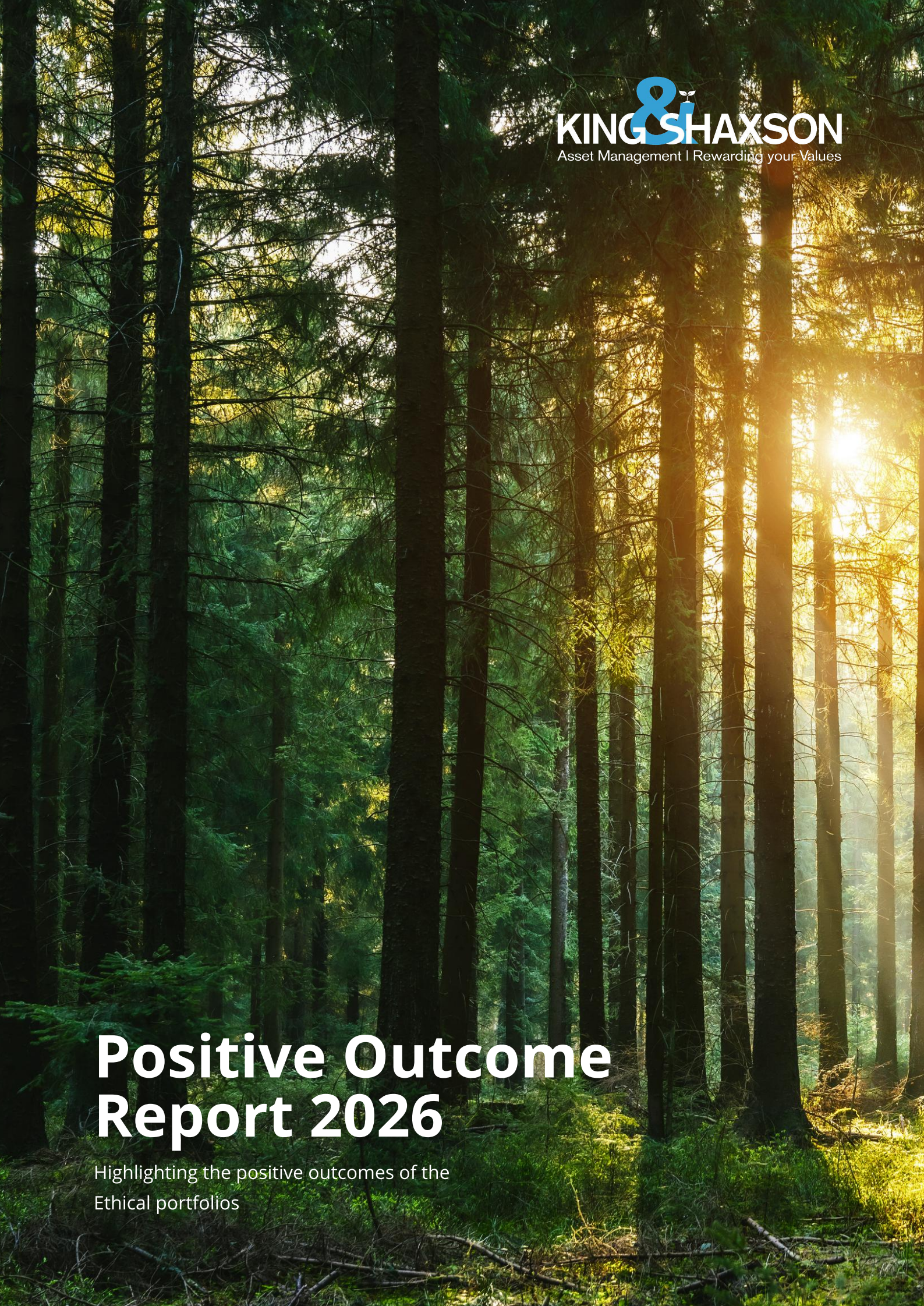


KING & SHAXSON
Asset Management | Rewarding your Values

Positive Outcome Report 2026

Highlighting the positive outcomes of the Ethical portfolios

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Introduction

The past twelve months have tested investors' resolve. The second half of 2025 was marked by bond yield volatility and policy uncertainty, before the outbreak of conflict in Iran in March 2026 brought turmoil to global oil markets and fresh volatility across asset classes. The resulting spike in energy prices was a stark reminder of the value of having greater control over energy supply.

Meanwhile, the scale of capital flowing into artificial intelligence has been difficult to overstate, with global data centre spending on course to exceed $1 trillion in 2026 alone. Market returns have become increasingly concentrated in a narrow group of AI and semiconductor stocks, and much of the broader market, including defensive sectors such as healthcare, has been overlooked as a result. With valuations across the AI value chain built on expectations of continued high spending, much of it financed through complex arrangements, we have maintained a cautious view.

The physical effects of climate change have also been hard to ignore. The summer of 2026 brought heatwaves, droughts and wildfires across much of the northern hemisphere, and the ten warmest Julys on record have all occurred since 2016. Adaptation is no longer a question for the future but a need today, a theme we explore in the first section of this report.

