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ARTICLE 9 FUND REVIEW

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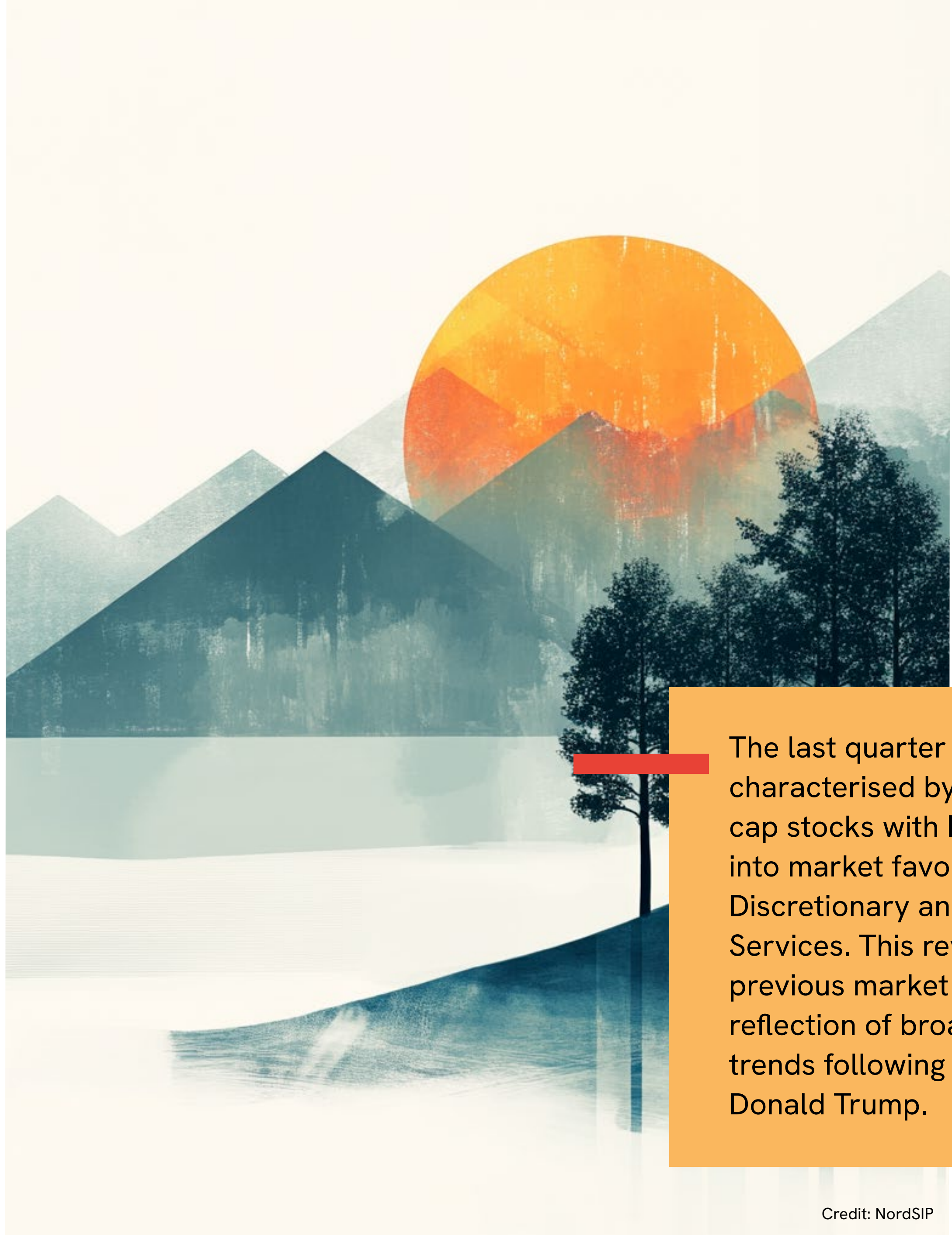
ARTICLE 9 FUND REVIEW

Full Year 2024

Aline Reichenberg Gustafsson, CFA

THE EDITOR'S WORD

In this edition of NordSIP's Article 9 SFDR Fund Review, we dive into the key trends shaping sustainable investments during the end of 2024.



Credit: NordSIP

> The last quarter of 2024 was characterised by the return of large-cap stocks with IT stocks came back into market favour, as did Consumer Discretionary and Communication Services. This reversion to the previous market paradigm was a reflection of broader bullish market trends following the re-election of Donald Trump.

As the Article 9 fund universe continues to adapt to ongoing political, regulatory, monetary and geopolitical changes, sustainable investing remains a long-term commitment. However, in an industry often shaped by short-term market dynamics, maintaining regular engagement with asset managers is essential to assess how their strategies and priorities are adjusting to the changing landscape.

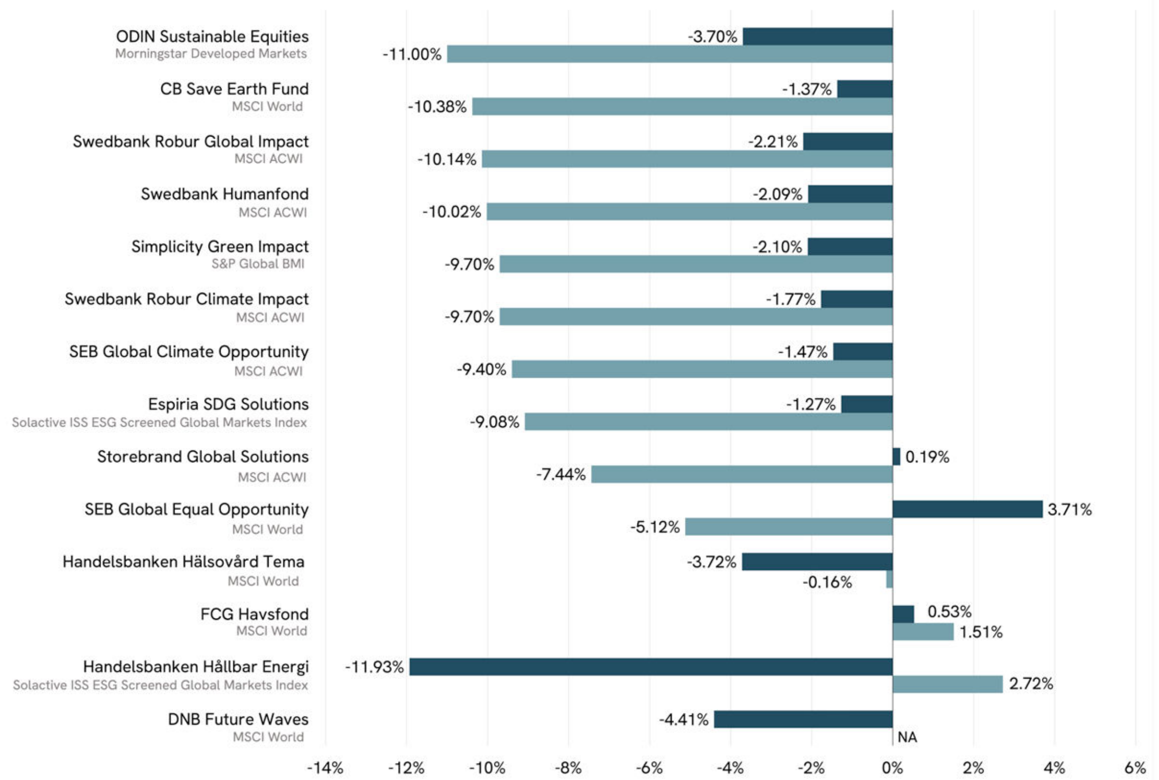
This review covers 54 global actively-managed Article 9 funds, encompassing 14 Nordic-based equity funds, 11 fixed-income funds, and 29 international funds, split between public (20) and private asset strategies (9).

Both international partners and Nordic global Article 9 equity managers underperformed in Q4 on average. In both groups, managers reported that the rotation into small caps and value sectors' performance that took place in Q3 had been reversed in Q4. Indeed, the last quarter of 2024 was characterised by the return of large-cap stocks with IT stocks came back into market favour, as did Consumer Discretionary and Communication Services. Meanwhile, Renewables lagged, once again. This reversion to the previous market paradigm was a reflection of broader bullish market trends following the re-election of Donald Trump, which was originally accompanied by expectations that he would be more accommodating of investors than his predecessor.

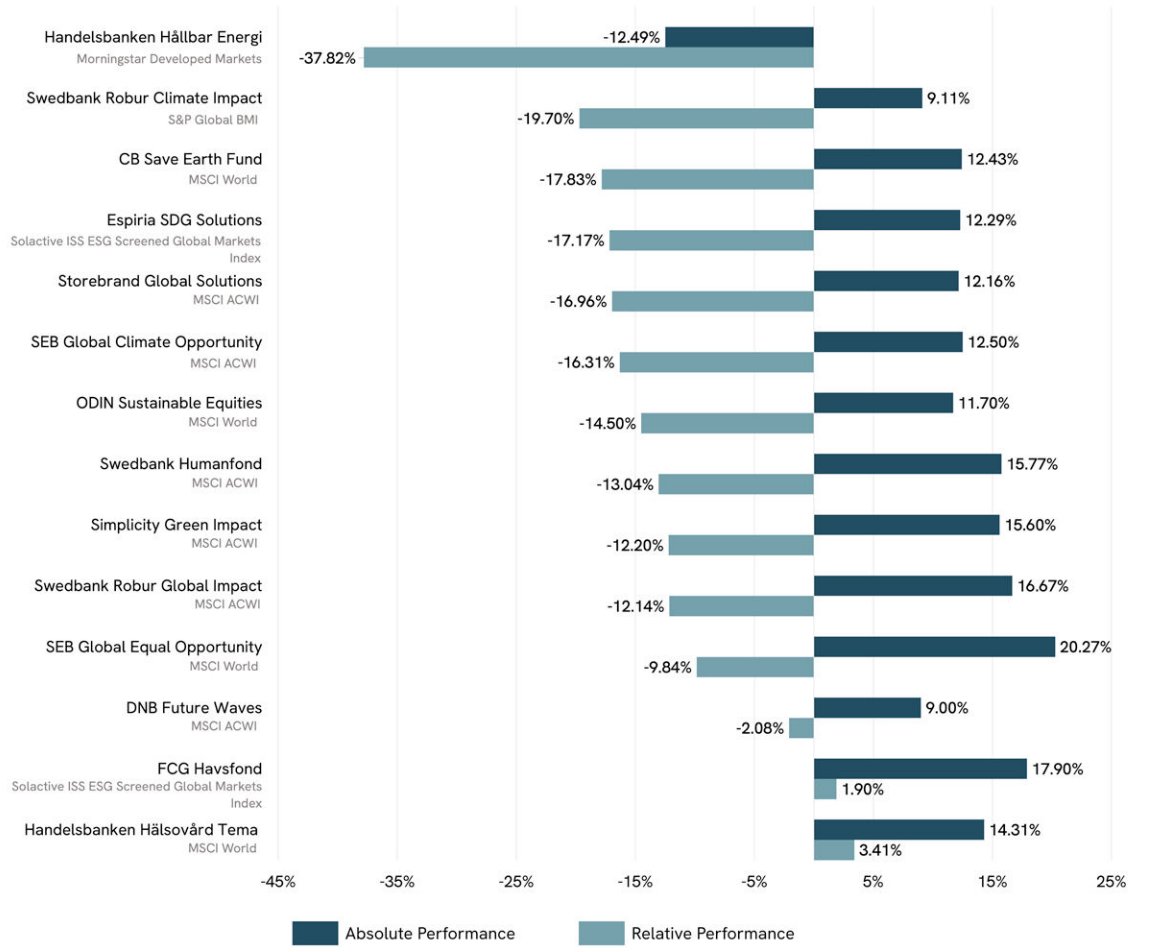
In the Fixed Income space, the rate cuts by the the Federal Reserve, European Central Bank and Nordic central banks did not stop bond yields from rising, although yield curves did not move in tandem on both sides of the pond. Green bond framework revisions and seasonal issuance trends were the dominant concern of Article 9 fixed income managers.

