

Portfolio Case Study: Iberdrola

In late July, portfolio holding Iberdrola announced a new joint venture with Echelon (an Irish data centre company) to build and operate data centres in Spain.

The recent global expansion of Artificial Intelligence (AI) has necessitated the development of data centres worldwide to accommodate the storage, processing, and management of the vast volumes of data it produces. These data centres consume an immense amount of energy, and in the U.S and China they are predominantly being funded by ‘dirty’ energy sources, specifically 56% by fossil fuels in the U.S. and 70% by coal in China.


We are excited by the joint venture between Iberdrola and Echelon, as it represents a step forward in tackling this issue. Iberdrola are providing land connected to the electricity grid and will ensure a 24/7 renewable energy supply, predominantly from solar sources.


In recent years, Spain has established itself as the gateway for global data to the European continent, with more than 70% of data traffic to Europe passing through. This is due to Spain’s fibre optic network, submarine connections, availability of clean and competitive energy, and its developed electricity grid.


The agreement will be the largest of its kind in Europe, whereby Iberdrola will hold a 20% stake, and Echelon the remaining 80%. The first project the joint venture will carry out will be ‘Madrid Sur’, which is expected to be operational by 2030, and supplied by a solar photovoltaic plant to be built on site. Key facts and figures below:

Jobs Created	1,500
Project Complex Size	160,000 m ²
Data Processing Power	144 MW
Electricity Connection Secured	320 MW

Main SDG Alignments:

**7** AFFORDABLE AND CLEAN ENERGY

**13** CLIMATE ACTION


**9** INDUSTRY INNOVATION AND INFRASTRUCTURE

Iberdrola are driving the climate transition towards a new socioeconomic model that is climate neutral, resilient, sustainable and inclusive, and for this reason focus mainly on SDG 7 (affordable and clean energy) and SDG 13 (climate action). This case study in particular highlights their investments in renewable energy, digitalisation and electric mobility, making a direct contribution to SDG 9 (industry, innovation and infrastructure).

Company Profile:





Iberdrola are a Spanish energy company driving the energy transition with a focus on renewable energy, smart grids and large-scale energy storage. For more than 20 years Iberdrola have been committed to clean energy, with the aim of reaching 100,000 MW of renewable installed capacity for future development. As of H1 2025, Iberdrola has 47,624 MW of renewable capacity, consisting of 46.7% onshore wind, 30.0% Hydro, 17.5% solar, 5.3% offshore wind and 0.5% batteries. The company has a global reach serving around 100 million people in dozens of countries, from Spain and the UK to Mexico, the U.S. and Brazil. It already sells more than 11 TWh to tech companies and data centre operators worldwide, making it a leader in data centre electricity supply.

**CO₂ emissions**

23.13 million CO₂ emissions avoided

245,082 MW owned capacity in renewables



**+ 4.7 billion euros invested in renewable energies in 2024**

[1] Data Center Energy Needs Could Upend Power Grids and Threaten the Climate | EESI
[2] Energy supply for AI | IEA
[3] Iberdrola Press Room | Iberdrola

Market Review

Global stocks continued to climb higher during the quarter. UK domestic focused companies and Europe lagged the US, whilst Asian (notably Japan) and Emerging Market equities were strong performers. Japan has been benefiting from governance reforms and higher inflation which has driven more positive investor sentiment. Elsewhere, there has been a noticeable shift to more risky and speculative allocations, including unprofitable or highly valued companies. AI enthusiasm has been a noticeable driver of equity market returns, particularly in the latter stages of the quarter.

