Climate Assets Growth Fund Quarterly Update - Q2 2025

July 2025 - for existing investors only

Climate Assets Growth Fund (B-Share) – Q2 2025 – overview

- Over the first quarter of 2025, the Fund's return was +4.62%, behind the IA Global Sector, which returned +5.64%.
- Strong quarter driven by European Equities and Fixed Interest as well as an overall market reset around renewable energy and expectations for the sector going forward.
- Since launch (21st September 2022), the Fund has returned +16.65%, compared to the IA Global Sector, which returned +25.98% over the same period.

Fund performance (to 30 June 2025)	**3 Months %**	**1 Year %**	**Since Launch %**
Climate Assets Growth Fund - B Acc	4.62	1.66	16.65
IA Global	5.64	4.60	25.98

Launch Date 21/09/2022. B Accumulation share class performance, inclusive of charges, in GBP with net income reinvested. The performance of other share classes may differ. Source: FE fundinfo 30/06/2025. Past performance is not a guide to future performance and future returns are not guaranteed.

Market review

Global stock markets posted solid second quarter returns, recouping losses from the first three months of the year to move into positive territory for the first half of 2025 despite lingering trade tariff concerns and conflicts in the Middle East. The US dollar posted its weakest H1 since 1973 and worst six-month stretch since 2009. Bonds have outperformed and provided some ballast during what it has been a volatile six months for financial assets.

On-off tariffs have not helped investor confidence but the relatively strong performance of US equities in US dollar terms suggests the depreciation is more due to growing concerns regarding the sustainability of US government debt and expectations of more aggressive Federal Reserve cuts going forward.

Large-scale fiscal stimulus for infrastructure and defence boosted European equities, which outperformed US counterparts. The euro strengthened against both the dollar and sterling.

US equities have rebounded strongly from the verge of bear market territory as corporate earnings held up fairly-well and economic data remains largely solid. Although we welcome the strong snapback, we believe some caution should be heeded. 2025 earnings growth is now expected to be 9.4%, down from 14.3% in January. Valuations also remain elevated, with US stocks significantly above their 10-year average price/earnings multiple.

Stock indices swooned in early April after US President Donald Trump announced new tariffs. A swift recovery ensued when a 90-day pause on the higher rate reciprocal tariffs was declared on all countries bar China. US equities posted their best daily gain since 2008 while US tech stocks chalked up their best daily rise since 2001, demonstrating once again that the largest moves to the upside often occur after substantial declines. 90-day tariff pauses are due to lapse in the coming weeks (world ex-China on 9 July, China on 12 August) but there is a sense that a high-water mark has been reached, and we are unlikely to see a return to the highest rates. While this is welcome, US tariff levels during the pause still represent a headwind to global growth.

While the US president may not be as sensitive to negative stock market movements as during his first term, he does still have a watchful eye in this regard and the bond market seemingly represents something of a guardrail against more destructive policies. This is due to the burgeoning US debt and thus we will be watching the bond market closely for any adverse moves in response to the Republicans' "Big, Beautiful Bill," which is estimated to add nearly US$3.3tn to the deficit.

Fund manager comment

During the quarter, the Climate Assets Growth Fund return +4.62% behind the IA Global Sector, which returned +5.64%.

A key driver of returns during the quarter was the allocation to software and chip stocks, like Nvidia, Microsoft, AMD & TSMC, within our resource efficiency theme. Stock performance has been driven by strong data centre demand and a tech rebound post-January sell-off.

After a period of underperformance, UK renewable infrastructure trusts are now narrowing the discounts against their Net Asset Value with TRIG featured within the top ten contributors in the quarter.

Portuguese renewable operator EDPR was also a top ten contributor, benefitting from a last-minute change to Trump's Big Beautiful Bill, which meant that the approved legislation was much better than previously feared for the renewable energy industry in the US. Whilst clearly the Biden's support for clean energy is over, the Bill left a window open for well-capitalised companies to take advantage. This means that EDPR, for example, would be able to keep receiving tax credit for the next several years.

The Republican Senator from Alaska, secured a one-year delay to the requirement that companies must begin construction on clean-energy projects to qualify for grandfathered tax credits worth 30% of the project's value. Under current policy, companies have four years to complete projects once construction has started. The updated language in the Bill now opens the possibility for projects entering service as late as 2030 to still receive these credits.

More good news. We are proud to meet the requirements for the '**Sustainability Focus**' label, demonstrating our robust sustainable investment process. We will adopt the 'Sustainability Focus' label as part of the Financial Conduct Authority's (FCA) Sustainability Disclosure Requirements (SDR) regime. Also, the fund will adopt the new name **Quilter Cheviot Sustainable Opportunities Growth Fund**. Changes are effective from 8th September.

The new name makes it clear that the fund invests in a broad range of sustainable opportunities across our five investment themes: Clean Energy, Food, Health & Wellbeing, Resource Efficiency and Water. The 'Sustainability Focus' label shows we apply a credible, evidence-based standard to determine whether assets are sustainable based on alignment with the UN Sustainable Development Goals (SDGs).

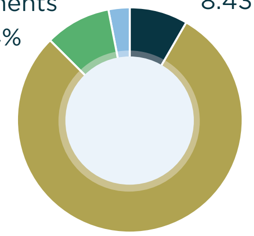
References to specific securities are not recommendations to buy or sell those securities.

Outlook

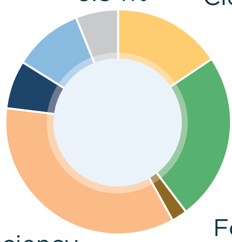
Looking ahead, the expiry of tariff reprieves and data points on growth and inflation are potential market-moving catalysts. We anticipate markets to remain volatile and with equities trading at above average valuations, they are more likely to make corrections around risk events. That said, underlying earnings growth should drive markets higher over time. We also see bonds as offering attractive valuations and yields should move lower.

We remain constructive on the renewable energy sector, though selective in our exposure. The sector has faced financial strain in recent years due to high interest rates, higher cost of capital, and less supportive legislation. However, one of the biggest differences going forward compared to the past 20 years is the inflection point in accelerating electricity demand driven by the implementation of AI across industries.

Asset allocation



Investment themes



Quilter Cheviot

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- Quilter Cheviot Limited has 14 offices across the UK, Jersey, Ireland and the Middle East and has total assets under management of over £28.7bn (as at 31 March 2025).
- Performance driven investment process with track record from 1995.

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