Emerging market growth and a lack of credit events facilitated positive returns for private market funds, despite regional geopolitical tensions in the Middle East and Asia. The return of Donald Trump to the White House also raised concerns about the robustness of agricultural investments in the USA given the president's attitude to labour and immigration.

Relative Performance of Selected Nordic Actively Managed Global Equity SFDR Article 9 Funds (4Q 2024)



Relative Performance of Selected Nordic Actively Managed Global Equity SFDR Article 9 Funds (FY 2024)



Source: Fund manager data

NORDIC MANAGERS

Equity Funds

Investors Follow Trump Back to Large Caps

Filipe Albuquerque

During the fourth quarter of 2024, MSCI ACWI and the MSCI World indices grew by 7.93% and 8.83%, respectively (in SEK values). On the monetary policy front, the central banks of the USA, the euro-zone, Sweden and Denmark all cut their interest rates. GDP growth in the Nordics varied. At 0.7%, Finland growth was below the euro-zone average, while Sweden registered a growth rate of 1.1%, above the euro-zone's average.

Geographic Breakdown of Selected Nordic-based Art. 9 SFDR Global Equity Funds (as of 31 December 2024)

	Nordic	Rest of Europe	USA	EM	RoW
CB Save Earth Fund	8%	18%	66%	2%	6%
Espiria SDG Solutions A	29%	28%	30%	13%	0%
FCG Havsfond A	11%	26%	39%	0%	24%
Handelsbanken Hälsovård Tema	10%	13%	70%	1%	6%
ODIN Sustainable Equities C SEK	15%	34%	51%	0%	0%
SEB Global Climate Opportunity	4%	22%	58%	9%	7%
SEB Global Equal Opportunity	4%	17%	66%	0%	14%
Swedbank Humanfond	7%	17%	60%	9%	6%
Swedbank Robur Climate Impact	5%	25%	52%	7%	11%
Swedbank Robur Global Impact	7%	18%	58%	11%	6%

Source: Fund manager data

Sectoral Breakdown of Selected Nordic-based Art. 9 SFDR Global Equity Funds (as of 31 December 2024)

	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities	Cash	Other miscellaneous
CB Save Earth Fund	0%	3%	0%	0%	0%	0%	76%	14%	2%	0%	0%	3%	1%
Espiria SDG Solutions A	0%	5%	5%	0%	0%	28%	27%	22%	9%	1%	3%	0%	0%
FCG Havsfond A	0%	4%	9%	0%	4%	1%	46%	15%	7%	0%	11%	3%	0%
Handelsbanken Hälsovård Tema	0%	0%	0%	0%	0%	98%	0%	0%	0%	0%	0%	2%	0%
ODIN Sustainable Equities C SEK	0%	0%	0%	0%	0%	28%	51%	10%	7%	0%	1%	2%	0%
SEB Global Climate Opportunity	0%	7%	1%	0%	0%	1%	26%	25%	6%	17%	18%	0%	0%
SEB Global Equal Opportunity	5%	10%	4%	0%	21%	13%	10%	29%	4%	2%	2%	0%	0%
Swedbank Humanfond	0%	7%	1%	0%	1%	24%	19%	31%	6%	4%	6%	0%	0%
Swedbank Robur Climate Impact	0%	13%	0%	0%	0%	3%	25%	31%	9%	7%	13%	0%	0%
Swedbank Robur Global Impact	0%	7%	3%	0%	1%	23%	17%	33%	6%	4%	5%	0%	0%

Source: Fund manager data

The last quarter of 2024 was still good for US equities in general and for MAG 7 in particular and bad for environmental sectors in general and for renewable energy in particular.

To better understand how these and other trends affected the performance of funds classified as Article 9 ("Dark Green") under the EU's Sustainable Finance Disclosures Regulation (SFDR), NordSIP reached out to 14 global funds actively managed by Nordic-based asset managers. Nordic fund managers highlighted the return of large caps, the effect of monetary policy accommodation, the negative contributions of renewable energy companies, fears that the second Trump presidency will have a negative effect on sustainable investments and the continued appeal of healthcare companies.

Comparing the performance for the fourth quarter of 2024 with the preceding quarter shows that this quarter saw funds return to the negative absolute and relative returns that characterised 2024.

Geographically, we can see that the funds continue to be disproportionately exposed to the USA, followed by Europe-ex Nordics, the category Rest of the World and the Nordic region. The sectoral distribution of assets echoes the appeal of large caps and the recent popularity of AI and obesity medicine. IT, industrials and healthcare remained the three dominant sectors across most of the sustainable equity funds surveyed. Financials, real estate, consumer discretionary and utilities tended to cover most of the remaining portfolio funds.

Trump Election Brings Back Large Caps Focus

All responding portfolio managers noted the market's reaction to the re-election of Donald Trump and the accompanying expectation that such a change in administration would be to the benefit large caps and the loss of sustainable names, a reversal of third quarter fates.

"In Q4 2024, market themes shifted toward optimism driven by the U.S. presidential election results, focusing on anticipated tax cuts and deregulation. This contrasted with earlier in 2024 when broader market rallies were spurred by supportive monetary policies, particularly rate cuts by the Federal Reserve. The Federal Reserve's rate cuts, totalling 100 basis points, played a key role in stimulating the U.S. economy and improving investor sentiment. However, market volatility stemming from weaker labour market data and Japan's unexpected rate hike was effectively managed through controlled risk strategy," says Meryem Savas, portfolio manager of the FCG Havsfond[1].

"The final quarter's gains became concentrated in mega-cap tech and financial sectors, whereas earlier quarters saw broader participation, notably in Industrials and Consumer Staples. Rising yields, profit-taking, and inflationary concerns emerged late in the year, creating volatility and sectoral divergences not seen earlier in 2024. However, the year's strong performance was somewhat tempered towards the end of the year due to rising bond yields, profit-taking, and concerns over potential inflationary policies from the incoming U.S. administration," Savas adds.

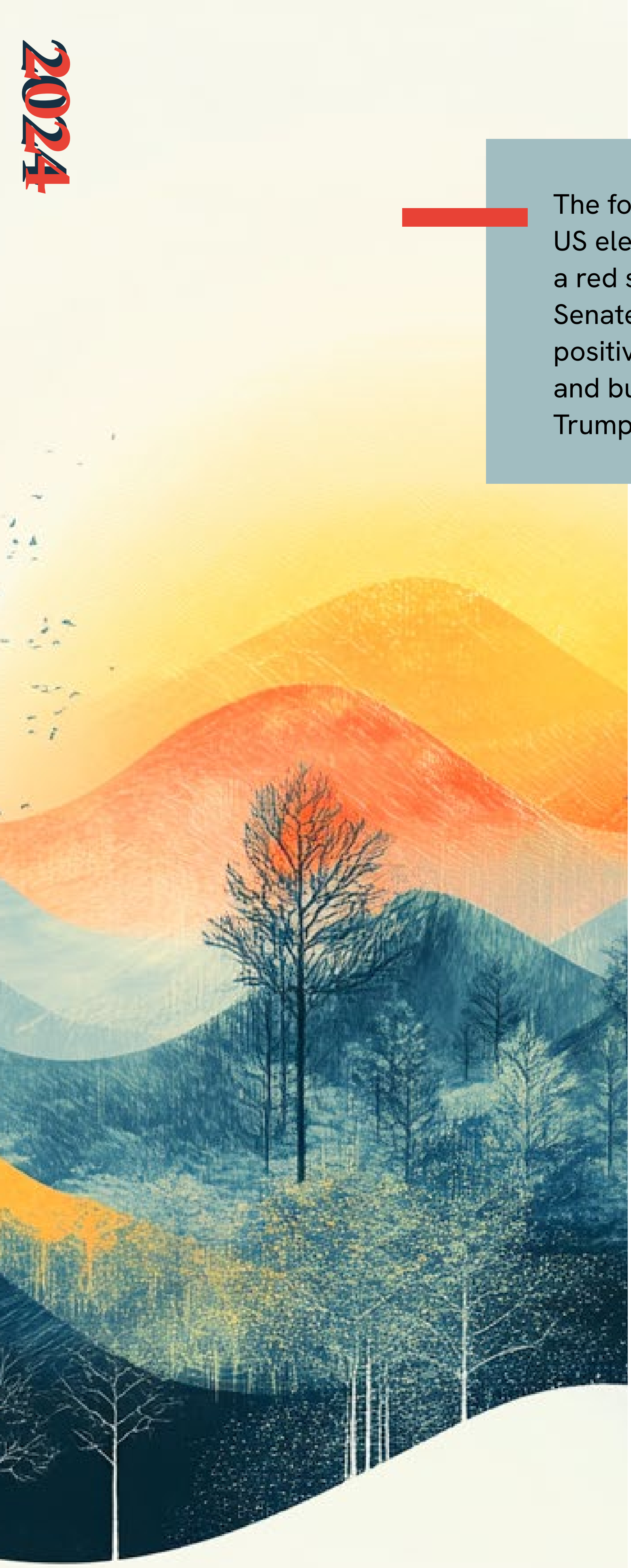
"The last quarter 2024 was challenging for many sustainability names, in conjunction with the US election and the Trump win. Renewables were hit, in particular, as both subsidies and policies changed overnight after inauguration. This dramatic shift affected sustainability names irrespective of region," explains Peter van Berlekom, CIO and portfolio Manager at Espiria.

"The last quarter of 2024 was still good for US equities in general and for MAG 7 in particular and bad for environmental sectors in general and for renewable energy in particular[2]. The Wilderhill New Energy (Net) index was down 9.77% in Q4 in SEK," Marcus Grimfors, portfolio manager of the CB Save the World Fund adds.

"The market during the quarter was dominated by the outcome of the U.S. presidential election, which created strong performance in some sectors and significant uncertainty in several others," Linnea Zanetti, portfolio manager of the Swedbank Robur Climate Impact, Swedbank Robur Global Impact and the Swedbank Humanfond, argues. "As anticipated, after Trump won the US election, the setbacks for climate-related stocks, especially in renewable energy, continued. It also affected companies within the green building sector as construction workers in the U.S. are primarily immigrants, and uncertainty about Trump's policies limiting the availability of labour caused the sector to slow down during the last months," Zanetti adds.

1 Note that FCG Havsfonden reclassified as an Article 8 fund under SFDR in November 2024. According to Savas, this was due to the fact that "the regulatory framework is still evolving and there are some uncertainties around the criteria for Article 9. That said, this doesn't change the funds strategy or sustainability efforts, we remain just as committed to our high ambitions and strong ocean impact focus. Once the regulations are clearer and the criteria more defined, we look forward to potentially reverting to Article 9."

2 Source: Solactive Wilderhill New Energy Global Innovation Index (USD)



The fourth quarter's main theme was the US election, with Trump accomplishing a red sweep and taking control of both Senate and the House. Markets reacted positively in expectation of more growth- and business-friendly policies from the Trump administration.

"The Odin Sustainable Equity fund experienced a volatile fourth quarter in 2024, driven by market reactions to the U.S. presidential election and changing interest rate expectations. The election led to a decline in renewable energy stocks, while the fund also faced challenges related to higher interest rates and uncertainty in the healthcare sector," says Alexander Nilsson, portfolio manager of the Odin Sustainable Equity fund

"The fourth quarter's main theme was the US election, with Trump accomplishing a red sweep and taking control of both Senate and the House. Markets reacted positively in expectation of more growth- and business-friendly policies from the Trump administration. The AI theme continued to be appealing and expanded to companies that are in the supply chain of the main developers. Companies that build datacentres or other components reported increased profits," says Tom Santamaria Olsson, portfolio manager of the SEB Global Climate Opportunity and the SEB Global Equal Opportunity funds

Industrial and IT Control Performance

The names that drove fund performances reflect the general trends that fund managers highlighted as dominant.