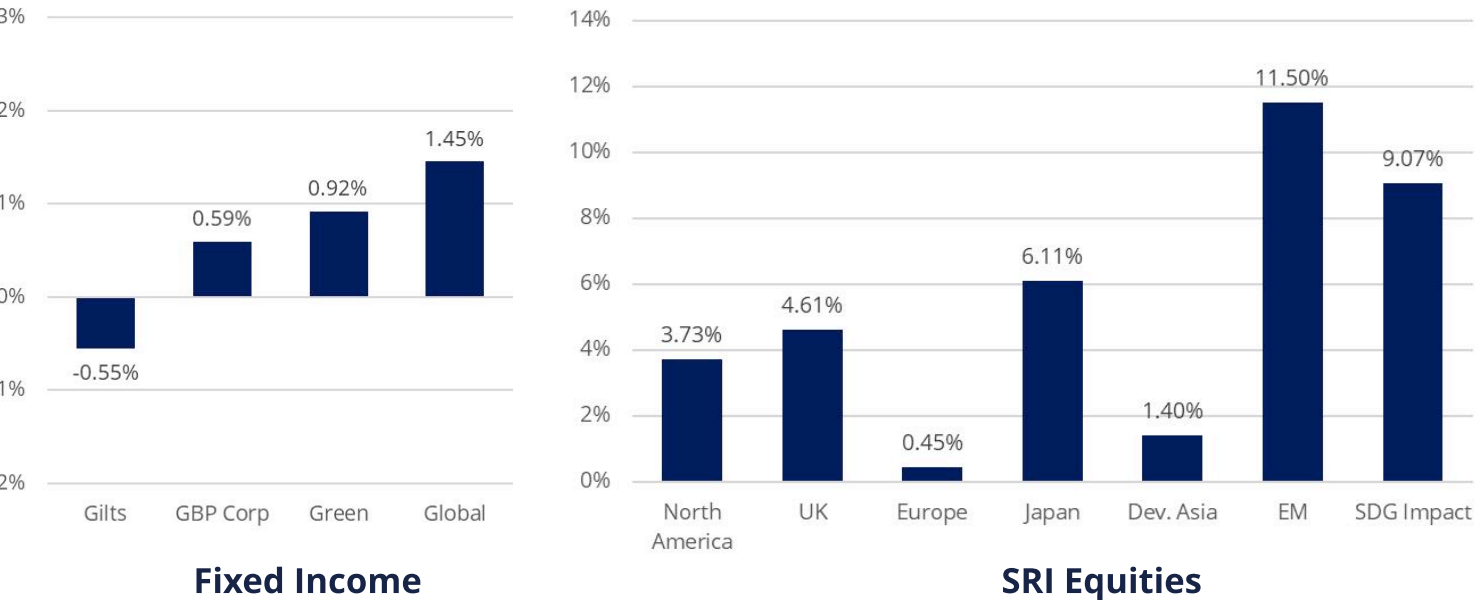
Risk assets have been buoyed by the first rate cut from the Federal Reserve since December 2024. The US jobs market has cooled, albeit not showing major signs of cracks, whilst inflationary spikes from Donald Trump’s tariffs have had a more limited effect on headline inflation figures for now, although there is evidence this is beginning to take effect. The US economy remains relatively robust, with second

quarter GDP coming in above expectations at 3.8% versus the expected 3.3%. This scenario, and the high possibility that the Federal Reserve eases again in October has supported risk assets.

The path for monetary easing in the UK is less clear given inflation concerns remain. UK assets have been weak during the quarter given political noise around the Labour government’s leadership and the tough task the UK chancellor faces at the budget in November. UK thirty-year gilts rose to a high of 5.748% after starting the quarter at 5.279%. A slightly more positive mood given the expectations for tighter fiscal policy saw the yield fall back to 5.506% by quarter end.

Asset Class Returns (Q3 2025)

The below asset class returns should be used as a guide only. The fixed income reflects traditional bond indices as well as a leading global green bond index. The equity market returns reflect that of Funds/ETFs that track the SRI Paris Aligned Benchmarks that make up the core part of the Brighter World portfolios equity allocation. Performance is quoted in GBP.



Portfolio Review

With the risk on sentiment, portfolios Emerging market exposure within the core SRI allocation contributed the most to performance, with the Amundi EM SRI Paris Aligned fund returning +11.09% in the quarter. In terms of developed markets, Europe SRI was the laggard, returning only +0.45%, whilst the USA SRI returned +3.73%, underperforming the UK SRI (+4.46%) and Japan SRI (+5.55%). A notable performer was the Xtrackers MSCI Global SDG fund, which focuses on sustainable impact companies supporting the United Nations Sustainable Development Goals; this returned +8.97% in the quarter.

Within the satellite thematic allocation, the VanEck Semiconductor ETF was the standout performer, returning +18.41% in the quarter, benefitting from the expected chip demand for AI as well as growing M&A within the sector. All other themes were contributors to performance, with JPM Climate Change Solutions, L&G Clean Water and Rize

Environmental Impact 100 returning +6.70%, +7.12% and +6.96% respectively. Portfolios world healthcare exposure returned +4.84%, rallying into the quarter end, with pharmaceuticals in particular getting a boost on positive tariff and drug pricing agreements between companies and the US government.

Within fixed income, global funds outperformed portfolios gilt exposure. Despite the flattening of the yield curve at the end of the quarter, shorter dated funds outperformed over the period. Property returned +4.94% during the quarter, led by broad returns including AI related REITs.