Against this backdrop, performance across our sustainable portfolios has continued to improve. Clean energy has recovered after a difficult period. Rising electricity demand, driven in part by AI itself, is spurring investment in new capacity, and renewables remain the quickest and cheapest form of power to add to the grid. Even in the US, where the current administration has sought to curb clean energy, additions in 2026 are expected to be roughly 25% higher than the previous record. Listed UK renewable infrastructure, which struggled in the second half of 2025, proved resilient during the initial sell-off that followed the outbreak of conflict, demonstrating its low correlation to other investments. Electric vehicles have also benefited, with elevated fuel prices accelerating the switch away from combustion engines.

Mindful of the risks that come with concentration, we have deliberately broadened portfolios away from AI-related themes. We have increased exposure to water and waste, a sector supported by the growing need for climate adaptation, and maintained our allocation to healthcare. Healthcare's low correlation to technology has proven valuable, providing resiliency in portfolios when markets are weak. Where portfolios do have exposure to the AI build-out, it is predominantly through the companies providing the physical infrastructure, efficiency and security it depends on, rather than the hyperscalers themselves.

The wider sustainable investment landscape is also shifting. 2025 was a difficult year for sustainable funds, but 2026 has brought a turnaround, with sustainable funds returning to net inflows in both the first and second quarters and global assets reaching a record $3.7 trillion. In the US, flows turned positive in the second quarter for the first time since 2022 (according to Morningstar data).

These developments come at a time when public funding for development is under pressure. The closure of USAID and tightening aid budgets across major donor governments have widened the financing gap for the world's poorest countries, making the role of private capital and labelled bonds increasingly important, a theme we explore in the inclusive finance section of this report.
We have continued profiling stocks in the Five Dimensions of Impact; a globally recognised framework that considers what outcome a company is contributing to, who experiences it, how much change is being delivered, the contribution the company makes, and the risks that could affect that impact.

Finally, next year marks a milestone for us: 25 years of offering ethical portfolios. While much has changed since we launched our first ethical portfolio, our commitment to aligning our clients' investments with their values has not.

We would like to thank all our clients for their continued support over the last quarter of a century, and we hope you enjoy reading this year's Positive Outcome Report.

The King & Shaxson Team.

Climate Adaptation & Mitigation

Water & Waste · Clean Energy · Food & Agriculture

The summer of 2026 was memorable for much of the northern hemisphere for numerous heatwaves, droughts and wildfires, but this is no longer the exception. The 10 warmest Julys on record have all occurred since 2016, with the top 4 all having occurred in the past 4 years. [1] The effects of climate change are no longer something that will happen in the future, we are living it here and now.

With the world experiencing increasing average temperatures, shifting seasons and a growing frequency of extreme weather events, the need for adaptation to a new global climate is paramount. The United Nations (UN) define adaptation measures as adjustments in ecological, social or economic systems in response to actual or expected climatic events, focusing most importantly on the impacts of these. The aim of these changes is to moderate potential damage, or to benefit from any opportunities that may arise, and it is seen as a critical component of the long-term response to climate change. [2]

The risks are high: the IPCC estimate that the physical impacts caused by global warming of 2°C above pre-industrial averages will cost $69 trillion by 2100. [3] Current policies in place around the world are projected to result in 2.6°C of warming by 2100, making this an optimistic scenario. [4]

There is also a significant human and societal cost, with the impacts of climate change resulting in health crises, food crises, forced displacement and social unrest amongst many others. Adaptation strategies are therefore vital to protect people, livelihoods and ecosystems in the long-term.

The need is urgent, but it is also an effective development investment. The World Resources Institute has identified that every $1 invested in adaptation and resilience generates more than $10 in benefits over a ten-year period. Adaptation investments should not be considered as just a protective measure that pays off when a disaster happens. The study defined adaptation investments as those aimed at reducing or managing physical climate risks. These include making infrastructure more resilient, utilising smarter agriculture, expanding health services and improving urban planning. The resulting developmental and social benefits of this generate value every day that often exceed the avoided losses. [5] Your portfolios include a range of investments that address both adaptation and mitigation.

Within Water and Waste, a sector we have been increasing in 2026 as we seek to diversify outside of AI-related trades, Advanced Drainage Systems (ADS) addresses the adaptation theme. Their stormwater solutions mitigate the impact of water-related climate events by capturing and reclaiming water. They are directly addressing the growing gap between the frequency of storm events and the slow pace of infrastructure improvement. The scale of this gap is stark, with stormwater infrastructure one of only two categories that received the lowest grade in American Society of Civil Engineers' 2025 Infrastructure report, due to its severely ageing infrastructure. [6] The US has spent an estimated $850 billion responding to stormwater disasters over the last 25 years, yet federal funding covers only 30% of the estimated $99 billion that is required annually to adapt to the growing threat of extreme water climate events. [7] This is precisely the gap ADS' solutions seek to address, which are capable of managing 3 million gallons of water per minute during storm events.