"The fund's performance in 2024 can be attributed to a combination of favourable macroeconomic conditions, strategic sector allocations, and well positioned investments. The largest sector exposure, industrials, was the primary contributor to returns. Within this sector, flow technology companies such as Flowserve (Industrials) and Ebara (Industrials) delivered strong results, driving overall performance. Additionally, the consumer staples sector was the second largest contributor to the fund's returns. The standout performer was Sprouts Farmers Market (Consumer Staples), which saw an impressive 190% increase in share price (in SEK) in 2024. This growth was driven by a combination of strong financial results, increasing consumer demand for organic food, expansion initiatives, digital innovation, and effective cost management strategies. These strategic investments, coupled with disciplined portfolio management, have been instrumental in driving the fund's performance throughout the year," Havsfond's Savas says.

"During Q4 the largest contributors were Republic Services (Industrials), Ansys (IT) and WSP Global (Construction & Engineering), and the largest detractors were Air Liquide (Materials), Thermo Fisher (Health Care) and TopBuild (Industrials). For the whole of 2024 Schneider Electric (Industrials), Badger Meter (Industrials) and ABB (Industrials) were the largest contributors, and Eaton (Industrials), TopBuild and Nibe (Industrials) the largest detractors," CB's Grimfors adds.

"The overall performance for the fund's investments was negative, during the last quarter as well as during the year as a whole. The best performers both in Q4 and the rest of 2024 were companies providing energy efficient solutions, mainly driven by IT companies with energy-saving cloud/virtualization solutions, but also companies providing LED lightning," Swedbank's Zanetti explains.

"Our software companies, such as Trimble and Autodesk, as well as critical infrastructure companies like Core & Main, delivered strong performance during the quarter," Odin's Nilsson says.

"The fund failed to beat the official benchmark led by the AI rally and especially when many of last year's top performers are not deemed sustainable from SEB's assessments. Also, the main theme of the fund of investing in companies that drive gender and equal opportunities had a mediocre performance last year compared to broad market cap weighed benchmarks. However, the fund outperformed thematic indices that track leaders in gender equality. Unum Group (Financials) was one of the top performers for the year as a whole while Ryohin Keikaku (Consumer Discretionary), which operates the MUJI stores, performed well during the fourth quarter," Santamaria Olsson says regarding the performance of the the SEB Global Equal Opportunity funds. "On a company level the exposure to Nvidia and Sprouts Farmers Market were strong performance drivers," Santamaria Olsson adds with regards to the performance of the SEB Global Climate Opportunity fund.

Renewables and Green Construction Struggle

Renewable energy was the dominant detractor of performance, highlighted by several portfolio managers.

"Renewables unfortunately had a weak year, both solar and wind power companies yielded negative returns due to high interest rates and concerns about how the U.S. election results might affect renewable energy and green investments in general," Swedbank Robur's Zanetti adds.

"Enphase Energy and EDP Renováveis, both operating in the renewable sector, saw stock declines in the fourth quarter. Expectations in the U.S. regarding delayed interest rate cuts in 2025 also impacted the fund, as lower rates typically stimulate more investment," Odin's Nilsson explains.

"Companies involved in climate, particularly renewable energy, traded lower, as Biden's Inflation Reduction Act (IRA) came under threat. However, this was expected, as the elevated risk in many of these companies have been a direct proxy of the results of the election poll going into the elections. The financial results of many companies in the renewable energy space have been below expectations and underperformed the market. A positive thing with the falling prices for renewable energy and the lack of profits are that that there have been new records of solar panel and wind installations which is a great win for the environment," Santamaria Olsson explains.

"Investing in environmental companies viewed from a broad global scale was a though year, where almost no environmental theme managed to perform inline with global benchmarks. The reason is two-fold. On the one hand, there has been a massive surge in popularity by AI companies and the magnificent 7 pulling markets higher. On the other hand, the bleak performance of solar and wind companies that faced many setbacks in terms of policy support and competitions driving margins lower. The exposure to the latter two is the funds two main negative contributions. The best performing environmental theme in the fund is the exposure to the clean water theme that's been the top contributor across the while year," says Santamaria Olsson, with regards to the performance of the SEB Global Climate Opportunity fund.

"Despite the effect of Donald Trump's re-election on labour for the construction sector, the companies involved in the construction of environmentally certified homes had a strong year overall. Besides the sectors for renewable energy and other climate related solutions, we also saw weak performance contribution from our Green Building theme by the end of the year. Companies involved in the construction of environmentally certified homes had a strong year, but uncertainty about Trump's policies limiting the availability of labour (construction workers in the U.S. are primarily immigrants), along with less favourable prospects for factors such as interest rates, employment, and price levels, caused the sector to slow down by the end of the year," Swedbank Robur's Zanetti adds.

Obesity Sustains Healthcare's Popularity

"The dominant market themes in the last quarter of 2024 were the impact of the USA presidential election and reform changes. Earlier in the year the market was more driven by obesity and companies with strong launches of new drugs with a much better profile than existing," says Caroline Banér, co-head portfolio manager of the Handelsbanken Hälsovård Tema Fund.

"The performance of the Handelsbanken Hälsovård Tema Fund can be attributed to a combination of obesity related companies, strong launches in the cardiovascular sector (Boston Scientific) and great launches for Argenx and UCB. In the fourth quarter Boston Scientific and Argenx were dominant in the portfolio. For 2024 as a whole Elli Lilly, Boston scientific, Zealand Pharma and Argenx were our main performance drivers," Handelsbanken's Banér continues.

Investments in the healthcare sector performed well even for non-specialised funds. "Looking over the whole year, investments in healthcare companies performed stronger than the healthcare sector in general. We also saw positive contribution from the social theme Enablers, mainly from companies within education, but as the theme weight in the fund is small the contribution was limited. On the Global Impact and Humanfond (which invests both in climate and social themes), saw positive contribution from the Basic Needs theme, primarily in companies that address major diseases," Swedbank's Zanetti explains.

"Novo Nordisk was a negative contributor in the quarter, as the market was disappointed with the results of the CagriSema study. However, we see this as an opportunity for the long-term investor, as, all else being equal, Novo Nordisk has improved its product portfolio," Odin's Nilsson argues.

Hope for Growth, but Prepare for Volatility

Looking ahead to market in 2025 portfolio managers seemed optimistic for increased market growth and returns, but feared Trump-driven volatility.

"Focusing on core developed markets the US is in our view expected to perform below the levels seen in the last two years, but nevertheless around the required rate of return for equities. Europe has the potential to regain ground and perform above. At the same time the risk level has increased and lies above normal. We expect sustainable markets to perform In line with the broader market in 2025. We expect that technological shift, electrification and cash flow, for young business models, will be the most relevant trends in 2025," Espiria's van Berlekom adds.

"We think the USA will continue to outperform Europe and emerging markets, and that the market's breadth will increase in the US. We expect sustainable markets will perform better in 2025. Relative to index, 2024 was very bad so it would not take much to do better than that. Obviously AI and the new president in USA have been the talking points lately and these were important themes in the market in 2024 as well. While the AI hype may fade and Trump may slow down a little we believe the changes that are in process in USA will have huge positive effects not only there but much so in the rest of the world as well," CB Fonden's Grimfors adds.

"For 2025, we expect continued volatility related to changes brought about by the return of Donald Trump to the White house, in the beginning of the year. Later in the year more to fundamentals in new launches and R&D pipeline progress in biotech, medtech. We expect sustainable markets to perform inline with 2024. Politics and reform should dominate early 2025, later again obesity with add on from specific fields like CVD, MASH and AD. Oncology with more precise diagnostics and more target oncology drugs with less side effects," Handelsbanken's Banér adds.

"We stay positive and believe that sustainable markets will perform better in 2025. Even though the USA has a president who has withdrawn from the Paris Agreement (again) there is still a high demand for green solutions around the world, not least demands for clean energy from major tech companies to run their data centres. AI will continue to be a focus in the market. And even though the markets have been shaken by the news of Chinese competitors who can provide the same services with much less resources, both financial and energy wise, there's still a huge demand for fossil-free energy to power data centres – which will impact players in the renewable energy sector and companies providing solutions for electrification," Swedbank's Zanetti argues.

We stay positive and believe that sustainable markets will perform better in 2025. Even though the USA has a president who has withdrawn from the Paris Agreement (again) there is still a high demand for green solutions around the world, not least demands for clean energy from major tech companies to run their data centres.

"Looking ahead to 2025, we hope to see progress toward a more balanced market in Europe while preparing for potential surprises from U.S. politics. That said, we see attractive valuations within our investment universe and remain positive about sustainability trends in 2025,"Odin's Nilsson adds.

"From the perspective of a growing blue economy, sustainable investments are anticipated to perform good in 2025. Increased investment in ocean-related industries is expected to drive returns positively. Strong regulatory frameworks, combined with heightened investor interest in environmental stewardship and sustainability, position blue economy-focused funds favourably," Havsfond's Savas argues.

"In 2025, key market trends will include continued technological innovation and a strong push for clean energy. Investments in renewable energy, electric transportation, and sustainable infrastructure will grow, driven by new EU climate disclosure regulations. Geopolitical instability may lead to an increased shift of capital from the U.S. to Europe, with rising defence

spending creating investment opportunities in defence, cybersecurity, and infrastructure. The EU's focus on energy independence will further boost growth in renewable energy and advanced manufacturing. As global trade dynamics evolve, investors will likely prioritize industries with strong governance and measurable ESG impacts," Savas adds.

"President Trump is expected to be involved in the main themes of 2025. US-China relations and US-Russia-Ukraine will most likely be major themes for the year. Unless geopolitical risk worsens, the average company will most likely do quite well. However, since equity markets have become much more concentrated, especially in the US, topline performance may disappoint if the Magnificent 7 start to weaken," SEB's Santamaria Olsson explains.

"From a sustainability perspective 2025 is probably going to be volatile as the political agenda and policies are less predictable. Tariffs and changes in tax credit or subsidies may inflict short term volatility especially for renewable energy companies but the AI theme and the proposed initiative will drive energy demand and one of the best and cheapest options right now is solar with battery storage. So, there should be a continued growth in that segment and renewable energy should perform better 2025 then 2024 also because much of the negative news are mostly priced in," SEB's Santamaria Olsson continues.

"Other trends that should start moving is infrastructure upgrades also driven by the energy demand by datacenters, but improving the grid is also needed to facilitate more renewable energy sources and increasing the efficiency so energy

NORDIC MANAGERS

Fixed Income Funds

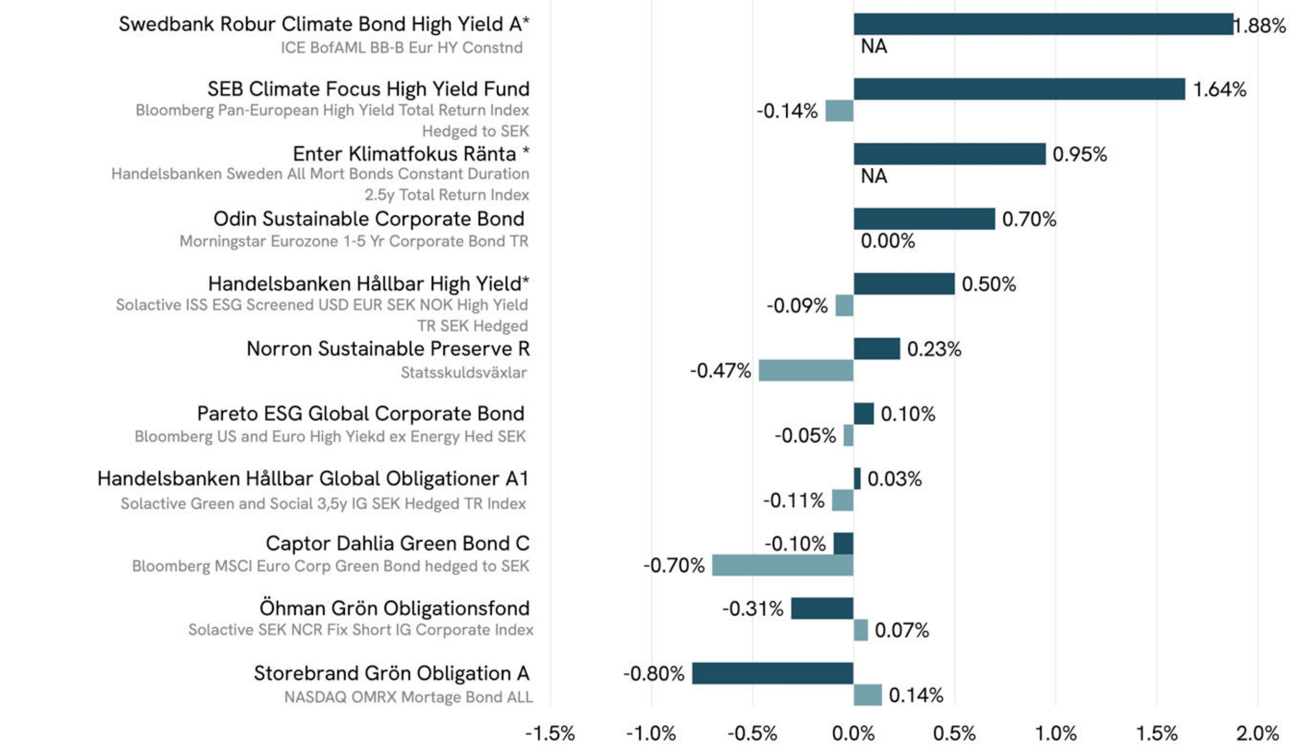
Rates Fall and Yields Rise While Shadows Grow

