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Clean Economy strategy

US president reached a \$1.2tn infrastructure deal including new spending in areas of the clean technology

- Ongoing rotation from growth to value in June
- Positive contribution from the four themes
- We reopened a position in First Solar following new capacity announcement

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What's happening?

Global equity markets continued to rise during June and were characterised by the ongoing recovery of growth relative to value which began during the latter part of May.

During June, President Biden reached a deal with a group of bipartisan senators for a \$1.2trillion infrastructure bill which would include material new spending in areas of clean technology including electric vehicle charging infrastructure, water resilience and environmental remediation. This part of a growing recognition that electricity and water infrastructure require investment to improve its resiliency, representing an opportunity for many companies within the Clean Economy universe.

BNEF¹ published its annual long-term electric vehicle outlook, highlighting the rapid pace at which new chemistries are being adopted and battery pack prices are falling. This is supportive of the rising penetration of electric vehicles globally.

Portfolio positioning and performance

The portfolio outperformed the broader equity index (the MSCI ACWI) during June. All the four themes contributed positively, in particular 'Smart Energy'.

In 'Smart Energy', the energy efficiency specialist Ameresco performed well. Hannon Armstrong contributed positively and recovered some earlier underperformance as part of the return to growth as a style. Xinyi Solar also performed well, recovering some earlier weakness.

¹ BNEF: Bloomberg NEF

In 'Low Carbon Transport', Tesla and Silicon Labs contributed positively as part of the broader shift back to growth.

'Natural Resource Preservation' benefitted from strength in names associated with US infrastructure bill. These include Evoqua Water Technologies, which offers water quality and preservation solutions; and Itron, which offers smart metering technologies.

We reopened a position in First solar during June following the company announcement of capacity expansion with the construction of its third US manufacturing facility in Ohio. This should increase the company capacity by 3.3GW² per annum.

Outlook

The EU and its member states have underlined their commitment to Net Zero 2050 and set the framework for a green recovery in Europe. China has recently made a commitment to net zero by 2060, a significant move which came sooner than many expected. The US has pledged to half emissions by 2030 on its path to Net Zero 2050. Corporates are also increasingly committed to Net Zero targets and are investing accordingly, seeking clean energy, storage and energy efficiency services. In addition to existing consumer trends and cost-effective technologies, this represents accelerated opportunity for the Clean Economy. We see commitment to innovation underpinned by growing demand visibility and expect this to create new areas of investment potential.

We retain the view that high quality management teams, operating businesses with a sustainable competitive advantage in their markets and with the benefit of secular tailwinds are best placed to weather the current storm and to seize opportunities for growth. The portfolio is therefore well positioned to benefit from the secular growth opportunities we see within the Clean Economy.

No assurance can be given that the Clean Economy strategy will be successful. Investors can lose some or all of their capital invested. The Clean Economy is subject to risks including Equity; Emerging Markets; Global Investments; Investments in small and micro capitalisation universe; Investments in specific sectors or asset classes.

² GW: Gigawatt

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