A changing climate also poses significant risks to our food and agricultural systems. Altered rainfall patterns lead to more frequent droughts and floods, damaging crops, eroding soil and shortening growing seasons. Livestock are vulnerable to heat stress, whilst rising temperatures also increase the prevalence of parasites, pests and diseases affecting animals and plants. The effect of this is falling crop yields and quality of food, at a time when the demand for food continues to grow. 2026 is also an El Niño year, a naturally occurring phenomenon which causes disruption to weather patterns that impacts agricultural output and commodity prices. However, the effects of these events are expected to increase in their intensity as the baseline level of warming increases, whilst 2026 is expected to see further exacerbation due to geopolitical disruption to fertiliser supply chains. [8]

In previous years, we have covered Lindsay who provide precision irrigation for farmers, but Deere & Co's footprint across the global agricultural landscape is colossal, and is taking a number of important steps to improve the sustainability of farming through precision agriculture technologies that help improve crop productivity at the same time as reducing fertiliser use and associated greenhouse gas emissions.

Their See & Spray product provides cameras mounted on the boom to identify weeds, and individual nozzles spray only where a weed is detected, instead of blanket-spraying a field. In 2025 it was used across more than five million acres, and customers cut non-residual herbicide use by an average of nearly 50%, saving close to 31 million gallons of herbicide mix. Independent university trials in seven US states found average soybean yield gains of two bushels per acre, with up to 4.8 bushels in some trials, compared with broadcast spraying.

Whilst the need to accelerate investment into adaptation is becoming increasingly evident, this should not be at the expense of mitigation efforts. The build-out of clean energy technology continues to happen at pace, and this is despite politics in many regions. Instead, rising demand for electricity is spurring investment in new capacity. 2026 clean energy additions in the US, for example, are expected to be roughly 25% higher than the previous record, despite the efforts of the current administration. [9] Renewables, particularly solar, are the quickest and cheapest forms of energy to add to the grid and are therefore essential to meet the surging demand for power. In fact, it is expected that 79% of all new electric generating capacity in the US will be through solar and storage for 2026. [10]

Portfolios continue to have exposure to clean energy investments, and the performance of this sector has been much more positive over the last year after a difficult period. Alongside the aforementioned energy demand story, the energy price volatility caused by the conflict in the Middle East has seen an acceleration in the uptake of solutions that facilitate countries and corporates having more control over their own supply. Despite this, there have still been notable periods of volatility within the sector, particularly in offshore wind. This was policy-driven, with President Trump halting the construction of several wind farms in the US, before being overturned in the courts. Ørsted, the Danish developer and operator of wind farms, was a company in particular that got caught in the crossfire.

Listed UK renewable infrastructure names continued to struggle in the second half of 2025 amidst yield volatility and policy uncertainty. These investments have shown their diversification qualities in the first half of 2026, displaying low correlation to other investments. In particular, they proved resilient during the initial volatility at the outbreak of conflict in Iran.

[1] Record-breaking heat and extreme weather continue | The World Meteorological Organization; [2] Adaptation & Resilience | UNFCCC; [3] Global Warming of 1.5 ºC | IPCC; [4] Emissions pathways to 2100 - Climate Action Tracker | Climate Action Tracker; [5] Climate Adaptation Investments Yield Massive Returns | World Resources Institute; [6] Stormwater Infrastructure | Infrastructure Report Card; [7] Infrastructure report card shows overall progress water systems | Smart Water Magazine; [8] What El Niño means for agricultural commodities in 2026 | IFA Magazine; [9] Trump tried to curb clean energy. It's booming anyway | The FT; [10] EIA Today in Energy | EIA





Did you know?

According to Duratite, the roof is typically the largest source of heat loss in a heated building, accounting for around 25-35% of total heat loss in poorly insulated sites. Insulation, with payback periods of around 3-7 years, offers one of the most effective decarbonisation measures given it reduces energy demand at source. The UK's Building Regulations have introduced significantly tougher requirements on construction projects, meaning all new and renovated buildings need more or better-performing insulation.

Portfolio Holding Case Study:

Owens Corning

According to Terra Instinct, buildings account for around 38% of global energy-related carbon emissions. Of the global total, 28% is for operational aspects such as heating and cooling. Owens Corning is seeking to have a positive impact in the building-products segment by cutting building energy use through insulation.

What: The core positive outcome is lower energy use and emissions in buildings, mainly delivered through insulation. They report circa 51% of their revenue is from energy-efficient and emissions-lowering products.

Who: The main beneficiaries are homeowners and building occupants in North America and Europe, as well as the wider climate benefits through avoided emissions. Much of the housing stock in these regions is under-insulated.

How Much: Whilst the company does not publish headline avoided-emissions figures, through third party research we can identify that their products have avoided 33 million metric tonnes of CO2 emissions. This means the scale is large and the duration of the impact is long given they perform during the life of the building. Their fibreglass insulation, for example, saves around 12 times the energy used to make it in the first year of use, meaning there is a quick payback period.

Contribution: This is considered moderate given the competitive market place, although they have a distinct contribution given the lower embodied carbon of their products versus some peers. This is made possible through advancements in electric melting allowing for some products to be made with 100% renewable electricity whilst they also produced North America's first formaldehyde-free mineral wool. The contribution as investors is through signalling and any engagement via underlying fund managers.

Risk: The overall impact risk is perceived as moderate. There is a narrowing climate-solutions revenue although this predominantly stems from an acquisition. Meanwhile, one of the major external risks includes their dependency on housing starts, remodelling activity and tighter regulations, with residential markets softer given rising rates. Execution against their climate-related targets can be monitored through their non-financial disclosures.