Filipe Albuquerque

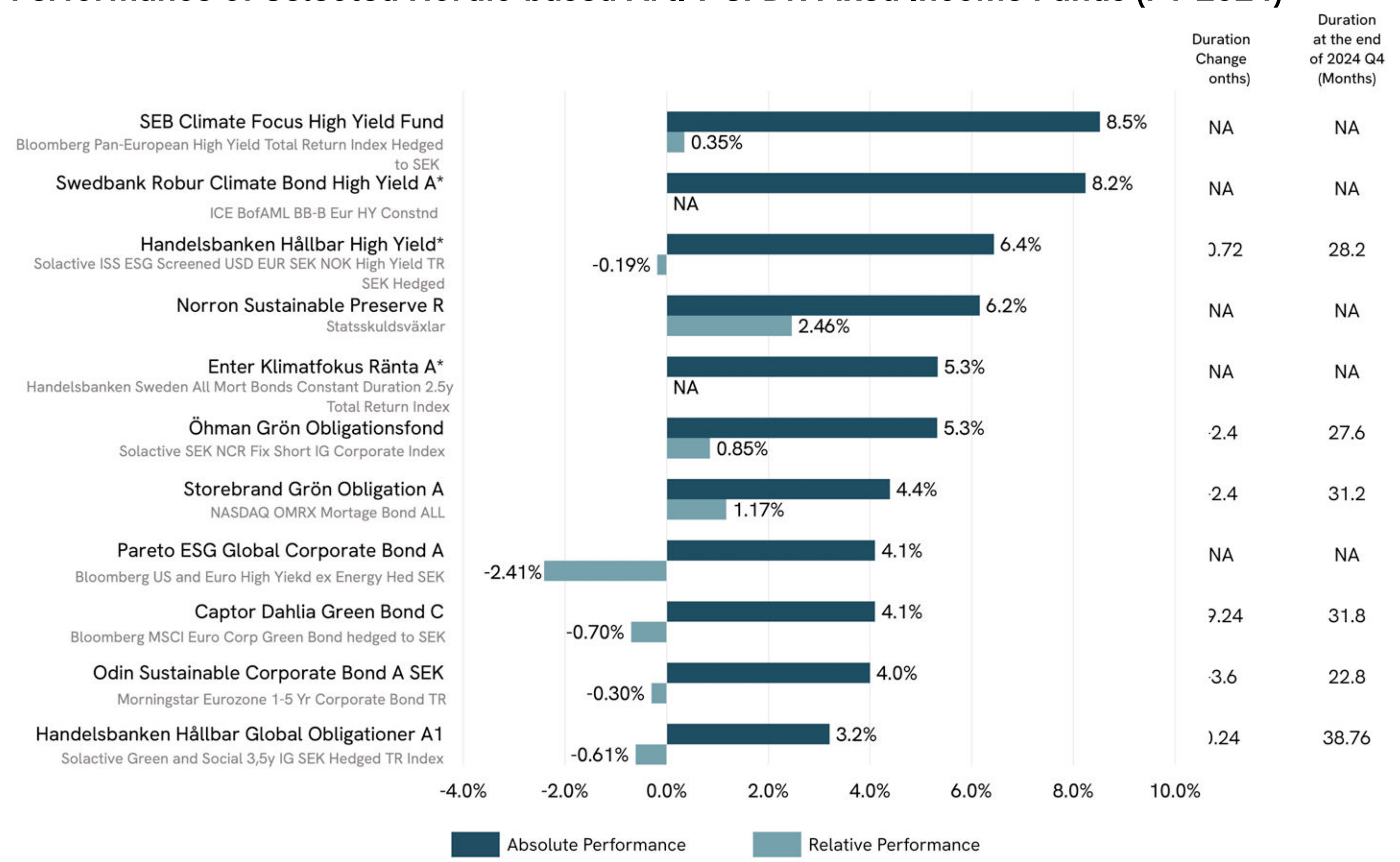
The fourth quarter of 2024 saw the US Federal Reserve and the Bank of England join the rest of central banks in cutting interest rates. During the quarter, policy rates in the USA policy rates were cut by 25 basis points (bps) twice, falling from 5% to 4.5%. In the Eurozone, the ECB lowered its policy rate from 3.65% to 3.15% with two 25bps cuts, in October and in December. During the quarter, 10-year US Treasury bond yields rose from 3.74% and 4.6%[1], while AAA euro-zone 10-year bond yields rose from 2.14% and 2.45%, with a peak of 2.52% on November 7th and a trough of 2.12% on December 3rd[2]. The US Treasury yield curve continued to steepen with the 10-year to 3-month term spread increasing from -0.97 to 0.21. In the euro-zone the opposite happened with the AAA euro-zone yield curve flattening. Medium- and long-term yields expanded upwards by approximately 20bps, while yields on 3-month bills fell by approximately 40bps.

1 Source: St Louis Fed
2 Source: ECB

Performance of Selected Nordic-based Art. 9 SFDR Fixed Income Funds (Q4 2024)



Performance of Selected Nordic-based Art. 9 SFDR Fixed Income Funds (FY 2024)



Source: Fund manager data, except funds denoted with an asterisk (*). Benchmarks used for relative performance figures listed under fund names
The selected asset managers include Nordic, European as well as Global strategies, with different durations and risk preferences, which will inevitably be reflected in the funds performances. The benchmarks for the different funds also vary and are either the official or unofficial benchmarks that the fund managers shared with NordSIP as reference. The choice of the benchmarks will inevitably have an impact on the relative performance of the funds. The figures illustrate the multitude of performances available depending on the funds' specific strategic preferences and choices
* These performance figures could not be confirmed by the fund managers and were obtained from the publicly available fund data.
"NA" stands for cases where estimates of duration and relative performance were not available.

In Scandinavia, the central banks of Sweden and Denmark also cut their monetary policy rates. Sweden experienced two rate cuts during the fourth quarter of 2024. Riksbanken cut its policy rate by 50bps first on November 7th and then again by 25bps on December 19th, to close the quarter at 2.5%. Across the strait of Öresund, the Danish National Bank cut its main policy rate by 25bps to 3%, on October 17th, and by another 25bps again on December 12th. In currency markets, Swedish Krona appreciated 7.9% and 0.7% vis-à-vis the US Dollar and the Euro, respectively[3].

To better understand how these dynamics played out and how these developments affected sustainable investors during the third quarter of 2024, NordSIP reached out to the portfolio managers of 11 actively managed Nordic-based fixed-income funds classified as Article 9 (dark green) under the EU's Sustainable Finance Disclosures Regulation (SFDR), available to retail investors in Sweden.

The portfolio managers of Nordic-based fixed-income funds classified as Article 9 SFDR distinguished between broad fixed income market developments and sustainable bond market drivers. While rising yields amid falling monetary policy rates affected everyone, revised green bond frameworks and seasonal decreases in issuance were particularly pertinent to sustainable investors. Looking ahead investors expressed concerns about Trump and the EU's Omnibus bill, while remaining hopeful for the future.

Rising Yields Despite Falling Rates

The dichotomy between market yields and central bank rates was the most often repeated theme for the last quarter of 2024.

"With the exception of the last two weeks of November, interest rates rose in the fourth quarter. This was despite the ECB, FED and Riksbank all cutting interest rates but they indicated a more cautious approach to further cuts. The credit market remained stable with steady performance in the fund throughout the year and in to the year end," says Charlotte Lind, portfolio manager of the SEB Climate Focus High Yield Fund[4].

"The fourth quarter was characterized by rising global interest rates, especially in longer maturities, which negatively impacted absolute returns. Once again, the pace of central banks' rate cuts was discussed, creating uncertainty in the financial markets. The quarter was also marked by political unrest with the U.S. election and the dissolution of governments in both Germany and France. Credit spreads, however, withstood the turbulence well and remained relatively stable," sats Karin Göransson, portfolio manager of the Handelsbanken Hållbar Global Obligationer fund.

3 Source: Investing.com

4 The SEB Climate Focus High Yieldfund uses the Bloomberg Pan-European High Yield Total Return Index Hedged to SEK for performance purposes. However, it should be noted that since it is an article 9-fund and has a Nordic focus, the key characteristics when it comes to sector and country allocation as well as duration and spread from time to time vary, so performance is best measured over a longer period.

"A strong theme during the last quarter of 2024 was that Swedish interest rates rose significantly more than the corresponding EUR interest rate. This is because the market had priced in far too many interest rate cuts. For example, a 3-year swap rate went up by 44bps, while the corresponding interest rate in EUR only went up by 2 bps. This negatively affected the return of our fund compared to its benchmark. As our benchmark is EUR interest rate based while Dahlia is based on the SEK interest rate curve," says Cecilia Dahlstedt Myrgård, portfolio manager of the Captor Dahlia Green Bond fund.

Framework Updates and Falling Issuance

Strictly focusing on sustainable bond markets, portfolio managers highlighted framework updates and the usual seasonal decrease in issuance.

"One notable theme throughout the year was that several issuers have updated their ESG bond frameworks to align with evolving market expectations and regulatory standards such as the EU Taxonomy. While these improvements signal the continued maturation of the ESG bond market, careful selection remains essential to ensure meaningful impact," Odin's Stoltenberg and Hast add.

"In the fourth quarter of 2024, ESG-labeled bond issuance slowed compared to previous quarters, a seasonal trend also observed in non-ESG issuance due to the year-end holiday period. Despite this, issuance remained strong, making 2024 the second-highest year on record for ESG-labeled issuance," say Mariann Stoltenberg Lind and Nils Hast, portfolio manager of the Odin Sustainable Corporate Bond fund.

"The themes for our funds are much in line with the fund's mandate and overall strategy, i.e. we continue to invest in high quality and sustainable credits," Philip Lindgren, portfolio manager of the Pareto ESG Global Corporate Bond fund explains. "There was a small change in the fund's duration because the fund divested marginally in longer-dated bonds in combination with market rates moving higher, thereby decreasing the value of longer-rated bonds in the fund slightly," Lindgren adds.

A Smörgåsbord of Performance Drivers

The main drivers of performance mentioned by portfolio managers were the Swedish real estate sector, capital goods, interest rates and coupon payments, choice thematic investments, credit spreads and interest rate differentials.

"Our overweight to the Nordics was the main reason for the outperformance both in Q4 and during the year. The Swedish real estate sector was one of the top performing sectors and capital goods in the Nordics also performed well. Interest rates rose in the first half of the year which benefitted the portfolio with its rather short duration," SEB's Lind explains.

"The performance in Q4 was overall good driven primarily by the high yield carry in the fund," Pareto's Lindgren says regarding the returns for holding, or "carrying", the investment, i.e.: the coupons for the bonds in the portfolio. "For the full year we are satisfied with our performance, with a return much in line with the yield to maturity at the start of the year. The main driver of the performance was the yield carry in the fund, while the duration had a slight negative impact and spread contributed slightly positively," Pareto's Lindgren adds.

