rate of 4.2% reflects a steady rise over the last two years from historic lows it remains relatively low and no cause for concern.

The UK economy is not faring so well, as growth has sputtered in recent months. GDP for the third quarter came in at 0% and the Bank of England predict no growth in the fourth quarter too. After solid growth in the first half of 2024 the subsequent fall highlights some of the challenges the Labour government face in delivering on its aim to put growth at the centre of its agenda.

The tax-raising budget, with increased employers' national insurance contributions and a higher minimum wage, is expected to hit the retail and leisure sectors hardest due to the relatively high number of low-paid employees. Having said that, the UK budget also offers some investment opportunities, potentially around building products as the government aims to build 1.5m new homes in the next five years. The pound ended the year 1.7% lower at US$1.26, towards the lower end of its 12-month range after the US dollar strengthened significantly following the US election.

The outcome of the US election, and to a lesser extent the UK budget, have caused a move higher in bond yields and markets are now expecting less central bank cuts going forward. In 2024 the Bank of England (BoE) lowered its base rate to 4.75% from 5.25%, the Federal Reserve (Fed) cut its funds rate to 4.50% from 5.50% and the European Central Bank (ECB) reduced its key borrowing rate to 3.0% from 4.5%. Interest rate futures markets are pricing in benchmark rates of around 4% for the BoE and Fed at the end of 2025, with the ECB expected to cut its key rate to below 2%.

Interest rates are now expected to be higher for longer compared to previous projections. The outcome of the US election played a central role in shaping this shift, with the December Fed meeting seemingly representing a change of tack from policymakers as they signalled a higher future rate path. Proposed policies of the new administration, such as the extension of tax cuts and tariffs on imports are conducive to higher interest rates.

Performance Review

Looking back at 2024, strong benchmark performance in Q1 and Q4 led to the disappointing year. The first quarter was led by technology with Nvidia, which we hold in our Growth fund, the stand performer almost doubling however companies we don't hold such as Amazon, Alphabet, Broadcom and Meta all led benchmark performance. Our allocation to the life science tools sector let us down in the fourth quarter, namely American instrumentation companies Thermo Fisher and Danaher, which were affected by soft Chinese demand. In October the absence of 2025 revenue expectations in their quarterly results spooked the market. On top of this one of our large holdings, Novo Nordisk, had disappointing test trials just before Christmas which wasn't the gift we wanted. Whilst all three companies are best in class within the Healthcare sector and remain conviction holdings, we are cognisant that they are currently facing headwinds. However, we are reassured by their current valuations, which are both reasonable and below historic levels.

While it is easy to put the Funds' performance solely down to the election of Donald Trump — or a perceived change in sentiment towards ESG — the driving factors have been far more related to the macroeconomic backdrop, with the downturn in the Chinese economy a large contributor. Although we don't have any direct Chinese holdings in the portfolio China is a large source of global demand, and its slowdown has had wide reaching effects. Our Alternatives Investments across renewable energy and social infrastructure trusts has hurt performance not only last year but over the last few years too. Discounts have widened to a weighted sector average of around -30% while Net Asset Values continue to perform well. Discounts typically move inversely to interest rates so as central banks bring down bank rates, albeit slower than prior to the UK budget and US election, we expect these trusts to be a positive contributor during the year ahead.

Outlook

Looking ahead, we believe a global economic growth outlook of 3% real GDP for 2025 is reasonable and supports risk assets. The US economy remains robust and although labour markets have weakened slightly from tight levels this is little cause for concern at present. Inflation has returned close to target and core inflation is moving in the right direction.

We see potential risks from inflation staying higher than expected and geopolitical tensions increasing. There is a lot of uncertainty surrounding the impact on trade and geopolitics from the implementation of tariffs and we are monitoring developments closely.

After a couple of good years equities have above average valuations but we take reassurance in that they remain supported by strong earnings growth and interest rate cuts. We also like bonds at current levels with attractive yields on offer and more interest rate cuts expected.

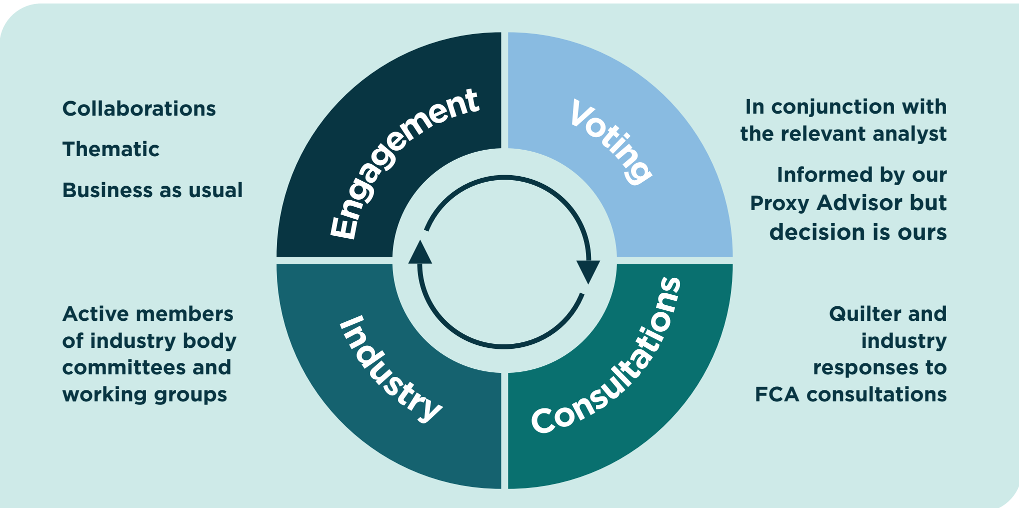
Stewardship

As a responsible investor, Quilter Cheviot is committed to its role as steward of our clients' assets to protect and enhance long-term returns – we call this active ownership. As part of our duty, we monitor and engage with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration.