Sustainable Development Goal Alignment	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES
Revenue Alignment	**51%**
Impact Themes	CO_2 33 Million Tonnes of CO2 Avoided

Mobility

Battery Electric Vehicles · Rail

Mobility is a key theme within portfolios and covers a range of companies across the value chain, from the makers of components up to the large manufacturers of finished goods. The portfolios' focus when it comes to mobility within the auto sector is on new energy vehicles, where we have witnessed the struggles of Western manufacturers against Chinese competition.

BYD and Contemporary Amperex Technology (CATL) have increasingly appeared in portfolios over a number of years as the sector's landscape has become clearer, with Chinese manufacturers now firmly established as the global force in both vehicles and the batteries that power them.

In 2025 BYD overtook Tesla as the world's largest seller of battery electric vehicles (BEVs), delivering approximately 2.26 million BEVs, a 27% increase year-on-year, compared to Tesla's 1.64 million, reflecting a steep consecutive year-on-year decline. [1] BYD's growth has been fuelled by competitive pricing, deep vertical integration and rapid international expansion. With a highly saturated Chinese domestic market, their overseas strategy has been vital, which saw deliveries rise 150%. They do not rely solely on exports from China, with the company constructing local manufacturing capacity to access key markets, including facilities in Brazil and Hungary. [2]

CATL's inclusion reflects the picks-and-shovels opportunity within the EV transition. They provide portfolios exposure to the critical enabling technology across the sector as the world's largest EV battery manufacturer, commanding a 40.7% global market share. [3] They supply batteries to a broad customer base across international automakers, and are therefore not tied to the fortunes of a single brand but rather the structural shift away from combustion engines to battery-powered vehicles.

This structural shift continued at pace in 2025, with global electric car sales rising 20% year-on-year, meaning that one in every four new cars sold worldwide is now electric. China was the epicentre, with EVs accounting for 55% of new car sales, whilst growth in emerging markets was striking. In regions such as Southeast Asia and Latin America, sales rose as much as 80%, driven by the increasing availability of affordable Chinese models. [4]

The turmoil in global oil markets following the outbreak of conflict in Iran in March 2026 has provided further incentive for consumers to switch from combustion engine to electric. In the first four weeks of the war, France, Germany and the UK experienced a 44% year-on-year increase in EV orders, whilst in South Korea the number of transactions more than doubled. Elevated fuel prices increased the relative affordability of switching to an electric vehicle, particularly the affordable Chinese models. Unsurprisingly, Chinese exports of electric vehicles set new records during this period. [5]

BYD and CATL are not just beneficiaries of the transition to electric mobility, they are actively facilitating and accelerating it through their manufacturing and technological leadership which is making EVs a viable alternative to internal combustion engines. BYD's advantage stems from its deep vertical integration, unlike most automakers they manufacture their own batteries, semiconductors, motors and power electronics in house, allowing faster innovation than rivals dependent on external suppliers. [6] Their second-generation Blade Battery has extended EV range beyond 1,000km, whilst their flash charging technology can reach 97% in 9 minutes. [7] This directly addresses two key drawbacks for consumers in adopting EVs: range anxiety and the length of time it takes to charge the car versus a traditional petrol pump.

CATL, meanwhile, invests heavily in Research & Development across a network of 6 global research centres and around 23,000 R&D personnel. This scale of investment is translating directly into commercial breakthroughs: in February 2026 they unveiled alongside Changan Auto the first mass-produced passenger vehicle equipped with sodium-ion batteries. [8] This is significant for broader proliferation of EVs because it reduces reliance on lithium, a resource that is concentrated in relatively few regions, whilst also improving cold-weather performance which has historically been a barrier to adoption for some regions. In each case, rather than simply benefiting from EV demand, BYD and CATL are engineering away the barriers that have held adoption back and in so doing accelerating the transition.

Outside of autos, railways are a key theme within mobility as they are the most energy-efficient and most electrified way to move people and goods over land. That makes it one of the few transport modes that can already run largely on clean power, rather than waiting for battery or hydrogen technology to mature. The International Energy Agency reports that rail carries about 8% of the world's passengers and 7 percent of global freight transport, but represents only 2% of total transport energy demand.

Three-quarters of worldwide passenger transport takes place on electrified rails, up from 60 percent in 2000. However, as we see in some parts of the UK, diesel engines are heavily relied upon, which emit roughly three times as much carbon per passenger kilometre compared to electrified rails. [9] As a result, battery technology will play a vital role in bridging the gap, and various investments within the portfolio such as the case study below are seeking to advance this technology as a credible solution.

[1] BYD overtakes Tesla as world's biggest EV seller in 2025 | Carbon Credits; [2] BYD accelerates global EV expansion as Chinese automakers capture dominant market share | EV Tech; [3] Global EV battery market share | CnEV; [4] Global EV Outlook | IEA; [5] Bloomberg Green Newsletter, 28/04/2026; [6] Charging News: The blueprint of an EV empire | EV Boosters; [7] BYD.com; [8] CATL.com; [9] Train Vs Car | Northern Railway

Rail in Focus:

Record Breaking Battery Train

In January 2026, Great Western Railway (GWR) introduced the UK's first battery-only powered train into commercial operation after almost two years of trials. The company has been trialling new solutions for regional trains that currently rely on diesel engines. The introduction provides a credible solution for the industry, allowing for older diesel fleets to be replaced sooner. FirstGroup's previous orders of electric trains from Hitachi Rail, a portfolio company, are set to come into operation next year on the London Paddington to Carmarthen routes. With electrification a feasible option, more deals are being announced, including in September 2026, where TransPennine Express signed a £1bn deal with Alstom for the delivery of 29 new battery-electric trains to operate in the North of England. This will deliver benefits for the environment as well as the UK economy, with the trains to be built in Derby.