Geographic Breakdown of Selected Nordic-based Art. 9 SFDR Fixed Income Funds (as of 31 December 2024)

	Nordic	Rest of Europe	USA	EM	RoW
Captor Dahlia Green Bond C	75%	25%	0%	0%	0%
Handelsbanken Hållbar Global Obligationer A1	55%	31%	3%	0%	11%
Norron Sustainable Preserve R	100%	0%	0%	0%	0%
Odin Sustainable Corporate Bond A SEK	46%	54%	0%	0%	0%
Öhman Grön Obligationsfond	100%	0%	0%	0%	0%
Pareto ESG Global Corporate Bond A	16%	41%	41%	0%	2%
SEB Climate Focus High Yield Fund	47%	48%	4%	0%	0%

Source: Fund manager data

Sectoral Breakdown of Selected Nordic-based Art. 9 SFDR Fixed Income Funds (as of 31 December 2024)

	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Government	Health Care	Industrials	IT	Materials	Real Estate	Utilities	Covered Bond	Cash	Others
Captor Dahlia Green Bond C	3%	2%	2%	15%	20%	4%	0%	6%	0%	10%	23%	14%	0%	2%	0%
Handelsbanken Hållbar Global Obligationer A1	4%	4%	5%	8%	27%	0%	5%	12%	1%	12%	8%	8%	0%	0%	0%
Norron Sustainable Preserve R	4%	2%	4%	1%	26%	0%	2%	18%	0%	7%	14%	6%	10%	5%	0%
Odin Sustainable Corporate Bond A SEK	5%	1%	7%	0%	47%	0%	0%	11%	0%	0%	3%	20%	0%	8%	0%
Öhman Grön Obligationsfond	2%	4%	10%	3%	16%	0%	1%	18%	0%	9%	24%	8%	4%	0%	0%
Pareto ESG Global Corporate Bond A	6%	6%	5%	0%	14%	0%	15%	15%	4%	15%	5%	9%	0%	7%	0%
SEB Climate Focus High Yield Fund	10%	10%	1%	2%	19%	0%	0%	15%	4%	11%	9%	13%	0%	3%	3%

Source: Fund manager data

Bond Types in Selected Nordic-based Art. 9 SFDR Fixed Income Funds (as of 31 December 2024)

	Labelled Bonds*	Regular Bonds	IG	HY
Captor Dahlia Green Bond C	100%	0%	100%	0%
Handelsbanken Hållbar Global Obligationer A1	100%	0%	100%	0%
Norron Sustainable Preserve R	NA	NA	90%	10%
Odin Sustainable Corporate Bond A SEK	88%	12%	100%	0%
Öhman Grön Obligationsfond	100%	0%	84%	16%
Pareto ESG Global Corporate Bond A	29%	71%	23%	77%
SEB Climate Focus High Yield Fund	72%	28%	14%	86%

Source: Fund manager data *Labelled bonds include: green bonds, social bonds, sustainability bonds, etc.

"If one were to mention a name that contributed positively during the quarter, it would be Maersk's green bonds," Handelsbanken's Göransson argues. Prior to 2024, Maersk had issued two bonds. The inaugural issuance took place in 2021 and was worth €500 million. The company came back to the market in 2023 with a US$750 million green bond. In 2024, it successfully raised an additional USD 2.1bn under the updated framework, including US$ 1.1billion in green bonds and US$973 million through bilateral green credit facilities, according to the company's 2024 Green Finance Report . The same source notes that by the end of 2024, the company had allocated US$2.363 billion of green financing to several projects focusing on clean transportation (91.4%), green buildings (8.3 %) and energy efficiency (0.4%).

Considering the performance of his fund, Norron's Uddén pointed to the thematic contributions of investments in sustainable cities and infrastructure, climate and the environment, sustainable finance and innovation and sustainable solutions. On a more technical note, Uddén highlighted the contributions of current interest rate, credit margins, interest rate movements.

"Credit spreads in Swedish real estate companies have continued to converge throughout the year 2024. They have compressed significantly more than other credits in both SEK and EUR, so funds with high exposure to these have had a better return than others. Also, the fact that SEK interest rates rose significantly more than EUR interest rates during the fourth quarter is a strong reason why SEK funds had worse returns than EUR funds or EUR benchmarks," Captor's Dahlstedt Myrgård says.

"Financial performance in 2024 was primarily driven by coupon income, as European credit spreads remained relatively flat year-over-year. Key performance drivers for the fund were thus investments in bonds with higher credit risk (lower investment-grade ratings)," Odin's Stoltenberg and Hast continue.

Trump, the Omnibus Bill Cast a Shadow Over 2025

Looking ahead, portfolio managervhad reasons to worry and to hope. Their main concern forcused on the Trump Administration and the effect of its tariffs, including the potential for dispersion between cyclical and resilient and more resilient businesses.

"There is a lot of uncertainty surrounding the US administration and tariffs. A deteriorating macroeconomic outlook creates hesitations for corporates and delays investment decisions. We anticipate a higher dispersion between cyclical companies and companies with more resilient business models so robust fundamental analysis and selective security allocation will be critical," SEB's Lind says.

"I hope that companies will continue to show interest in issuing sustainable bonds and that they will keep challenging themselves in their frameworks, goals, and impact reports. In the Nordic countries and Europe, it feels like companies are working hard and making an effort. In the U.S., I feel that there were very few issuances, and with the election results, there is even less focus on these issues, which is, of course, very disappointing," Handelsbanken's Göransson argues.

In the EU, the Omnibus proposal will likely decrease disclosures and shrink the potential universe of issuers, while possibly increasing the quality of the pool of remaining sustainable borrowers.

"Sustainable markets are off to a rough start with President Trump taking office. Together with the Omnibus proposal, which opens up for mid-cap companies to not report on sustainability data, there is a risk that sustainability will not get the same attention. Our view is that it will give the companies that do focus on sustainability a competitive advantage in the long run as these are real risks and real opportunities. The Nordics are in the forefront of sustainability and many companies have come far on their sustainability journey and will not give this up," SEB's Lind says.

"As fixed income portfolios have the ability to invest in green bonds, the sector diversification of SEB Climate Focus High Yield is encouraging. We continue to believe that our portfolio of environmentally sustainable companies and projects will continue to generate steady returns going forward but security selection will be key," SEB's Lind says.

Concerns were not just regional. Local developments also informed why some of the portfolio managers expect portfolios to perform less well in 2025. "Our outlook for 2025 is for a performance of 3% to 5%, in Swedish Krona terms. We expect sustainable markets to not perform as well in 2025 as in 2024 because sustainable real estate companies performed unusually well in 2024. However, we are not worried about performance in 2025. Our main focus will be on monetary policy and inflation developments," Norron's Uddén says.

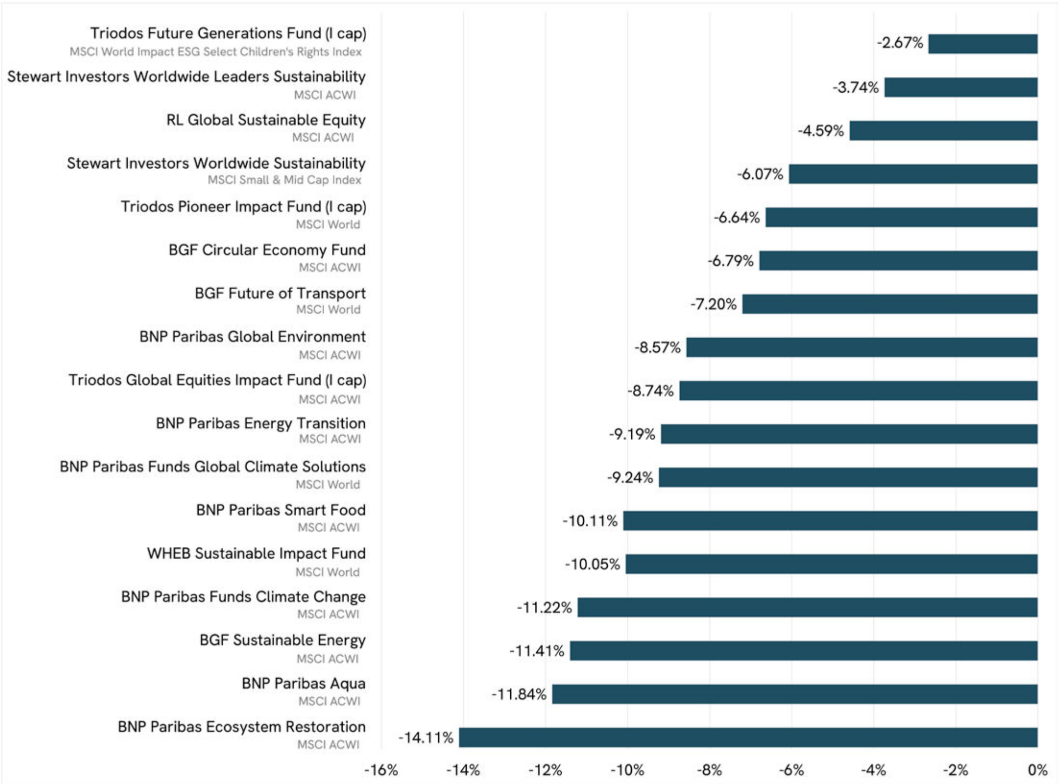
However, there was also optimism. "We are positive for 2025. Although spreads are historically at relatively tight levels, there are fundamental drivers for it i.e. good inflow and high coupons for fixed income funds and encouraging outlook on the credit cycle. We believe the demand for high yield credits as an asset class will remain high driven by an attractive high average coupon in our fund and a high all-in yield," Pareto's Lindgren says.

"There are certainly short-term headwinds for sustainable markets stemming from higher rates, policy uncertainty, and investor risk aversion, but in the medium to long-term demand remains strong due to structural policy support, corporate net-zero commitments, and technological innovation, we believe. We think some of the key trends for 2025 will be stricter ESG disclosure requirements, increased renewable energy investments, and heightened investor scrutiny on greenwashing," Pareto's Lindgren adds.

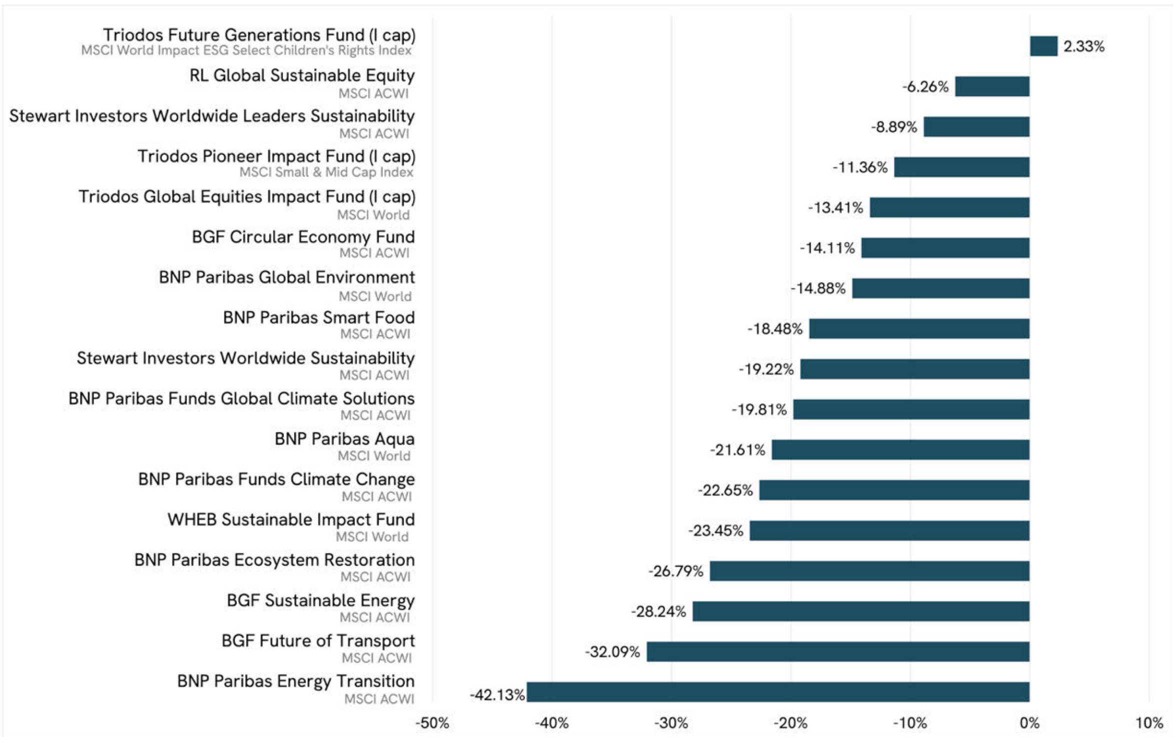
"I think that it will be about the same development as last year. Neither more nor less. I believe that 2025 will be significantly less volatile both in terms of credit spreads and interest rate movements. So portfolio managers should focus on getting a good carry," Captor's Dahlstedt Myrgård says.