Quilter Cheviot votes and engages with companies on environmental, social and governance (ESG) matters and has integrated ESG considerations into our investment process. Our framework for investing responsibly is set and managed by our Responsible Investment team with the team also developing and undertaking engagement activity alongside the relevant Research Analyst.

In this section of our report, we include some further detail on Quilter Cheviot's approach to being a responsible investor in relation to our Climate Assets Funds. For a comprehensive view of Quilter Cheviot's approach, please refer to our **website** and our 2024 Voting and Engagement **Report**.

Being an active owner



Engagement

This involves speaking directly to the executives and boards of companies and investment trusts about the issues that concern us, with our aim being to understand their approaches to material ESG issues. We focus on concerns that are material to the company or sector being analysed.

Examples of these concerns include best practice behaviour (executive remuneration), board composition (here we look at their approach to diversity in a simple sense but also in terms of diversity of thought), climate change (the extent to which companies link environmental metrics to executive pay or we examine their climate lobbying practices or transition plans).

At Quilter Cheviot we separate engagements into three categories:

1. **Reactive:** Dialogue held in response to an AGM resolution or recent controversy

2. **Proactive:** these fall into two categories:

   1. Thematic engagements where we have conducted analysis on a specific topic and look to engage with those investments with material exposure.

   2. Collaborative engagements which are driven by one of our three thematic priorities (climate change, human rights and natural capital) and where we will work alongside other investors.

3. **Business as usual:** Where no immediate concerns are identified but is part of a regular catch-up process.

Engagements are run by the Responsible Investment team in conjunction with the relevant Research Analyst. When engaging with a company or investment trust that is (or may potentially be) held by the Climate Assets Fund, a member of the Sustainable Investment team may also join the engagement.

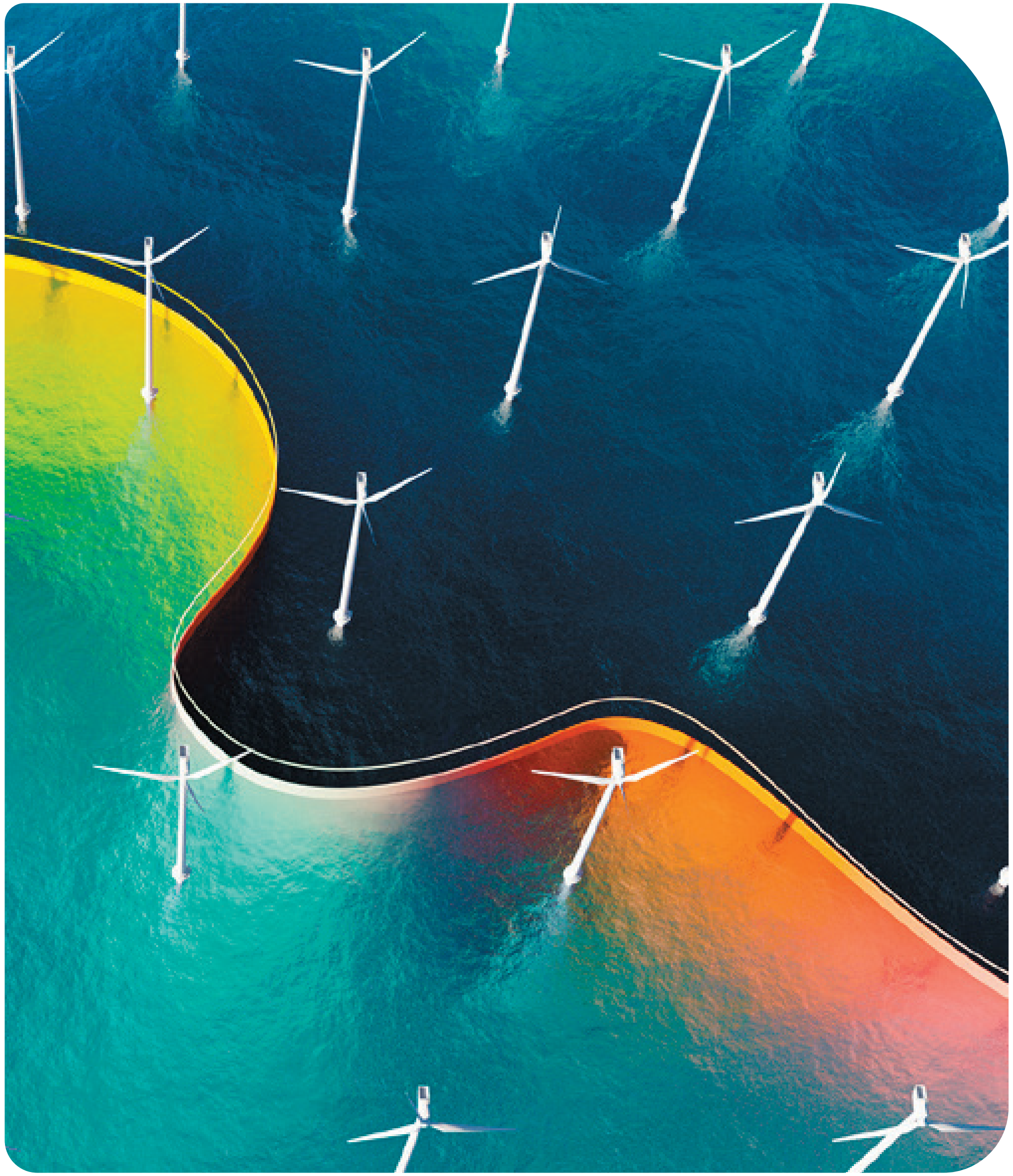
Climate Assets Funds 2024 Engagements:

Balanced

16

Growth

17



Engagement Case Studies

The following are examples of Quilter Cheviot engagements with Climate Assets from 2024.

APTIV

Aptiv – Environment

Objective: We engaged with Aptiv to discuss concerns related to the company's approach to climate risk, particularly focusing on its Scope 3 emissions strategy.