Digital Infrastructure & AI

Infrastructure · AI Enablement

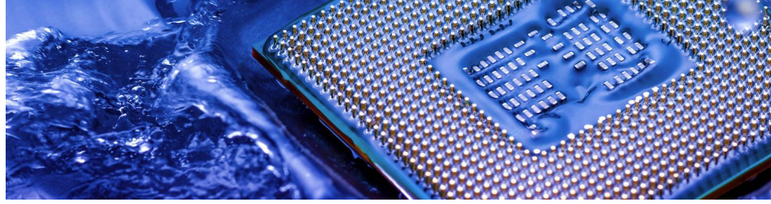
The scale of capital now flowing into artificial intelligence is difficult to overstate. Global data centre capital expenditure is on course to exceed $1 trillion in 2026 alone, and according to new long-range projections from PwC and Oxford Economics, cumulative investment in AI infrastructure will reach $31.6 trillion by 2050. [1] Portfolios have limited direct exposure to the mega-cap AI “hyperscalers” driving this spending (names such as Meta, Amazon etc.), but this section looks at where portfolio companies are positioned as beneficiaries of the buildout, providing the physical infrastructure, components and security that underpin it.

The scale of capital committed, much of it financed through complex arrangements and circular financing, has raised legitimate questions about the durability of these levels of investment. [2] With valuations in the AI value chain fuelled by expectations of continued high spending, we have a cautious view. Power availability is increasingly seen as the binding constraint on how quickly this infrastructure can be built, linking this theme directly to the energy transition discussed earlier. [3] Further, there is growing political backlash against the build-out of data centres and AI development more broadly. It is against this backdrop: vast committed capital, real execution risk, and an increasingly central focus on resource demand, that we assess the portfolio companies providing solutions to the challenges AI infrastructure build-out creates.

Data centres are, by their nature, high-energy businesses with a significant environmental footprint. Portfolios have exposure to a number of companies who are leading in making practices more sustainable. For example, Equinix, who operate data centres, sourced 96% of its electricity from renewable sources in 2025, while continuing to improve energy efficiency and use technologies such as liquid cooling to reduce the energy needed to operate its facilities. Digital Realty, another operator, sourced 93% of its electricity from renewable sources in 2025 and is investing in solutions such as water-free cooling to reduce its environmental footprint. Another operator, Iron Mountain, has matched 100% of its data-centre electricity consumption with renewable energy annually since 2017 and aims to achieve net zero emissions from its own operations by 2030. All three are actively expanding to accommodate greater AI capacity, but continue to keep sustainability at the forefront of their operations.

Portfolios’ electrification holdings provide picks & shovels exposure to AI infrastructure build-out, with a focus on improving data centre efficiency. ABB improves the efficiency of power distribution and cooling through high-efficiency motors, variable-speed drives, uninterrupted power supply systems and digital energy-management technologies, allowing cooling equipment to respond dynamically to demand and reducing electricity losses. [4] Prysmian provides the high- and medium-voltage cables needed to deliver increasing quantities of electricity reliably, alongside high-density fibre-optic systems that enable fast data transmission and efficient interconnection between facilities; its monitoring technologies can also identify issues with power delivery before they affect operations. [5] Siemens focuses particularly on automation and digital management, integrating building-management and electrical-power systems to give operators real-time visibility over energy use, cooling and other infrastructure, enabling more efficient operation and predictive maintenance. [6] Together, these technologies help data centres accommodate rising computing and AI workloads while reducing energy consumption, improving reliability and maximising the utilisation of existing infrastructure.

[1] Global Investment in AI Infrastructure | PWC; [2] AI Data centre Investment 2026 | Intellectia; [3] Data centre outlook | PWC; [4] Keeping data centers reliable under rising power demands | ABB; [5] Data centres | Prysmian; [6] Data centres industry | Siemens



Portfolio Holding Case Study:

Mega Union

Mega Union is a Taiwanese engineering firm that designs, builds and maintains ultrapure water and wastewater reclamation systems for semiconductor fabs (fabrication facilities which make circuits and microchips). It also runs a recurring services arm covering resin regeneration, RO membrane cleaning, water treatment chemicals and consumables. They are playing an important role in improving the sustainability of the semiconductor sector.

What: The core positive outcome is lower freshwater use and less wastewater discharge at semiconductor and high-tech fabs, through ultrapure water (UPW), wastewater reclamation and waste-liquid recovery systems, which includes turning waste chemicals back into industrial-grade inputs.

Who: The direct customers are a small number of large chipmakers, but the people and ecosystems that benefit most are those sharing water basins with fabs in water-stressed Taiwan, and increasingly Arizona. Taiwan’s 2021 drought forced agricultural water cuts to keep fabs running whilst Arizona is in long-term drought. Their services improve the aquatic ecosystems through lower loads of fluoride, ammonia-nitrogen, heavy metals and synthetic chemicals.