"Several central banks began cutting policy rates in 2024, with further reductions expected in 2025. However, a return to the near-zero interest rate environment of the past is unlikely. Both nominal and real interest rates are expected to remain at levels that offer attractive return opportunities in the fixed income market. We expect ESG-labeled bonds to continue representing a significant share of total debt issuance in 2025, continuing their long-term growth trend since peaking in 2021. We expect this to be supported by regulatory developments and sustained investor demand," Odin's Stoltenberg and Hast conclude.

Relative Performance of Selected Global Article 9 SFDR Equity Funds in EUR (Q4 2024)



Relative Performance of Selected Global Article 9 SFDR Equity Funds in EUR (FY 2024)



Source: Fund manager data

INTERNATIONAL PARTNERS

Public Market Funds

Sustainability Struggles in Market Rebound

Filipe Albuquerque

During the fourth quarter of 2024, USA GDP grew by 2.5%, on an annual basis, 1.4 percentage points more than in the EU[1]. The fourth quarter of the year, which witnessed the election of Donald Trump for a second term in the White House. The S&P 500 index rose by 3% in USD terms, the MSCI World Index was up 7.61% in the fourth quarter of 2024 (in EUR).

At the same time, several central banks across the world carried out a number of interest rate cuts. In the US the Federal Reserve cut its rates twice by 25 basis points: once on November 7th and again on December 18th, bringing the rate from 5% at the start of the quarter to 4.75% at the end of the year. In Europe, the ECB followed a similar path, cutting the interest rates on October 17th and on December 12th, from 3.65% to 3.15%. The Euro depreciated by 7% vis-à-vis the US Dollar.

1 Source: Eurostat

To understand how international active asset managers with global mandates performed under these conditions, NordSIP reached out to our partner asset managers to hear about their performance during the last quarter of 2024 and how these conditions affected performance over the second half and the whole of the year.

NordSIP surveyed the performance of 20 global actively managed funds classified as Article 9 under the Sustainable Finance Disclosures Regulation (SFDR):17 equity funds and 3 global fixed-income funds, from non-Nordic asset managers with whom NordSIP has an ongoing partnership. Article 9 funds not only invest in sustainable assets but also have sustainable investment as their objective. They are also referred to as "dark green" funds.

Comparing these performances with the ones witnessed in the third quarter or second half of 2024 shows a marked worsening of relative performance. The worsening relative performance appears to have been driven by the buoyant performance of most benchmarks on the back of the re-election of Donald Trump to the White House and the expectation that he would be accommodating of investors. Too much exposure to Healthcare and not enough exposure to Consumer Discretionary and Communication Services appear to have hurt returns, even when funds were exposed to the continued IT boom.

Geographic Breakdown of Selected Art. 9 SFDR Global Equity Funds (as of 31 December 2024)

	Nordic	Rest of Europe	USA	EM	RoW
WHEB Sustainable Impact Fund	2%	25%	65%	0%	8%
Royal London Global Sustainable Equity	10%	19%	54%	9%	8%
responsAbility Impact - Transition to Net Zero Fund	4%	48%	41%	3%	3%
Triodos Global Equities Impact Fund (I cap)	6%	34%	50%	3%	7%
Triodos Pioneer Impact Fund (I cap)	8%	29%	49%	11%	4%
Triodos Future Generations Fund (I cap)	29%	16%	35%	17%	4%

Source: Fund manager data

Sectoral Breakdown of Selected Nordic-based Art. 9 SFDR Global Equity Funds (as of 31 December 2024)

	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities	Cash
WHEB Sustainable Impact Fund	0%	2%	0%	0%	0%	30%	29%	24%	12%	0%	2%	0%
Stewart Investors Worldwide Sustainability	3%	1%	11%	0%	8%	14%	27%	35%	1%	0%	0%	0%
Stewart Investors Worldwide Leaders Sustainability	0%	8%	5%	0%	9%	9%	36%	30%	2%	0%	0%	1%
Royal London Global Sustainable Equity	3%	13%	3%	0%	16%	15%	25%	24%	0%	2%	0%	1%
responsAbility Impact - Transition to Net Zero Fund	8%	14%	6%	32%	10%	9%	9%	1%	4%	6%	2%	0%
Triodos Global Equities Impact Fund (I cap)	28%	20%	16%	12%	7%	7%	5%	4%	1%	0%	0%	0%
Triodos Pioneer Impact Fund (I cap)	33%	16%	13%	11%	7%	6%	6%	5%	2%	0%	0%	0%
Triodos Future Generations Fund (I cap)	25%	18%	17%	12%	9%	7%	6%	5%	2%	0%	0%	1%

Source: Fund manager data

Trump Fuels Market Performance

Portfolio managers appear to agree that the dominant driver of market performance was the bullishness that followed on the heels of the re-election of Donald Trump. This positive sentiment seems to have been driven by the perception that he would be more business friendly as he ran on a platform of tax relief and deregulation.

"The fourth quarter was dominated by the outperformance of the US market following the election of Donald Trump on a platform of low taxes and de-regulation which are viewed as pro-business. In addition, Q3 corporate results highlighted weaknesses in manufacturing activities but continued strength in the technology and financial sector." George Crowdy, portfolio manager of the RL Global Sustainable Equity Fund, says. "The fund's performance was negatively impacted by its underweight position in the US market especially among the largest companies which were the main drivers of the market in the fourth quarter," Royal London's Crowdy adds.

Clare Wood, Portfolio Specialist at First Sentier, agrees, "The market continued a very strong run up into the end of the year, driven by large gains in US large cap technology, with enthusiasm surrounding the re-election of Donald Trump and on-going US exceptionalism," Wood explains.

"Global stocks were mixed - it was a period of shifting narratives with the US election, the threat of tariffs, a surging US dollar and stubborn US inflation and uncertainty around interest rates contributing towards market volatility. US stocks led the market, boosted by Donald Trump's decisive presidential victory fuelling expectations of further tax cuts, expansionary fiscal policy and the implementation of a more nationalist trade policy. However, they did pull back in December following the Federal Reserve's revised guidance - indicating fewer interest rate cuts would be forthcoming in 2025 than previously expected," Ted Franks, Partner and Fund manager of the WHEB Sustainable Impact Fund adds.

USA, Consumer Discretionary, Technology and Communication Lead

Performance appears to have been segmented, both sectorally and geographically, with the USA leading the way and the sectors of Consumer Discretionary, Technology and Communication services contributing most to positive fund returns.

George Crowdy
Royal London
Asset Management

"Overall, the best performing sectors were consumer discretionary, technology and communication services all driven by the megacap stocks such as Tesla, Nvidia and Alphabet. On the opposite, healthcare and rate sensitive sectors such as utilities and real estate underperformed. Healthcare stocks underperformed due to concerns about political reforms under the new Trump administration," Royal London's Crowdy explains.

"Over the quarter, Consumer Discretionary and Communication Services were the best performing sectors in the global market, while Materials and Healthcare lagged. Japanese stocks also delivered positive returns, while Asia Pacific ex-Japan and Europe were the weakest performing equity markets. There have been signs of weakening economic momentum in Europe, particularly in the manufacturing sector while the services sector continues to see signs of solid demand. The European Central Bank cut rates twice during the quarter and weak growth forecasts are likely to pave the way for more easing," WHEB's Franks says.

"The fund outperformed the benchmark in 2024. This outperformance was driven by both allocation and selection effects, while currency effects were a negative. Performance was strongest in the Consumer Discretionary and Industrials sectors, while it was weakest in the Utilities sector," says Sjoerd Rozing co-portfolio manager of the Triodos Future Generations Fund.

"Underneath the headlines, we are seeing positive developments in the economic environment that our companies operate in including an end to industrial de-stocking; a recovery in health care after several difficult post-COVID years; IT budgets returning to invest in growth-oriented projects and areas outside of AI infrastructure. There are also multiple sustainable tailwinds still in evidence including sustainable buildings

and infrastructure, personalised health care at reasonable cost and energy efficiency and future technology. The narrowness of the market has given us the opportunity to buy high quality, long-term compounders of revenues and earnings and very reasonable valuations, setting the portfolio up to perform well into the future," First Sentier's Wood says.

Wood was not the only one to remain confident in the performance of sustainable companies. "2024 was a challenging year for impact strategies, small- and midcaps lagged their large cap counterparts. Companies in the wind and solar industry had a difficult 2024. However, all have strong impact narratives, the long-term growth prospects are still in place. The underperformance was driven by stock selection, especially Information Technology sector that also include some of the renewable energy investments," says Dimitri Willems co-portfolio manager of the Triodos Pioneer Impact Fund.

The geographical and sectoral distributions of assets among the funds surveyed show them to be concentrated in the USA and Europe and dominated by investments in healthcare, industrials and IT, a trend that's prevailed for quite some time.

Healthcare Hurts Performance

According to the experience of the portfolio managers surveyed, the general sectoral trends According to WHEB's Franks, Health was the largest detractor to the performance of his fund while Resource Efficiency was the strongest performer, followed by Education.

"The strategy delivered negative performance over the fourth quarter 2024. The holding in ICON, a clinical research organisation, was the largest detractor. The company surprised the market by missing Q3 numbers and cutting full year guidance due to budget cuts at its two largest customers, an uptick in vaccine-related cancellations and stronger than anticipated caution for biotech-related investment decisions. Life sciences tool companies Agilent, Danaher and ThermoFisher, also struggled. While Danaher and Thermo Fisher met earnings expectations, customer caution on equipment spending weighed on their share prices. Uncertainty around the pace of recovery in 2025 further pressured these stocks. Wind turbine manufacturer Vestas further detracted. The shares underperformed reflecting the negative sentiment for wind power companies following the US election result," WHEB's Franks argues.

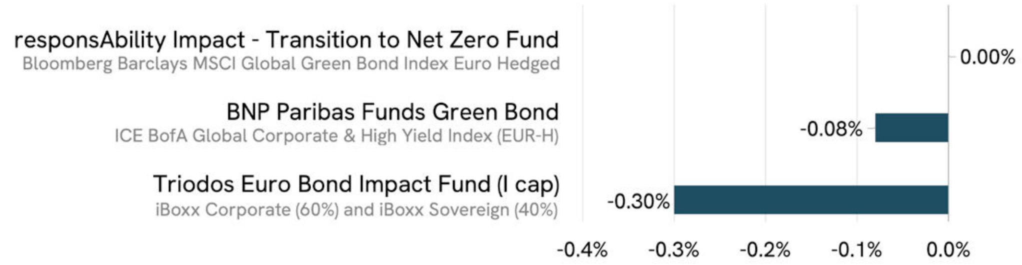
"Japanese bike component manufacturer Shimano was a negative contributor to performance during the fourth quarter as it continues to be negatively impacted by destocking post a boom in bike sales during the pandemic. Precision dispensing system manufacturer Nordson also detracted from performance after reporting results below expectations due to cyclical weakness," Crowdy adds.