Aptiv's approach to climate risk includes recognising its Science-Based Targets initiatives (SBTi) and annual CDP disclosures, as well as the clarity of its sustainability reporting. The company focuses heavily on Scope 3 emissions, which make up 99% of its footprint. To address this, Aptiv is engaging with its suppliers, achieving a 55% response rate, and developing lower-carbon products.

Additionally, Aptiv is changing its products, particularly copper-based ones, and collaborating with OEM customers to create new low-carbon products. The company has launched a research campaign with four major customers, representing 20% of its annual revenue, to proactively develop new low-carbon products. Responsibility for climate targets is shared between the Chief of Operations and Chief of Supply Chain, reflecting the integration of sustainability efforts within the business.

Outcome: Aptiv is making good progress towards its SBTi-validated targets, aiming for a 25% reduction in operational emissions by 2025. However, more detail is needed on its supply chain engagement for Scope 3 reductions. The company is investing in lower-carbon products and practical measures to meet its decarbonisation goals. Future focus will be on understanding and improving Scope 3 emissions and supplier engagement.

Engagement Case Studies - Continued

Republic Services - Social

Objective: We engaged the company prior to the 2024 AGM to discuss a shareholder resolution related to employee related impacts of the Just Transition.

A shareholder resolution was put forward at the 2024 AGM requesting the company prepare a report on how it is addressing the impact of the climate change strategy on relevant stakeholders. We engaged the company to better understand the current approach to reporting in this area. The company's sustainability report is relatively comprehensive on its approach to not only tackling wider sustainability issues but also how it is developing human capital whilst evolving business operations. The company recognises it is a worker centric business but has been bringing in several processes and enhanced technologies to improve the automation of some activities. A significant driver of greater automation in processes like waste collection is worker safety. Republic has created several technical training programs to upskill, particularly younger, workers to offer opportunities in areas of growth such as renewable natural gas and higher quality plastic circularity. On the latter point, the company has recently opened its high-quality polymer recycling centre, creating over 250 new jobs.

Outcome: We were comfortable supporting management and voted against the shareholder resolution. The company's current reporting approach to human capital development in the context of climate change is not significantly behind peers, although we did encourage Republic to directly address the concept of a 'Just Transition' in future iterations of sustainability disclosures.

EDPR - Governance

Objective: We engaged with EDPR to discuss concerns related to the level of gender diversity on the board.

Our proxy adviser recommended voting against the chair of the Nominations Committee as the number of women directors on the board did not account for 40% of total members. This is viewed to be contrary to the Spanish corporate governance guidelines. The company made it clear that as a Portuguese domiciled (but Spanish listed) firm, it follows Portuguese corporate governance recommendations, which advises company boards (including executives) to be made up of a minimum of 33% of the underrepresented sex. The company currently meets these requirements. Further to this, the Spanish government is now legislating to bring the 40% guidance into law. EDPR expects this law to be in place by the end of 2024 and as a Spanish listed company it has committed to make the necessary changes to meet this legal requirement. This will be in place by the 2025 AGM at the latest, but possibly sooner.

Outcome: We are comfortable with the company's position and commitment to meet Spanish regulatory requirements by 2025. We supported management in this instance and monitor developments moving forward.

2024 Voting Activity

Climate Assets Balanced

We voted at:

53 Company Meetings

We voted on 760 Individual Resolutions

This represents 100% of resolutions on which we had voting rights.

For 17 resolutions we voted against management

Climate Assets Growth

We voted at:

63 Company Meetings

We voted on 958 Individual Resolutions

This represents 100% of resolutions on which we had voting rights.

For 36 resolutions we voted against management

Key voting activity

19x votes against electing / re-electing director (management item)

We voted against the re-election of directors owing to executive compensation concerns, the presence of multi class voting structures and lack of board diversity.

Companies voted on: Novo Nordisk, Siemens Healthineers, T-Mobile US, SABESP

4x votes against management on compensated related (management item)

We voted against remuneration reports, polices and financial statements where the short and long-term incentive performance metrics lacked transparency and were not sufficiently robust. Additionally, where inflight payments were awarded, in the absence of a compelling rationale, we consider opaqueness to be disadvantageous to shareholders. We also voted against remuneration reports, in instances where the company had failed to address shareholder compensation related concerns.

Companies voted on: Palo Alto, Geberit, Alcon, Salesforce

It is important to note that on a number of occasions, having engaged with the relevant company, we did not follow the recommendation of ISS (our proxy voting service provider).

We vote on all global* equities (including UK investment trusts). For further information please refer to the Quilter Cheviot **Voting Policy**.

*As far as reasonably possible given the local regulations regarding share voting. Notably, we do not vote where it results in the blocking of trading positions. We also do not currently vote on discretionary holdings (within the global equity and investment trust monitored lists) where we do not have the power of attorney in place. These markets being Switzerland, Sweden, Belgium, Norway. Other infrequent instances of non-vote placement may include where Crest Depositary Interests (CDIs), ADRs or GDRs are held. Ability to vote on these holdings differs on a case-by-case basis.

Quilter Cheviot Collaborative Engagement

Climate Action 100+

Quilter Cheviot is an investor participant of Climate Action 100+ and will continue the work in 2025. Climate Action 100+ is an investor led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Being an active participant in collaborative engagement initiatives is an important element of our overall stewardship agenda and we are pleased to be a member of the National Grid and Trane Technologies engagement working group.

Nature Action 100

Quilter Cheviot is a member of Nature Action 100. This is a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss. The initiative engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. Quilter Cheviot is part of the engagement working group for a global diversified mining company.

IIGCC Net Zero Engagement Initiative (NZEI)

The Net Zero engagement initiative aims to enable net portfolio alignment by supporting investor engagement and seeking the disclosures investors need from companies to determine if they are aligned with net zero. This engagement will therefore seek Net Zero Investment Framework (NZIF)-aligned transition plans from companies. We are part of the working groups for two target companies, Tesco and Siemens.