How Much: The company’s commercial scale is large and continues to grow, with revenue rising 64.2% in 2025. Their reclamation systems are used by over 30 leading semiconductor firms, including TSMC, who are responsible for producing over 70% of the global market. In terms of impact metrics, in 2025, 168,713 metric tonnes of process water was saved through Mega Union’s closed-loop consumable-regeneration services (about 67 Olympic swimming pools), whilst 224,434 metric tonnes per year estimated water savings from recycled-water systems installed at client sites.

Contribution: The need to save water is essential due to drought risk and regulation in Taiwan. Mega Union is a leading local specialist and its chemical-recovery work goes beyond the standards required. Their service provides circularity to fabs, with resin regeneration and membrane cleaning extending consumable life, an area where fabs would otherwise buy new. Their services are also being exported to places in the US such as Arizona which faces water-stress and has less established supply chains around circularity. As a result, they are contributing to solutions.

Risk: The company’s revenue is tied to semiconductor capex which has historically been very cyclical, whilst one client, TSMC, accounts for over 70% of revenue. A capex slowdown would cut new reclamation capacity, which would be significant if the slowdown came from TSMC. Enabling fab expansion in water-stressed Arizona may raise net basin demand even with reclamation.

Sustainable Development Goal Alignment	6 CLEAN WATER AND SANITATION
Revenue Alignment	**100%**
Impact Metric	393,147 metric tonnes of process water saved/recycled

Cybersecurity

AI as both threat and defence

A significant consequence of the growth in sophistication of AI is the risk that it poses to cybersecurity. According to the World Economic Forum's Global Cybersecurity Outlook 2026, 94% of leaders now identify AI as the single most significant driver of change in the cyber threat landscape, with 87% flagging AI-related vulnerabilities as the fastest-growing risk category over the past year. [1] The nature of the threat is evolving quickly; deepfake-enabled fraud increased by an estimated 700% in 2025, whilst AI-generated phishing made up more than half of all phishing emails reaching inboxes by the end of the year. [2] The consequences are financially material too, IBM's 2026 breach research found that AI-enabled breaches cost organisations an average of $6 million, roughly $1 million above the global average for breaches generally, driven largely by deepfake impersonation and AI-enabled malware. [3] Whilst AI is arming attackers with greater speed, scale and realism, it is also central to the defensive response, with detection tools increasingly relying on AI to identify anomalous behaviour faster than traditional, manually-monitored systems can. This dual role, AI as both threat and defence, reinforces cybersecurity's position as a structural growth theme.

Cisco Systems, held within portfolios, plays a vital role in securing and connecting networks for essential services, such as utilities, governments, schools and telecoms networks. Their security platform, Splunk, provides security-related analytics, whilst their wider security portfolio includes firewalls and secure access for systems and applications. They ensure critical services remain running, whilst their networking products are energy-efficient, a notable positive when it comes to cutting energy use in data-centres. Its Networking Academy targets 25 million more learners trained in digital and cybersecurity skills by 2032; 11.9 million have been trained so far between 2023-25.

[1] Global Cybersecurity outlook 2026 AI Fraud Resilience | Kiteworks; [2] AI Phishing 2026 | Decode IT; [3] AI Cyber Attack Statistics 2025 | Deepstrike



43%

the proportion of UK businesses who reported having experienced any kind of cyber security breach or attack

19%

the proportion of UK businesses who reported that the breach or attack led to a negative outcome

Source: Cyber security breaches survey 2025/2026 | UK Government

Inclusive Finance & Sustainable Development

Financial Services · Education

Access to finance remains one of the clearest levers for reducing poverty and building economic resilience, and the past year has seen progress on this front even as the broader funding landscape has become more strained. 1.3 billion adults remain entirely outside the formal financial system, and the gap is heavily concentrated; over half of the world's unbanked live in just eight countries. Further, women continue to make up the majority of those excluded, at 55% of the total. [1] This is the core issue that portfolios' exposure to finance seeks to address.

This work has become more urgent, not less, as traditional flows have come under pressure. Funding to the multilateral development system fell sharply in 2024, with further reductions expected through 2027. [2] This is driven by tightening budgets across major donor governments and the continued fallout from the closure of USAID, historically one of the largest bilateral providers of development assistance. Multilateral development banks face growing pressure to do more with less, and to mobilise greater private capital to fill the widening gap. [3] This is where blended finance structures that de-risk emerging-market investment for private capital are becoming increasingly central to how development finance functions in the current environment.

Portfolio exposure to development finance comes through the fixed income allocation of portfolios, with a focus upon labelled bonds. Labelled, or impact, bonds have grown into an extremely powerful tool to address environmental and social issues. The green bond market in particular has matured into an asset class that has proven to be a viable investment to tackle climate change, whilst being a suitable alternative in portfolios to conventional bonds with issuance across regions, sectors and issuers.