AI Continues to Rule Supreme

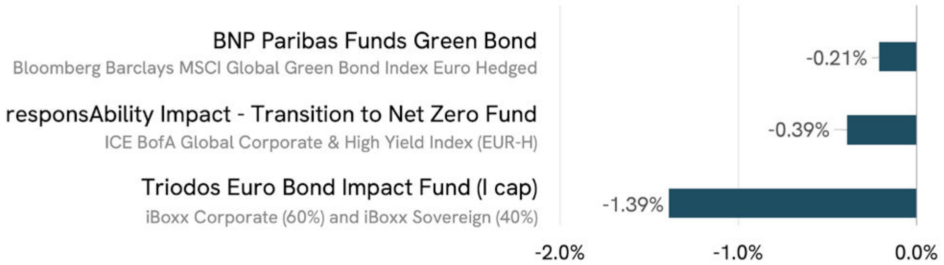
In line with the sectoral trends, exposure to the IT sector was the most repeatedly source of positive portfolio performance. "US distributor of water products Core & Main was a positive contributor. The company is well positioned to support investments into the aging water infrastructure in the US. Another positive contributor included Taiwan Semiconductor Manufacturing Company (TSMC), an important player in the leading manufacturing of most advanced semiconductors," Royal London's Crowdy explains.

"While the performance of Triodos Global Equities Impact Fund was significant throughout 2024, it lagged behind the reference index. For a large part this was driven by the lack of exposure to the Magnificent Seven. Only one of the seven, NVIDIA, is represented in the portfolio. With a staggering 189% performance, this was the absolute winner in the fund's portfolio and the largest

Relative Performance of Selected Global Art. 9 SFDR Fixed Income Funds in EUR (Q4 2024)



Relative Performance of Selected Global Art. 9 SFDR Fixed Income Funds in EUR (FY 2024)



Source: Fund manager data

contributor to the absolute return," says Arjan Palthe portfolio manager of the Triodos Global Equities Impact Fund.

"Contributors to performance included Vitasoy (Hong Kong: Industrials) where the stock price rose strongly over the quarter from a very low base as sales saw positive growth in all regions and profitability benefitted from lower input costs, Fortinet (United States: Information Technology) due to recovering revenue growth alongside impressive margin expansion leading to strong growth in profits, and EPAM (United States: Information Technology) which is starting to see green shoots in demand as customers budgets improve and AI use cases become better defined and remains well positioned to capture future growth as tech spend starts to pivot to more growth-oriented project," First Sentier's Wood comments, in reference to the performance Stewart Investors Worldwide All Cap fund.

"Contributors to performance included Fortinet (United States: Information Technology) due to recovering revenue growth alongside impressive margin expansion leading to strong growth in profits, Arista Networks (United States: Information Technology) which generated strong revenue growth boosted by investment into artificial intelligence infrastructure, and TSMC (Taiwan: Information Technology) due to its continuing long-term growth prospects and on-going demand for semiconductors," First Sentier's Wood continues with regards to the performance of Stewart Investors Worldwide Leaders funds.

"On the other side of the ledger, Autodesk and Grand Canyon were the strongest contributors to return. Autodesk, within the Resource Efficiency theme, is a leader in design software for more resource-efficient products and buildings, and benefited from broad-based growth across Architecture, Engineering, and Construction (AEC) and manufacturing segments. Following strong quarterly results in September, Autodesk's share price extended its upward momentum in October. Grand Canyon reported positive results for the third quarter of 2024, beating profit estimates. It is also seen as a stock that performs well during Republican presidential terms and so benefited from the US election results. We took profits and closed our position in the quarter," WHEB's Franks adds.

Sustainable Bond Funds Also Struggle

Underperformance was in no way the sole remit of equity funds. Echoing developments in standard fixed income markets, sustainable bond funds struggled during the last quarter of 2024. None of the three funds selected funds enjoyed positive relative performance in 2024.


Dimitri Willems
Triodos IM

The Bloomberg Barclays MSCI Global Green Bond Index Euro Hedged fell by 0.41% during the fourth quarter of the year. During the same period, the ICE BofA Global Corporate & High Yield Index (EUR-H) also fell by 1.63%. However, the iBoxx Corporate (60%) and iBoxx Sovereign (40%) index grew by 0.51%.

Considering the second half of the year as a whole, only the iBoxx Corporate (60%) and iBoxx Sovereign (40%) contracted (-0.16%), while the ICE BofA Global Corporate & High Yield Index (EUR-H) and the Bloomberg Barclays MSCI Global Green Bond Index Euro Hedged both rose by 2.77% and 3.3%, according to the data provided by the relevant portfolio managers.

Last but not least, all three of the benchmark sustainable fixed-income fund indices enjoyed positive growth, ranging between 2.14% and 3.7%.

"Triodos Euro Bond Impact Fund's performance in 2024 was driven by a positive allocation effect, resulting from the underweight position in government bonds and overweight position in government-related bonds. This largely compensated for the negative selection effect, stemming from the overweight position in high-quality bonds compared to the reference index, and no allocation to Financials, which performed strongly," say Jeroen van Heerwaarden and Rosl Veltmeijer portfolio managers of the Triodos Euro Bond Impact Fund.

Is the Future Strong and Diversified or Tense and Unstable?

Considering the outlook going forward, portfolio managers expressed hope as well as concern. Trump, AI and market dispersion were expected to support the market.

"We retain a positive outlook for markets for 2025 but note that following two strong years of performance expectations are higher than they were at the start of 2024. We expect markets to be driven by a changing political landscape under the Trump administration, the ongoing evolution of AI and a broadening of markets away from the 'Mag 7'," Royal London's Crowdy notes, reiterating one of the key takeaways from the third quarter of the year. "We have a portfolio exposed to some exciting and powerful multi-year structural growth themes – the key ones being the ongoing digitalisation of society through things such as cloud computing and AI, which we think we're incredibly early in. We also have exposure to companies enabling the development of a more sustainable and resilient physical world. These include areas such as HVAC (heating, ventilation, and air conditioning), building electrification and more sustainable transport such as rail. We also continue to be excited by the opportunities in the healthcare sector where we observe advancements in computing are accelerating new drug discovery combined with large disease categories such as obesity emerging," Crowdy argues.

Others, however, saw a more negative landscape of instability as a reason for investors to focus on strong sustainable investment opportunity to navigate such an unstable future. "Geopolitical tensions, persistent inflation, rising inequality and a decided shift to protectionism by various governments are creating uncertain times and reversing socio economic conditions of the past 40 years. This poses significant challenges for governments, regulators, societies and companies. We believe that quality businesses solving sustainable development challenges and managed for the long term are best placed to survive and thrive in such choppy waters. Since 1988, we have had an investment approach that is focused on finding and investing in high-quality companies at a sensible price. We continue to find many suitable investment opportunities to allocate clients' savings, despite these uncertain times," First Sentier's Wood contends.

"While the last few years have been difficult for WHEB and impact-led strategies in general, we believe we have good reasons to be optimistic regarding what's to come. Sentiment for impact investing is very low which can be

Geopolitical tensions, persistent inflation, rising inequality and a decided shift to protectionism by various governments are creating uncertain times and reversing socio economic conditions of the past 40 years. This poses significant challenges for governments, regulators, societies and companies.

seen in the portfolio valuation relative to local markets, such as Price to Earnings or Price to Book Value ratios. Markets usually turn when the last marginal seller has left," WHEB's Franks remarks.

"The urgency for climate action has never been greater and the means have never been more economically attractive. 2024 had a series of extreme weather events (e.g. hurricanes Helene and Milton in Florida, storm floods in Valencia), while clean power costs (e.g. solar and onshore wind) are now well below fossil-fuel based alternatives. Electric vehicles also often beat their corresponding internal combustion engines option on a total cost of ownership analysis. This will enable an increasing number of environmental markets to grow independently of the political environment,We are confident that most of the more strongly underperforming stocks in our portfolio have been hit by short-term issues the market is focusing on while the fundamental, longer-term investment case is as sound as ever," WHEB's Franks says.

"Although President-elect Donald Trump does stand quite explicitly against much of the transition to a more sustainable economy, we observe that historically, the strong deregulatory agenda put forward by Republican administrations has tended to support the mid-cap stocks that our strategy is most exposed to. We therefore remain excited about the future and convinced that the opportunity has never been greater," WHEB's Franks concludes.

INTERNATIONAL PARTNERS

Private Assets

Emerging Market Growth Fuels Private Market Returns

Filipe Albuquerque

For investors looking to maximise impact and capable of absorbing liquidity constraints, sustainable private markets offer an appealing space for supporting the businesses most committed to materially and intentionally contributing to a better tomorrow.

To better understand the performance of private debt and private equity markets during the fourth quarter of 2024, NordSIP approached a range of such Article 9 funds to hear about their experiences. Our survey covered nine private market funds. Three Article 9 private debt funds replied to our inquiries. Their replies were complemented by feedback from the portfolio managers of two Article 9 SFDR private equity funds: the Kempen SDG Farmland Fund and the Triodos Food Transition Europe Fund. Finally, we also received feedback from four mixed private debt and private equity funds: the Triodos Microfinance Fund, the Triodos Emerging Markets Renewable Energy Fund and the Triodos Energy Transition Europe Fund, which invest in both private equity and private debt, and the Kempen Global Impact Pool Fund, a private debt and private equity fund of funds.

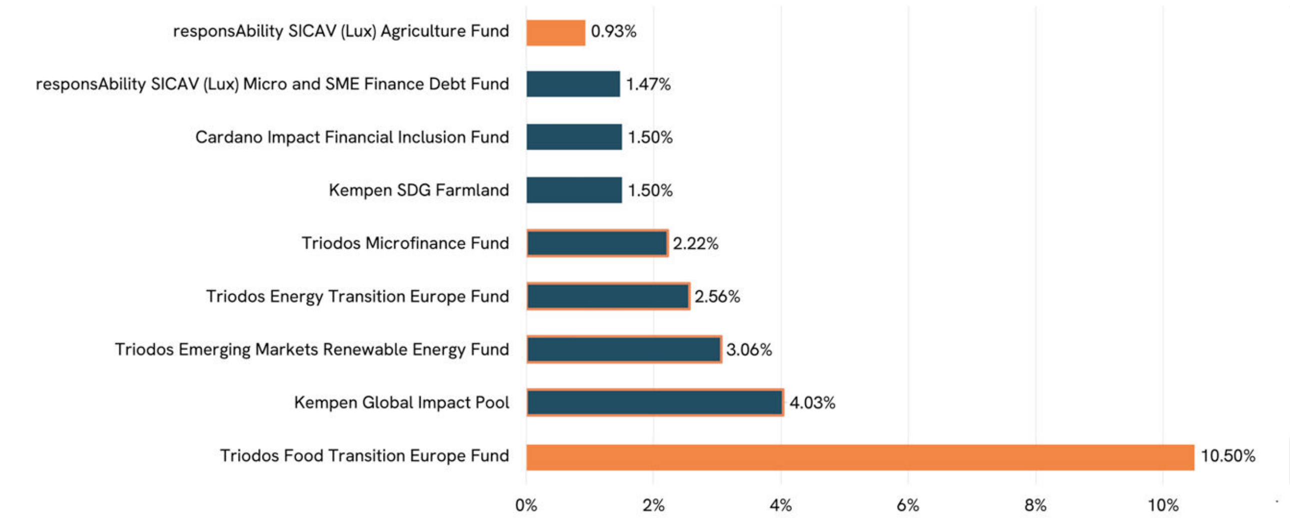
By most measures, the fourth quarter of 2024 was fruitful for the funds surveyed, all of whom enjoyed positive returns, reflecting encouraging economic growth across emerging market economies and a lack of credit events, which reinforced investor confidence in the future.