Spring

Spring is a PRI stewardship initiative for nature, addressing the systemic risks of biodiversity loss to protect the long-term interests of investors. Through this, the initiative aims to contribute to the global goal of halting and reversing biodiversity loss by 2030. Spring seeks to enhance corporate practices, ultimately generating positive, real-world outcomes, while protecting and enhancing investment returns. In its first phase, Spring will focus on tackling forest loss and land degradation in priority geographies, and encouraging responsible practices in corporate political engagement. We are an active participant in engagement groups for Reckitt Benckiser and BHP.

This is a summary of collaborative engagement activity undertaken by Quilter Cheviot's Responsible Investment team. Some of the engagement initiatives relate to sectors and specific companies outside of our Sustainable Investment Universe. The Funds do not invest in Tesco, Siemens, Reckitt Benckiser and BHP.

Quilter Cheviot Collaborative Engagement

30% Club UK Investor Group: 'Fix The Exec'

Quilter Cheviot is a member of the UK investor branch of the 30% Club, a campaign to boost the number of women in board seats and executive leadership at listed companies in the UK. More specifically we are also member of the 'Fix the Exec' working group which will engage some of the worst performing listed companies in the UK in terms of women representation at executive and senior management level.

Modern Slavery collaborations:

• Find it, Fix it, Prevent it

2022 onwards

• Modern Slavery in the UK

2021 onwards

This is a summary of collaborative engagement activity undertaken by Quilter Cheviot's Responsible Investment team. Some of the engagement initiatives relate to sectors and specific companies outside of our Sustainable Investment Universe.

Climate engagement

Toby Rowe

Sustainable Investment Specialist

Toby has ten years of experience in reporting and auditing, with a focus on Investment Management, Product Governance and Responsible Investment. He joined Quilter in 2018 and the Sustainable Investment team in 2022 and is responsible for developing the sustainable investment framework and reporting. Toby is a Chartered Accountant and a member of the ICAEW. He has also completed both the CFA UK Certificate in Climate and Investing and Investment Management Certificate.

Margaret Schmitt

Responsible Investment Analyst

Margaret joined in May 2023 as a climate specialist within the Responsible Investment team. She oversees Quilter Cheviot's climate strategy for its investments including the development of our Climate Action Plan. She leads climate-related engagements, including collaborations. Margaret also supports the delivery of annual TCFD group, entity and product disclosures. Prior to joining Quilter Cheviot, she worked in ecological research before joining a consultancy on carbon accounting and biodiversity. Her climate expertise is key to Quilter Cheviot's approach and disclosure in this area.

Companies Planning for the Future and Capitalising on Climate Opportunity

Across Quilter Cheviot we have identified three thematic engagement priorities. This is part of our climate change theme.

Climate Change is the defining issue of our time and we are at a pivotal moment. From shifting weather patterns that threaten food production, to rising sea levels that increase the risk of catastrophic flooding, the impacts of climate change are global in scope and unprecedented in scale. Without drastic action today, adapting to these impacts in the future will be more difficult and costly*.

SDG Alignment

"The earth is a fine place and worth fighting for."

Ernest Hemingway

* United Nations

In Q3 2024 we continued our ongoing thematic engagement program on climate disclosure and transition planning with the largest emitters held within our Climate Assets Funds. The objective is to better understand each company's current plans and progress towards them. Whilst this is the first phase of engagement focused specifically on the holdings in Climate Assets, it is built upon the ongoing thematic engagement that Quilter Cheviot has conducted with the highest emitters amongst its broader investment universe. This previous engagement established a framework of what a robust climate action plan looks like.

1. **A focus on the next ten years with specific short- and medium-term targets (2050 goals are welcome but action over the next decade is critical).**
2. **We want to see a reduction in absolute emissions. This includes Scope 3 metrics and is largely absent of carbon offsets. Carbon intensity measures can be supplemental but should not be the main target.**
3. **Demonstrate alignment of capital expenditure with transition targets – and consideration of Paris Climate goals into significant capital expenditure projects.**
4. **Limited used of carbon offsets. Residual emissions may be abated with offsets and carbon capture and storage, but use should be specific with clear end dates. This should not be a structural element of reduction targets.**
5. **The linking of executive remuneration to internal carbon reduction targets to help integrate transition planning into company strategy.**
6. **Assessment of alignment of climate transition strategy with member industry associations lobbying activities.**
7. **Taking ownership of Scope 3 emissions and building these into carbon reduction targets.**

The Sustainable Investment team favours lower emitting companies but, in some cases, invests in higher emitting companies where considered appropriate. When investing in a higher emitting company, it is particularly important that the company manages its climate risk well; namely having an emission reduction target and a credible plan for reducing its emissions. While the Funds are not managed to defined greenhouse gas (GHG) emission or temperature alignment (e.g. 1.5°C) targets, we consider an assessment of the climate impact of investee companies as fundamental to our analysis. We consider both i) whether a company operates within a high impact sector (including mining, transport, heavy construction & industrial engineering) and ii) positive steps taken by the company to minimise its climate impact. We usually avoid companies from high impact sectors but in certain rare cases we may invest if it had an above average approach to minimising its negative impact (assessed by our independent research provider). Positive steps that we look for include having an independently approved Science Based Target and a detailed, transparent, and credible climate action plan.

Like many investors, the Funds' financed emissions are concentrated in a handful of companies. We engaged with eight of the Funds' highest emitters, who together represent c. 85% of the Funds' Scope 1&2 emissions*.

Two of the eight, DS Smith and Linde, were covered within the aforementioned engagement activity that focused on Quilter Cheviot's highest emitters.

It is worth highlighting that the companies making up the majority of the Funds' financed emissions have clear sustainability benefits under the SDG themes of People and Planet. In some cases, this is directly related to climate. Railroad operators for example, offer a much more carbon-efficient option for freighting goods, as freight by rail is significantly less carbon emitting than freight by road or air.