Portfolio Performance (Q3 2025)

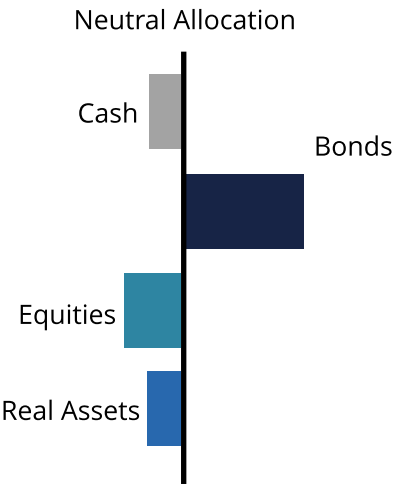
Brighter World Portfolio	3	4	5	6	7	8	9
Quarterly Return	1.61%	2.76%	3.46%	4.22%	4.81%	5.44%	5.96%

Asset Allocation Changes

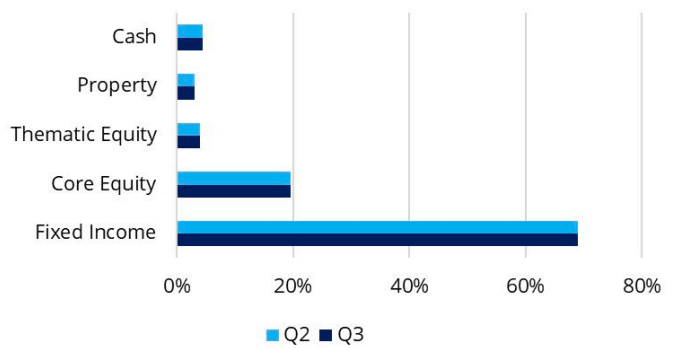
There were no changes to portfolio allocations during the quarter.

Portfolios sit above their neutral allocations for fixed income. We prefer shorter duration debt given the premium demanded for longer dated debt in the face of fiscal concerns. Whilst rates have started to move lower, expectations for rapid rate cuts are off the table for now so shorter dated debt offers an attractive return with more minimal interest rate sensitivity. Property remains a small allocation below neutral. We are below our neutral level for equity given the uncertain macro background, each portfolio is slightly above on their thematic allocation and slightly below on the core global exposure given the opportunities identified in areas such as healthcare.