The scale of this market is now considerable; cumulative labelled sustainable bond issuance, spanning green, social, sustainability, sustainability-linked and transition bonds, reached $6.8 trillion by the end of 2025, with total annual issuance of approximately $1.1 trillion for the year. Green bonds remain firmly the dominant instrument, accounting for 61% of 2025 issuance, though the composition of the wider market continues to evolve. [4] Social bond issuance eased as spending normalised after the elevated pandemic-era programmes, whilst blue bonds, financing ocean and water-related projects, more than doubled year-on-year, albeit from a small base. Within portfolios, this depth and diversity of issuance is precisely what makes labelled bonds a genuinely investable alternative to conventional fixed income, rather than a niche allocation.

Last year's report focused on impact bond issuers predominantly around climate, including a focus on the Asian Development Bank. This year, we focus on the International Development Association (IDA) and their financing, which is only accessible to countries in a situation of relative poverty indicated by their per capita income being below the $1,365 level and/or a lack of creditworthiness.

[1] Financial inclusion at record high but 1.3 billion still un-banked | BIIA; [2] Multilateral Development Finance 2026 | OECD; [3] Too big to fill gaps in development finance post US Aid | Security Conference; [4] Sustainable Bond Report 2025 | ICE

Impact Bond Issuer in Focus:

International Development Association

The International Development Association (IDA) finances governments of the world's poorest countries on terms far softer than any commercial lender. Its credits carry no or low interest, and countries at high risk of debt distress receive grants instead of loans. Where the International Bank for Reconstruction and Development, the World Bank's other arm, lends to middle-income countries at near-market rates, IDA serves countries that cannot borrow affordably elsewhere.

Proceeds finance a mix of green and social projects such as primary education, basic health, clean water and sanitation, infrastructure, the business climate and institutional reform. They are constructed under a framework aligned with ICMA's Green, Social and Sustainability Bond Principles. IDA works in three-year funding rounds called replenishments.

Beyond funds, IDA provides policy advice and research, helps countries manage their debt, and coordinates crisis response for shocks such as pandemics, droughts and conflict.

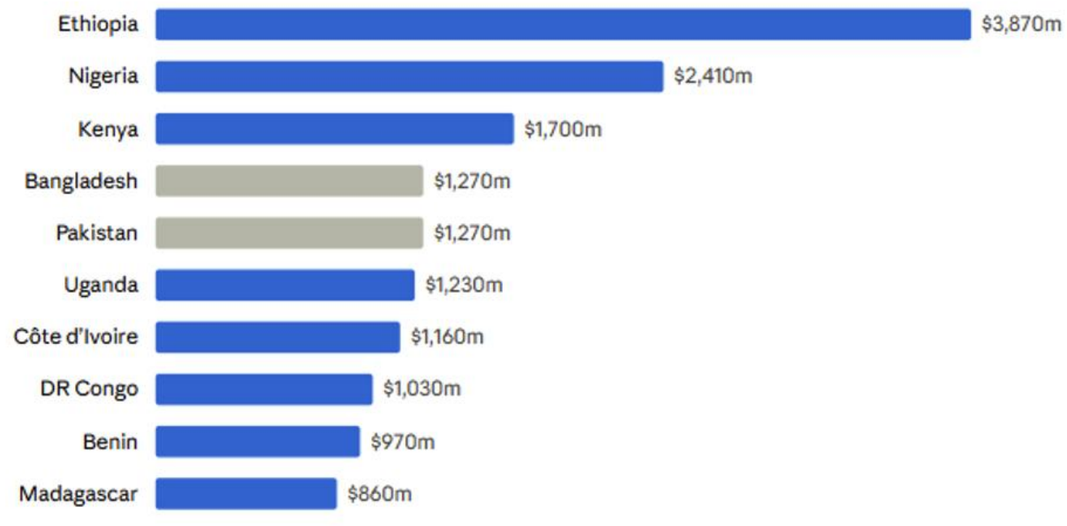
IDA widens access to finance in two ways: through governments, by funding financial-inclusion programmes, and through the private sector, via its Private Sector Window (PSW) with International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency. The PSW backs IFC's $4bn Micro, Small, and Medium Enterprises Finance Platform, de-risking credit and currency exposure in low-income countries; the platform targets women-owned firms, agriculture and climate businesses.

Typical deals carry a women's earmark. For example, a 2026 $20m IFC loan to Vista Bank Guinea, backed by the PSW Blended Finance Facility, reserves at least 25% for women-owned or women-led businesses. A similar IFC loan to La Régionale Bank in Cameroon had a particular emphasis on women customers with a 25% minimum allocation.

Exposure to development banks, such as the IDA, predominantly comes through the HSBC Sustainable Development Bank Bond fund.

IDA's Ten Largest Borrowers (predominantly Africa)

Top 10 IDA commitments, FY26 (Jul 2025–Jun 2026). Bangladesh and Pakistan (greyed below) are the only non-African countries in the top ten; Uzbekistan and Tajikistan are the largest borrowers outside Africa and South Asia.