Several themes emerged from our discussions:

Money where your mouth is

There were encouraging signs that companies were making the necessary capital investment required to decarbonise, putting their 'money where their mouth is' in other words. We had the opportunity to discuss many exciting innovations from companies who are facilitating carbon reductions in both their own operations and those of clients.

A particular highlight was Canadian Pacific Kansas City (CPKC) discussing its focus on developing hydrogen locomotives to decarbonise its fleet, where a high-horsepower hydrogen locomotive has recently successfully completed its first phase of testing. This builds upon the successful trial and introduction of several low-horsepower hydrogen hybrid locomotives over the last couple of years. The potential of this new technology was rather aptly demonstrated last year when a hydrogen locomotive rescued a diesel-powered locomotive frozen on the tracks.

Both Waste Management (WM) and Linde were investing heavily to decarbonise their operations too. Linde is implementing significant capital expenditure over the next five years to retrofit existing facilities with carbon capture technology, supported by the US Inflation Reduction Act. WM continues to invest in its sector-leading renewable natural gas fuelling network.

In terms of product development, Aptiv is investing to shift some of its product range to lower-carbon options. It has focused its attention on copper-based products, as this is one of the materials with a larger carbon impact. Aptiv has introduced a carbon-neutral copper wiring harness — using its 'Eco-Core' recycled copper — and included avoided emissions figures to demonstrate the carbon savings of recycled copper products compared to using mined copper.

*If we include holdings' Scope 3 emissions in the financed emissions, the companies included in this engagement comprise 22% of the total financed emissions of CAF. These figures are based on holdings values as at 30/09/2024 and climate data (from MSCI ESG Manager) as at 16/12/2024.

Working to strengths

Many of the companies we spoke with emphasised the value of experience guiding their decarbonisation programmes. WM pointed to its decades' worth of experience in capturing methane for use as Renewable Natural Gas (RNG). This expertise allows the company to contribute constructively towards industry initiatives aiming to enhance fugitive methane emission capture, such as the Solid Waste Industries for Climate Solutions (SWICS) group's efforts to create more accurate methane emissions models for landfill managers. WM is also leveraging this experience to capitalise on new demand for its RNG to power municipal electricity grids; its extensive RNG network gives the company both market share and influence in this burgeoning field.

SABESP was also able to cite its experience with repurposing byproducts and capitalising on opportunities within its services. The company has previously trialled the use of its sludge byproduct from sewage treatment plants as a biofertiliser for specific contexts (e.g., fuel crops), and now plans to scale this work into a profit-generating product. This presents an opportunity for the company, as well as reducing unnecessary waste from its operations.

Reaping rewards

We recognised a genuine and credible willingness to engage from all companies we spoke with. Of course, some part of this relates to being keen to show they were 'doing the right thing' but we also detected a healthy competitive element too, each company being keen to demonstrate their successes.

Returning to the hydrogen locomotive example, the railroad industry knew it must decarbonise and many of CPKC's peers have been exploring the use of battery-operated locomotives. CPKC had concerns over their recharge time, infrastructure and reliability, and instead explored hydrogen alternatives, establishing its own hydrogen research programme in 2020. Now, they are understandably pleased by what appears to be a sensible divergence from its peers.

We also recognise, it is especially easy for a company to talk about decarbonisation when the decarbonisation strategy aligns well with the company's mandate to generate profit for its shareholders. This is especially true of companies with manual and intensive operations such as WM. The more efficient the operations, the more profitable the company, as well as the less energy required, and the lower its emissions. As an added benefit, the more efficient its capture of natural gas at its landfill sites, the more profit it can generate from its sales. There is no shame in a credible climate action plan that is aligned with the profit motive – it is a *win-win* situation.

Necessary context

We were also reminded of the importance of context. Or more specifically, the complex socio-economic circumstances in which investee companies operate.

Seven of the eight companies have set carbon reduction targets that are externally verified by the Science Based Target Initiative (SBTi). This increases transparency and accountability and is in line with best practice.

The one company that had not was Sabesp, the Brazilian water utility company. Sabesp passionately and credibly set out the context for why water universalisation is the top priority for the company. They cited examples of a region that Sabesp added to coverage in 2020 that has already increased from 2% sewage treatment to 20% this year and is set to reach 50% by next year. Within the socioeconomic context of Brazil, providing access to water and sewage treatment is absolutely life-changing for underserved areas of the community, often within favelas.

Of course, setting climate targets is still important and we are pleased the company has committed to do so next year, but it was a helpful reminder that a company's sustainability strategy must also be tailored and appropriate for what it is specifically trying to achieve. That said, the company clearly recognises the role it can play in reducing its climate impacts. Whilst investment decisions are likely to primarily focus on universalisation in the near-term, there is a commitment to do so in ways that would increase efficiency and reduce emissions where opportunities are presented – such as incorporating climate-friendly measures like biomethane capture in sewage treatment centres.

Importance of collaboration

Several of the companies we met with highlighted the value of peer collaboration, particularly in developing innovative solutions. CPKC noted the value of multiple avenues being explored simultaneously by different companies – the more ideas developed and trialled, the sooner a workable solution can emerge. To that end, CPKC has entered a joint venture with rail peer CSX to further develop and deploy hydrogen battery locomotive conversion kits, in an important step towards interoperable low-carbon engines for rail freight companies. Union Pacific emphasised the importance of policy measures promoting cooperation between Class 1 rail carriers, citing the exception under the Association of American Railroads' (AAR) anti-trust conditions allowing members to collaborate on decarbonisation measures.