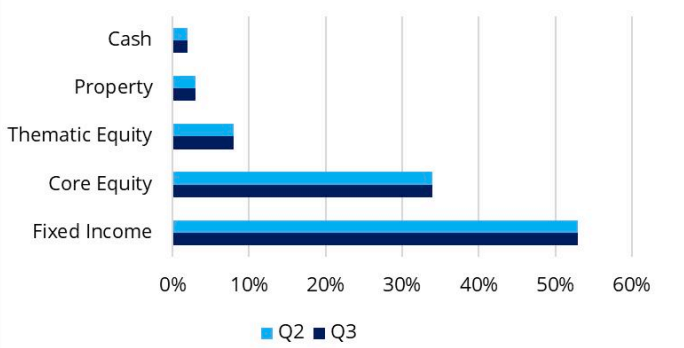
Asset Allocation Positioning



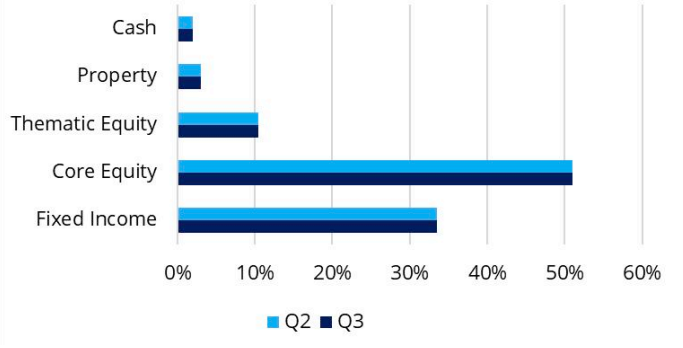
Brighter World 3



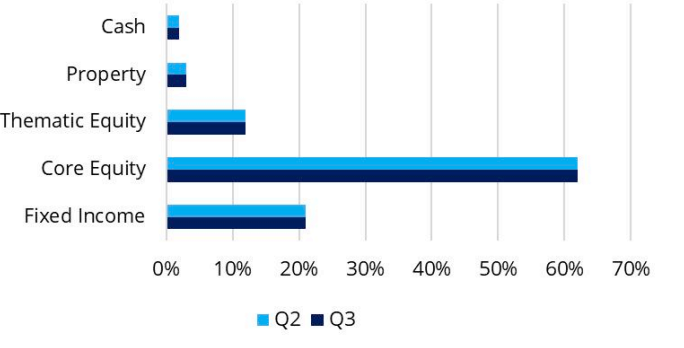
Brighter World 4



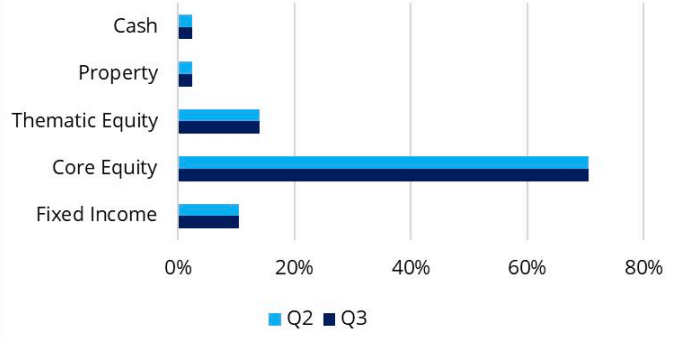
Brighter World 5



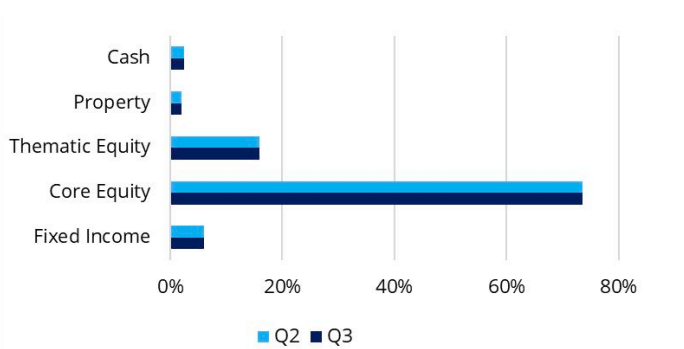
Brighter World 6



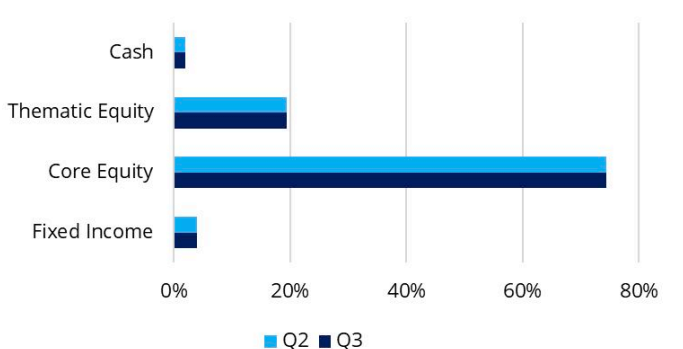
Brighter World 7



Brighter World 8



Brighter World 9



Outlook

Equity market confidence is largely driven by the AI growth story, which itself is rapidly gaining momentum. OpenAI have spending and investment plans close to US\$1 trillion, which impacts not just the known AI names, but the wider chip market, the electrification producers, electricity generators, and the even the real estate sector. There are a number of warning signals that the AI boom is now a bubble, with a number of tech veterans adding to the increased column inches and airtime given to this risk.

Outside of AI, the economic outlook remains more balanced as weakening economic data and stubborn inflation continues to muddy the water for central banks and interest rates. This itself remains set against a backdrop of increased political noise, either with the direct interference seen in the US or the budget paralysis in France. This continues to impact not only the short-term interest rates set by the central banks, but also the long-term interest rates set by markets, both of which have important ramifications for bonds, property, infrastructure and equity markets, as well as future business investment decisions. In the coming quarter, budgets in the UK & France, and central bank

decisions will be a key focus, alongside quarterly corporate reporting.

The question of economic growth remains open, with the big unanswered question remaining the impact of the tariffs that have taken effect since the Spring. This is now expected to become more evident as inventories built up ahead of the tariffs are used up. There have already been news reports, but markets will be keenly focused on comments made during the third quarter reporting season which begins in mid-October. There will be winners and losers, but this will feed through not only to individual share prices, but also into inflation expectations and therefore interest rates.

Whilst these two big but well known and versed questions dominate the outlook for the next quarter, quietly we have seen a recovery in key ethical sectors, notably; renewable energy, healthcare and social housing. This reflects a spreading of risks and the search for other opportunities outside of AI and makes the outlook for the next quarter far more balanced than we have seen for some time.

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