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# Clean Economy strategy

## China announced an end to its financing of overseas coal generation

- Global equity markets fell during September
- Both the US and China pledged additional support for international climate finance
- We initiated a position in China Longyuan Power

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### What's happening?

After a strong first half to the year, global equity markets fell during September.

We note a continuation of the significant progress made in climate change policy during the first half of the year. The US Infrastructure plan continues to advance and EU policy is increasingly supportive of the Energy Transition. China used the UN<sup>1</sup> General Assembly to underscore its commitment to the Energy transition, announcing an end to its financing of overseas coal generation. Both the US and China pledged additional support for international climate finance. The ongoing commitment shown from all regions is a reflection of the growing recognition of the need to change and the breadth of viable applications for clean technology as a result of innovation and scale. This is supportive of widespread adoption of clean technology solutions to the challenge of climate change.

### Portfolio positioning and performance

The portfolio underperformed the broader equity market (MSCI All Country World) during September as all areas posted slightly negative performance.

In 'Smart Energy', renewables players including China Longyuan Power, Vestas Wind Systems and First Solar contributed positively but this was offset by Nextera and Ameresco giving back some recent performance.

In 'Low Carbon Transport', Tesla and Aptiv contributed slightly to positive performance but this was offset by TE Connectivity which gave back some of its earlier strength.

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<sup>1</sup> UN: United Nation

The 'Natural Resource Preservation' benefitted from strength in Thermo Fisher and Horiba but this was balanced by some weakness in Befesa.

During September, we initiated a position in China Longyuan Power which is a leading wind energy developer in China with a clear commitment to delivering the Energy Transition.

## **Outlook**

The EU and its member states have underlined their commitment to Net Zero 2050, set the framework for a green recovery in Europe and continue to advance longer term environmental policy. 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 and progress with policy is becoming evident. 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.**

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