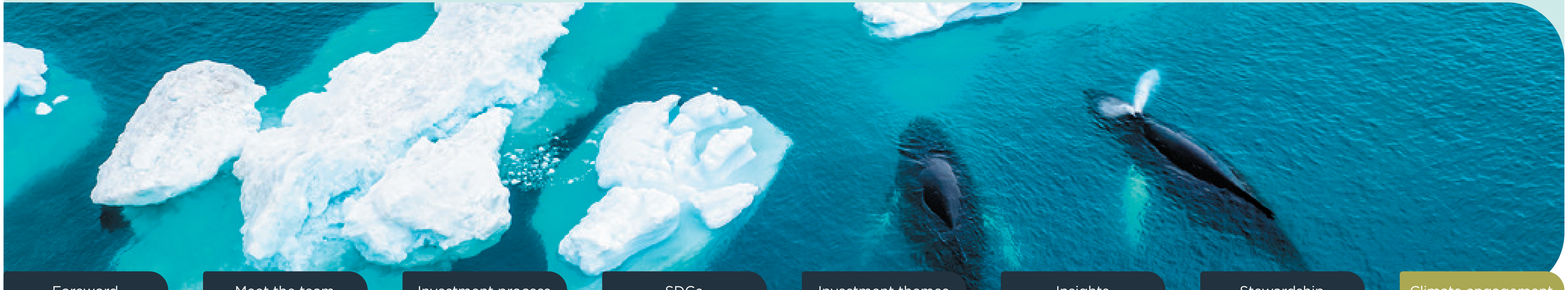
Incentives promoting cooperation can be formalised government policies (e.g., tax rebate programmes, research grants) and smaller measures, from industry bodies and other entities (e.g., engagement initiatives, grant programmes). WM takes advantage of existing government incentives for the use of its RNG through the US Environmental Protection Agency's Renewable Fuel Standard programme, allowing it to effectively monetise its efforts to decarbonise its rubbish collection fleet.

Drumbeat of regulation

All of our discussions referenced the role of government policies and regulation in promoting decarbonisation work. Forthcoming regulation – particularly CSRD, as well as the disclosure requirements set to apply in California and the new carbon disclosures mandated by the Securities Exchange Commission (SEC) – is top of mind for many companies, as they build capacity and prepare for first disclosures from 2026 onwards.

Sonoco highlighted the importance of regulations like these in encouraging the company to invest in its disclosure and environmental data capacities internally. Just as transparency regimes (such as the Forest Stewardship Council certification) have shifted paper supply companies' supply chains towards recycled material streams, incoming legislative regulations are a key driver in company strategic planning. Sonoco now has a dedicated internal resource for its environmental disclosure obligations and is investing in a supplier data platform in preparation for compliance with these regulations.

As constructive as some regulations can be towards the transition, unstable or inconsistent policy can significantly undermine company strategy. Aptiv pointed to the mixed messaging the car industry has received from different quarters, with the UK rolling back on its previous 2030 electric vehicle (EV) mandate and flagging demand from carmakers for EV components. Consistency in government policy direction is critical to enabling companies to make the longer-term strategic investments facilitating the economic transition, without involving costly shifts in material supplies or sudden market changes.



Outcome

Overall, this thematic engagement was positive and productive. We were able to increase our understanding of the climate action plans of the Funds' top-emitters and took the opportunity to provide feedback on best practice along the way. We recognised some impressive work to decarbonise and are generally supportive of plans for further decarbonisation into the future. We do not view this engagement as complete and will continue to engage on this topic - and with these companies - and look forward to the further implementation and, hopefully, results of their plans.

	An approved science based targets?	Emissions disclosed? Includes Scope 3?	Credible plans for emission reduction in the short to medium term?	Credible plans for emission reduction over the longer term?	Capital expenditure linked to transition targets?	Quality of Sustainability Reporting?	Openness and willingness to engage	Articulated Supply Chain Strategy	Cross-industry Collaboration
Union Pacific	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Waste Management	🟢	🟢	🟢	🟡	🟢	🟢	🟢	N/A	🟢
Aptiv	🟢	🟢	🟡	🟡	🟢	🟡	🟢	🟢	🟡
Canadian Pacific Kansas City	🟢	🟢	🟢	🟢	🟢	🟡	🟢	🟢	🟢
SABESP	🔴	🔴	🟡	🔴	🟢	🟡	🟢	🟡	🟢
Sonoco	🟢	🟡	🟢	🔴	🟡	🟢	🟢	🟡	🟡
DS Smith	🟢	🟢	🔴	🟡	🟡	🟢	🟢	🟢	🟢
Linde	🟢	🟢	🟢	🔴	🟢	🟢	🟢	🔴	🟢

For further information on the Funds' climate impact, please refer to the Task Force on Climate-Related Financial Disclosure (TCFD) reports **here**.

Appendix One: Fund Holdings

Climate Assets Balanced Fund Holdings as at 31 December 2024

Holding	Investment Theme	Primary SDG Alignment	Region	Weight %
United Kingdom(Government of) 0.125% I/L Gtd Bds 10/08/2031	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.5
United Kingdom(Government of) 0.125% I/L Snr Bds 22/03/2029	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.1
United Kingdom(Government of) 0.875% Snr Bds 22/10/2029	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.5
United Kingdom(Government of) 0.875% Snr Bds 31/07/2033	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.8
United Kingdom(Government of) 1.5% Snr Bds 22/07/2047	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.5
United Kingdom(Government of) 1.75% Snr Bds 07/09/2037	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.2
United Kingdom(Government of) 2% Snr Bds 07/09/2025	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.7
United Kingdom(Government of) 4.5% Gilt Snr 07/12/2042	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	0.9
United Kingdom(Government of) 4.75% Snr Gilt Bds 07/12/2030	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.3
United Kingdom(Government of) Idx/Lkd Snr Bds 22/11/2036	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	2.2
Waste Management	Non-Core	SDG 12 (Responsible Consumption & Production)	North America	2.3
Visa	Health & Well-Being	SDG 8 (Decent Work & Economic Growth)	North America	2.0
Aptiv	Clean Energy	SDG 11 (Sustainable Cities & Communities)	North America	1.0
Compass	Food	SDG 2 (Zero Hunger)	United Kingdom	2.1
Amundi	Resource Efficiency	SDG 12 (Responsible Consumption & Production)	Europe	1.7
Microsoft	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	2.0
Intertek	Resource Efficiency	SDG 8 (Decent Work and Economic Growth)	United Kingdom	1.6
Infineon Technologies	Clean Energy	SDG 11 (Sustainable Cities & Communities)	Europe	1.2
Sonoco Products	Food	SDG 12 (Responsible Consumption & Production)	North America	1.4
Linde	Clean Energy	SDG 9 (Industry, Innovation & Infrastructure)	North America	1.2
A2Dominion Housing Group 4.5% 30/09/2026	Health & Well-Being	SDG 11 (Sustainable Cities and Communities)	United Kingdom	0.3
Advanced Micro Devices	Resource Efficiency	SDG 9 (Industry, Innovation, and Infrastructure)	North America	1.0
Xylem	Water	SDG 6 (Clean Water & Sanitation)	North America	1.9
Places for People Homes Ltd 3.625% 22/11/28	Health & Well-Being	SDG 11 (Sustainable Cities & Communities)	United Kingdom	0.3
Places for People Treasury Plc 2.875% 17/08/2026	Health & Well-Being	SDG 11 (Sustainable Cities & Communities)	United Kingdom	0.3

