

# Santander GO Global Environmental Solutions

1 / 2025

## Fund commentary

### MARKET REVIEW:

- With Trump inauguration of his second presidential term, global equities had a good start of the year until the launch of DeepSeek from a Chinese start-up which is the latest AI large language model claiming with similar performance to Open AI and Meta but developed with a much lower computing cost. It leads to a sharp sell-off within the US technology sector on 27 January led by NVIDIA's record stock plunge together with other AI related stocks. The recovery begins later part of the week while the market is yet to settle with the questions on long-term investment within the AI space.

### PORTFOLIO ACTIVITY:

- With Trump inauguration and opportunities after the market sell off, we reinitiated a few AI related names and add on to certain defensive names. The Fund remains well-diversified with approximately 60% in Natural Capital-related themes and 40% in Energy Transition-related themes. Regionally, just over 63% is invested in the US and Canada, roughly 25% in Europe, and the remainder in Asia and Emerging Markets.

- Our key sector exposures are in Industrials, Materials, and Utilities where we are overweight given these provide many environmental solutions. Consumer staples (mostly food ingredients) are roughly equal weight, with other sectors being largely under-weight including Information Technology where we continue to hold some select exposure to AI and semiconductors (but only in stocks where there is clear and sufficiently significant link to energy efficiency).

### FUND PERFORMANCE:

- Fund performance was positive for January, up +2.82% (gross of fees in USD) underperforming the MSCI ACWI by -0.54% as environmental themes underperformed the market given a sharp US tech sell-off impacting the energy storage and grid technology space.

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- Amongst the strongest positive contributors to relative performance were Roper Technologies, ASML and Siemens Energy. The largest relative detractors were NVIDIA and Tetra Tech.

#### OUTLOOK:

- The environmental theme continues to be volatile despite low valuations in clean energy and embarkment of coordinated interest rate cut by global central banks. With the beginning of Trump's second presidential term, there are already few announcements related to the environmental space including the withdrawal of Paris Agreement, Deregulation of Environmental Protections (EPA), increase support towards fossil fuel though the declaration of energy emergency, the revoke of EV mandate and offshore wind lease withdrawal. First 100 days will be critical, and we will continue to monitor the policy change. We believe the longer-term direction remains unchanged given strong demand for renewables due to rising power demand from broad electrification linked to the AI theme.
- In the Natural Capital space, we see the public need for water and smart agriculture solutions becoming stronger and more relevant, especially given the growing climate-led supply disruption and focus on new pollutants like PFAS ("per- and polyfluoroalkyl substances") and storm driven floods. We remain firmly of the conviction that the Inflation reduction Act will remain in place given Republican congressional support for certain provisions and likely to only impact specific areas within the theme.

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