Buoyant Emerging Markets

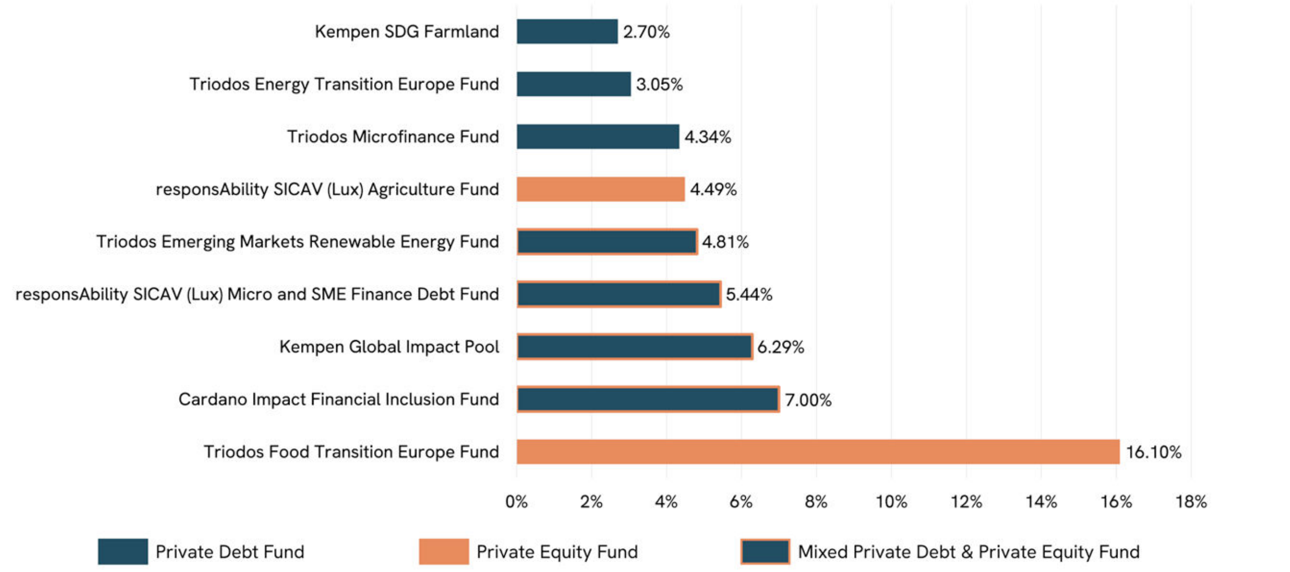
Generally speaking, investors reported a positive investment environment across emerging markets, be in agriculture, venture capital or infrastructure. This focus is crucial given that they tend to represent the vast majority of the allocation of investments by funds surveyed.

"Emerging markets demonstrated good economic performance in the last quarter of 2024, driven by adaptive monetary policies and growth opportunities. The Asia-Pacific region remained a key contributor to this momentum, with projected GDP growth of 4.4% for both 2024 and 2025 (S&P Global). Strong domestic demand, supported by progressive reforms over the past years, continued to bolster the region's economic indicators. In Latin America, Brazil exceeded expectations with 3.6%

Performance of Selected Art. 9 SFDR International Private Market Funds in EUR (FY 2024)



Performance of Selected Art. 9 SFDR International Private Market Funds in EUR (FY 2024)



Source: Fund manager data

growth, while Mexico benefited from nearshoring and U.S. trade dynamics (Reuters). Despite geopolitical challenges, Eastern Europe continued to present meaningful investment opportunities, underscoring its potential for sustained economic growth. Global inflation trends stabilized after substantial declines. The recent market adjustment of expectation for future rate cuts had limited effects on emerging markets currencies and credit spreads, as measured by the Emerging Market Bond Index Global, which remain near historical lows, reflecting sustained investor confidence. Energy and commodityexporting countries capitalized on steady price levels, reinforcing robust inflows into emerging economies," Jaskirat Chadha, Head of Financial Inclusion Debt says in relation to the responsAbility Financial Inclusion Debt Fund.

"Emerging markets maintained robust economic growth in the last quarter of 2024, presenting consistent opportunities across key agricultural value chains. Regional geopolitical tensions, notably in the Middle East and Central Asia, had minimal impact on the portfolio's performance. The expectation of monetary easing by major central banks, including the U.S. Federal Reserve, alleviated pressure on capital flows and exchange rates, supporting the favorable investment environment," Suhasini Singh portfolio manager of the responsAbility Agriculture Debt Fund.

Looking at the USA, agricultural investors were focused on visa programs. "Attention was mainly on the outcome of the US Presidential election in the last quarter of 2024 and the resulting uncertainty in a context of low farmer sentiment, declining commodity prices, and the delay of the farm bill in Congress. Looking forward, the new Trump administration is expected to continue the 'America First' policy of the first administration; in particular, focusing on increasing tariffs, possible restricting of the H-2A agricultural visa program (for temporary seasonal workers), and providing subsidies for farmers," Alice MacNeil, portfolio manager of the Van Lanschot Kempen SDG Farmland Fund says.

Falling prices in Europe hurt the performance of energy funds. "In 2024, the EU market continued to experience positive trends that contributed to lower wholesale electricity prices. This situation put some downward pressure on the investment portfolio. However, this negative impact was offset by having a high-quality portfolio and effective portfolio management," says Sonja de Ruiter, portfolio manager of the Triodos Energy Transition Europe Fund.

"We clearly see signals of recovery within the Venture Capital market. Several of our investment partnerships contributed nicely to performance, while in the 1st half of 2024 these investment detracted across the board," says Titus Witteveen portfolio manager of the Van Lanschot Kempen for Global Impact Pool fund. "The strong performance of our infrastructure investments came to a halt, partly due to concerns on oversupply and headwinds from regulation entered the market. Our infrastructure investments experienced a more or less flat quarter during Q4 2024, whereas the category contributed in the first three quarters of the year," Witteveen adds.

Financial Inclusion and Sustainable Agriculture at the Wheel

The specialised nature of the funds creates opportunities for several factors to affect performance, from the effect of the presidential election on farming, exchange rate dynamics, financial inclusion and the lack of credit events.

Van Lanschot Kempen's Witteveen highlighted the strength of venture capital as well as interest and exchange dynamics as drivers of return. "Venture Capital had a strong quarter, with several decent mark-ups at the portfolio company level and hence this category contributed to the overall performance. Similar to previous quarter, Private Debt added to the performance on the back of robust interest income. The Euro/Dollar exchange rate was a decent contributor to performance. As a part of our Private Equity investments are held in USD, in local (EUR) terms the asset category contributed to performance. In local terms, the Private Equity investments slightly detracted due to fees (the valuations of the portfolio's remained more or less unchanged)," Witteveen explains.

"The positive performance of the fund in 2024 was driven by four main factors. Hedged currency risk helped

mitigate emerging market currency risk. The fund also benefitted from a lack of credit events in our portfolio, thanks to a diversified portfolio in terms of vintages, countries and single exposures. We remain focused on real impact themes," Sinisa Vikuc, portfolio manager of the Cardano Impact Financial Inclusion Fund adds.

Other portfolio managers highlight the contribution of specific investments.

"In Q4 2024, the positive net return was driven largely by a uplift in the appraisal of Darketgaard (Denmark) as well as an uplift in the appraisal of Lake Delevan in the USA – partly driven by the completion of a wetland restoration program on the farm. Additionally, the portfolio benefitted from the appreciation of the US Dollar (an appreciation of 6% by December versus the Euro since September)," Van Lanschot Kempen's MacNeil continues.

"The fund's significant performance results from strong improvement of key economic indicators, such as food inflation and real incomes, leading to a recovery in the underlying sustainable & organic food markets. Consumers returned to spending patterns that were more similar to before the Ukraine war, which helped the performance of many of the fund's portfolio businesses, particularly in the second half of the year," Adam Kybird portfolio manager of the Triodos Food Transition Europe Fund adds.

"The income of the debt portfolio continued to grow with high yields and provisioning aligned to historic averages," responsAbility's Chadha says. "Creating impact remains at the heart of what we do. We would like to highlight Seeds Fincap, a transformative financial institution advancing financial inclusion in India. By providing microloans to underserved communities, Seeds Fincap has empowered over 55,000 clients, with 60% of its borrowers from rural

Alice MacNeil
Van Lanschot Kempen

areas. These loans have enabled microentrepreneurs, like the ones featured, to expand their businesses, create jobs, and foster local economic growth, aligning with the United Nations' Sustainable Development Goals," responsAbility's Chadha says.

"The fund did not record any provisions for new portfolio companies during the quarter, resulting in a strong portfolio income and an exceptional annual return. To focus on one example, ETG Group (ETG), highlights the transformative potential of sustainable agriculture and alignment with global Sustainable Development Goals. The company empowered over 188,000 smallholder farmers in West Africa's cocoa and cashew value chains. Through their work, ETG has fostered climate resilience, improved livelihoods, and advanced community well-being. ETG has established a dedicated entity to focus on its climate initiatives, planting nearly 1.5 million trees and setting up agricultural waste biomass collection centers in Zambia and Malawi. These centers will help the company use biomass for factory heat and steam generation, thereby reducing its carbon footprint. To build climate resilience, ETG distributed over 1 million cocoa seedlings and 318,092 shade tree seedlings to farmers in 2023. Additionally, over 14,000 farmers (including 5,527 women) were trained in GAP and climate-smart cocoa farming practices in West Africa," responsAbility's Singh adds.

Growth, Expansion and Diverse Opportunities Ahead

"Looking at our portfolio, we are happy with the operational progress of the underlying sustainable companies and projects we are invested in. In general, we continue to see good growth and revenue patterns with these companies, as the demand for their impactful products increased. In addition, our investment partners have been able to expand their portfolio by making investments in markets that offered good opportunities at attractive valuations. Combined with the market's expectation on further interest rate cuts, especially in Europe, and an improvement in overall liquidity, we are optimistic about future returns," Van Lanschot Kempen's Witteveen says. His colleague is also optimistic going forward. "We continue to experience a steady demand for investments in natural capital, particularly around the farmland asset class and from investors in the United Kingdom and Europe," Van Lanschot Kempen's MacNeil says.

"For 2025, emerging markets remain well-positioned for continued growth, with the International Money Fund projecting 4.0% growth compared to 1.8% for advanced economies. Anticipated policy rate declines across emerging markets are expected to stimulate economic activity and local demand, and boost funding demand. The fund is poised to capitalize on these favourable conditions, leveraging its diversified portfolio across geographies and business models, and its strong network of established relationships. Emerging markets continue to demonstrate resilience against global headwinds, offering investors an optimal combination of attractive risk-adjusted returns and measurable impact. This strength, alongside the fund's proactive strategy and robust risk management, positions it to drive sustainable value creation in 2025 and beyond," responsAbility's Chadha says.

ResponsAbility's Singh highlights the strength of responsAbility's investment pipeline across multiple emerging market regions. "As the first quarter of 2025 unfolds, the investment pipeline is poised for expansion. Key focus areas include Latin America, Sub-Saharan Africa and Asia. With the coffee harvest shifting from Central to South America, the Fund plans to target Brazil nuts and other seasonal produce. In Sub-Saharan Africa,

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Jaskirat Chadha
responsAbility

continued demand for cocoa and coffee financing may be supplemented by a new partnership with a vegetable producer. Additionally, preparations are underway for the upcoming nuts season. In Asia, mid-term financing needs in India and Vietnam are promising, particularly following regulatory approvals in Vietnam that have opened a backlog of over USD 5 million in imminent investments. The Fund remains committed to its strategy of diversification and sustainable impact, ensuring stable returns and growth potential for 2025", Singh concludes.

Geographic Breakdown of Selected Art. 9 SFDR Private Market Funds (as of 31 December 2024)

	Nordic	USA	EM	Rest of Europe	RoW
Triodos Food Transition Europe Fund (Q cap)	0%	0%	0%	100%	0%
Cardano Impact Financial Inclusion Fund	0%	0%	100%	0%	0%
Kempen SDG Farmland	0%	28%	3%	40%	29%
responsAbility SICAV (Lux) Agriculture Fund	0%	0%	0%	0%	100%
responsAbility SICAV (LUX) Micro and SME Finance Debt Fund	0%	0%	0%	0%	100%

Source: Fund manager data

NORDSIP
NORDIC SUSTAINABLE INVESTMENTS

QUARTERLY PERFORMANCE
JUNE 2025

ARTICLE 9 FUND REVIEW

2024

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