Holding	Investment Theme	Primary SDG Alignment	Region	Weight %
Geberit	Water	SDG 6 (Clean Water & Sanitation)	Europe	1.7
MetLife 5% 10/01/30	Health & Well-Being	SDG 3 (Good Health & Well-Being)	North America	1.9
TSMC	Resource Efficiency	SDG 8 (Decent Work & Economic Growth)	Asia Pacific ex Japan	1.0
Horiba	Resource Efficiency	SDG 11 (Sustainable Cities & Communities)	Japan	0.8
Ecolab	Health & Well-Being	SDG 3 (Good Health & Well-Being)	North America	2.3
London & Quadrant 2% 31/03/2032	Health & Well-Being	SDG 11 (Sustainable Cities & Communities)	United Kingdom	1.3
Segro	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	United Kingdom	1.5
Emerson Electric	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	2.2
Schneider Electric	Clean Energy	SDG 7 (Affordable & Clean Energy)	Europe	1.9
Thermo Fisher Scientific	Health & Well-Being	SDG 3 (Good Health & Well-Being)	North America	2.3
Waters Corp	Health & Well-Being	SDG 3 (Good Health & Well-Being)	North America	1.6
Equinix	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	1.9
Fanuc	Resource Efficiency	SDG 8 (Decent Work & Economic Growth)	Japan	1.6
Relx	Resource Efficiency	SDG 4 (Quality Education)	United Kingdom	1.8
Prudential	Health & Well-Being	SDG 3 (Good Health & Well-Being)	United Kingdom	1.0
Union Pacific	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	1.6
VH Global	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	0.6
Rockwell Automation	Resource Efficiency	SDG 8 (Decent Work & Economic Growth)	North America	1.1
TRIG	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	1.8
SABESP	Water	SDG 6 (Clean Water & Sanitation)	Emerging Markets	1.5
Foresight Environmental Infrastructure	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	0.9
Kubota	Food	SDG 2 (Zero Hunger)	Japan	1.2
Motability Operations Group Plc 3.625% 10/03/2036	Health & Well-Being	SDG 10 (Reduced Inequalities)	United Kingdom	1.2
Motability Operations Group Plc 4.375% 08/02/27	Health & Well-Being	SDG 10 (Reduced Inequalities)	United Kingdom	1.6
Canadian Pacific Kansas City	Resource Efficiency	SDG 9 (Industry, Innovation, and Infrastructure)	United Kingdom	1.4
Danaher	Health & Well-Being	SDG 3 (GoodHealth & Well-Being)	North America	2.2
Halma	Health & Well-Being	SDG 3 (Good Health & Well-Being)	United Kingdom	1.6
American Water Works	Water	SDG 6 (Clean Water & Sanitation)	North America	2.7
Assura	Health & Well-Being	SDG 3 (Good Health & Well-Being)	United Kingdom	1.8
BUPA Finance 1.75% 14/06/2027	Health & Well-Being	SDG 3 (Good Health & Well-Being)	United Kingdom	1.4
Daiseki	Resource Efficiency	SDG 12 (Responsible Consumption & Production)	Japan	0.6
EDP Renovaveis	Clean Energy	SDG 7 (Affordable & Clean Energy)	Europe	1.3

Holding	Investment Theme	Primary SDG Alignment	Region	Weight %
Foresight Solar Fund	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	1.6
Fresenius	Health & Well-Being	SDG 3 (Good Health & Well-Being)	Europe	1.3
GCP Infrastructure Investments	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	1.4
Greencoat UK Wind	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	2.0
Medtronic	Health & Well-Being	SDG 3 (Good Health & Well-Being)	North America	2.6
Novartis	Health & Well-Being	SDG 3 (Good Health & Well-Being)	Europe	2.4
Novo Nordisk	Health & Well-Being	SDG 3 (Good Health & Well-Being)	Europe	1.5

Climate Assets Growth Fund Holdings as at 31 December 2024

Holding	Investment Theme	Primary SDG Alignment	Region	Weight %
United Kingdom(Government of) 0.875% Snr Bds 22/10/2029	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.4
United Kingdom(Government of) 0.875% Snr Bds 31/07/2033	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.9
United Kingdom(Government of) 4.25% Snr Bds 07/03/2036	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.4
United Kingdom(Government of) 4.5% Gilt Snr 07/12/2042	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	0.8
United Kingdom(Government of) 4.75% Snr Gilt Bds 07/12/2030	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.4
United Kingdom(Government of) 5% Snr Bds 07/03/2025	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	1.1
United Kingdom(Government of) Idx/Lkd Snr Bds 22/11/2036	Sovereign Debt	SDG Index score >75 (Sustainable Development Report)	United Kingdom	0.5
Waste Management	Non-Core	SDG 12 (Responsible Consumption & Production)	North America	1.0
American Express	Non-Core	SDG 8 (Decent Work & Economic Growth)	North America	1.4
United Rentals	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	1.7
Visa	Health & Well-Being	SDG 8 (Decent Work & Economic Growth)	North America	1.9
Aptiv	Clean Energy	SDG 11 (Sustainable Cities & Communities)	North America	1.4
Trane	Clean Energy	SDG 7 (Affordable & Clean Energy)	North America	1.8
Compass	Food	SDG 2 (Zero Hunger)	United Kingdom	1.2
Amundi	Resource Efficiency	SDG 12 (Responsible Consumption & Production)	Europe	1.6
Microsoft	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	2.3
Intertek	Resource Efficiency	SDG 8 (Decent Work and Economic Growth)	United Kingdom	1.4
Infineon Technologies	Clean Energy	SDG 11 (Sustainable Cities & Communities)	Europe	1.5
Sonoco Products	Food	SDG 12 (Responsible Consumption & Production)	North America	1.2
Intuit	Resource Efficiency	SDG 8 (Decent Work & Economic Growth)	North America	2.0
Advanced Micro Devices	Resource Efficiency	SDG 9 (Industry, Innovation, and Infrastructure)	North America	1.4
Xylem	Water	SDG 6 (Clean Water & Sanitation)	North America	1.1
Adobe	Resource Efficiency	SDG 9 (Industry, Innovation, and Infrastructure)	United Kingdom	1.4
ASML	Resource Efficiency	SDG 9 (Industry, Innovation, and Infrastructure)	Europe	1.6
Salesforce	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	1.5
TSMC	Resource Efficiency	SDG 8 (Decent Work & Economic Growth)	Asia Pacific ex Japan	2.0
Watts Water Technologies	Water	SDG 6 (Clean Water & Sanitation)	North America	1.7
Horiba	Resource Efficiency	SDG 11 (Sustainable Cities & Communities)	Japan	0.8
Ecolab	Health & Well-Being	SDG 3 (Good Health & Well-Being)	North America	1.7
Nvidia	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	2.1
Alcon	Health & Well-Being	SDG 3 (Good Health and Wellbeing)	Europe	1.1

Holding	Investment Theme	Primary SDG Alignment	Region	Weight %
Segro	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	United Kingdom	1.4
Emerson Electric	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	2.1
T-Mobile	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	1.4
Schneider Electric	Clean Energy	SDG 7 (Affordable & Clean Energy)	Europe	1.7
Thermo Fisher Scientific	Health & Well-Being	SDG 3 (Good Health & Well-Being)	North America	2.5
Waters Corp	Health & Well-Being	SDG 3 (Good Health & Well-Being)	North America	1.6
Equinix	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	1.9
Gecina	Resource Efficiency	SDG 11 (Sustainable Cities & Communities)	Europe	1.6
Fanuc	Resource Efficiency	SDG 8 (Decent Work & Economic Growth)	Japan	1.1
Relx	Resource Efficiency	SDG 4 (Quality Education)	United Kingdom	1.3
Prudential	Health & Well-Being	SDG 3 (Good Health & Well-Being)	United Kingdom	0.7
Union Pacific	Resource Efficiency	SDG 9 (Industry, Innovation & Infrastructure)	North America	1.6
Republic Services	Resource Efficiency	SDG 12 (Responsible Consumption & Production)	North America	0.9
Rockwell Automation	Resource Efficiency	SDG 8 (Decent Work & Economic Growth)	North America	2.0
TRIG	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	1.7
SABESP	Water	SDG 6 (Clean Water & Sanitation)	Emerging Markets	1.6
Foresight Environmental Infrastructure	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	1.3
Kubota	Food	SDG 2 (Zero Hunger)	Japan	1.1
Canadian Pacific Kansas City	Resource Efficiency	SDG 9 (Industry, Innovation, and Infrastructure)	United Kingdom	1.9
Danaher	Health & Well-Being	SDG 3 (Good Health & Well-Being)	North America	1.6
Halma	Health & Well-Being	SDG 3 (Good Health & Well-Being)	United Kingdom	1.4
American Water Works	Water	SDG 6 (Clean Water & Sanitation)	North America	2.4
Assura	Health & Well-Being	SDG 3 (Good Health & Well-Being)	United Kingdom	1.7
Daiseki	Resource Efficiency	SDG 12 (Responsible Consumption & Production)	Japan	1.1
EDP Renovaveis	Clean Energy	SDG 7 (Affordable & Clean Energy)	Europe	1.4
Foresight Solar Fund	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	1.6
GCP Infrastructure Investments	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	0.7
Greencoat UK Wind	Clean Energy	SDG 7 (Affordable & Clean Energy)	United Kingdom	1.6
Medtronic	Health & Well-Being	SDG 3 (Good Health & Well-Being)	North America	2.0
Novartis	Health & Well-Being	SDG 3 (Good Health & Well-Being)	Europe	1.7
Novo Nordisk	Health & Well-Being	SDG 3 (Good Health & Well-Being)	Europe	1.5
Palo Alto Networks	Resource Efficiency	SDG 16 (Peace, Justice & Strong Institutions)	North America	2.2
Siemens Healthineers	Health & Well-Being	SDG 3 (Good Health & Well-Being)	Europe	1.4

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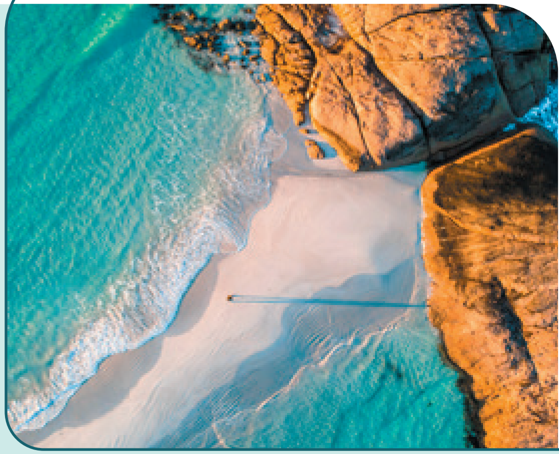

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