Source: International Development Association

Health

Health & Wellbeing

The second half of 2025 saw healthcare stage a recovery after a difficult first half, where US policy uncertainty, tariff threats and pressure on drug pricing negatively impacted sentiment in the sector. As these risks eased, alongside strong sector fundamentals including demographics and product innovation, momentum returned which continued into the start of 2026, where its defensive qualities proved resilient in the face of macro and geopolitical volatility. Since then, a period of concentrated returns led by AI and semiconductors has seen these fundamentals overlooked and the sector has lagged. [1] Healthcare has a relatively low correlation to technology, and so we continue to favour the sector for the diversification it brings. In the first half of 2026, a basket of global technology stocks dropped 2% or more on 13 days, on those days a basket of global healthcare stocks outperformed by an average of 2.6%. [2]

Alongside its defensive characteristics, healthcare innovation continues to offer opportunities to deliver positive social outcomes, with advances in drug discovery, biotechnology, precision medicine and AI enabling more effective treatments and earlier diagnosis. AI can accelerate drug development by identifying potential drug candidates, analysing complex biological data and improving the efficiency of clinical trials, while its application in medical imaging can help clinicians detect diseases earlier and more accurately. These developments are supporting progress in areas such as obesity, diabetes and cancer. For example, Eli Lilly is developing treatments that address obesity and metabolic disease, while AstraZeneca is advancing targeted cancer therapies that can improve treatment options for patients. Together, these advances demonstrate the potential for healthcare to combine long-term investment opportunities with tangible social benefits through improved patient outcomes, more efficient healthcare delivery and, ultimately, wider access to effective treatments.

[1] A mid year check up on the healthcare sector | Janus Henderson; [2] Bloomberg



Portfolio Holding Case Study:

Edwards Lifesciences

Edwards Lifesciences is a US medical technology company that specialises in treating heart valve disease. Heart valves keep blood flowing the right way through the heart. In older people especially, valves can stiffen or leak, causing breathlessness, fatigue and, if left untreated, early death.

What: The core outcome is survival and quality of life for people with structural heart disease, delivered with far less physical burden than open-heart surgery. Without valve replacement, up to 50% of severe aortic stenosis patients die within two years of symptom onset, and severe tricuspid regurgitation carries over 20% one-year mortality. [1]

Who: The people who benefit are mostly older patients in high-income health systems, a group that is well served overall but contains sizeable undertreated sub-groups. In 2025, 58% of sales were in the US, 25% in Europe, 6% in Japan and 11% in the rest of the world. Through their foundation and philanthropic initiative, Every Heartbeat Matters, they seek to provide additional support to underserved structural heart patients.

How Much: The impact is large in scale, deep for each patient (life-or-death outcomes) and long-lasting, now backed by seven- to ten-year valve durability data. They report that over 1.2 million people have been treated with its SAPIEN valves worldwide. Meanwhile, more than 4m underserved structural heart patients reached since 2020 through their foundation, against a 2.5m target; with a new goal of 2m more by end-2030 (this includes screening and education).

Contribution: Edwards developed one of the first artificial heart valves in 1960 and brought keyhole aortic valve replacement (TAVR) to market in Europe in 2007 and the US in 2011. This innovation has continued: EVOQUE, the first approved transcatheter tricuspid valve replacement; SAPIEN M3, the first transcatheter mitral valve replacement through a vein, approved in 2025; and in October 2026, the first surgical pulmonary valve for children. They spend over $1bn a year on research and development (R&D). Competition in some of their categories has increased meaning their contribution has become lower over time, but their innovation in the sector is notable.

Risk: Evidence and endurance risks are low, but execution risk, and external (reimbursement, hospital capacity) and stakeholder-participation (undertreatment) risks limit how much of the potential benefit reaches patients. As with the wider sector, tariffs and litigation costs remain a risk, as does wider competition which is mitigated by their focus on R&D. Acquiring early-stage technology remains part of its model, which can at times face blocks from regulators over competition concerns.

[1] Edwards Lifesciences Corporate Impact Report

Sustainable Development Goal Alignment	3 GOOD HEALTH AND WELL-BEING
Revenue Alignment	**100%**
Impact Metric	1.2 million people have been treated with its SAPIEN valves worldwide $1bn per annum spent on R&D

Biodiversity & Construction

Housing & Construction · Biodiversity

The UK Government recently published a summary of a national security assessment on global biodiversity loss and ecosystem collapse which found that every critical ecosystem is on a pathway to collapse. [1] The WWF also found the average size of wildlife populations has declined by 73% since 1970. [2] Nature loss is not only an environmental challenge but an economic and societal one, with half of global GDP dependent on nature in some way. [3]

With so much of the economy resting on healthy ecosystems, and the outlook for those ecosystems deteriorating, nature is increasingly a question of capital allocation as well as conservation. Businesses that depend on nature face rising risks to their supply chains and costs, while those that help to protect and restore it are positioned to benefit from a nature economy estimated at up to $10.1 trillion a year by 2030. [4] Whilst biodiversity remains a nascent investment segment, with only a limited number of funds explicitly adopting biodiversity as the core investment theme, portfolios gain exposure to companies protecting or restoring biodiversity. The following example provides a case study of Stantec, who are a leader in sustainable engineering, architectural planning and environmental services.

[1] Nature Security Assessment on Global Ecosystems | UK Government; [2] Decline in wildlife populations since 1970 | WWF; [3] Living planet report | WWF; [4] New nature economy report - the future of nature and business | WEF

Portfolio Holding Case Study:

Stantec

What: Stantec's impact comes through the projects it plans and designs, working on water, energy, buildings and infrastructure projects. This includes sanitation, water reuse, cleaner rivers, grid connections for renewables, lower carbon buildings, resilient transport and low carbon manufacturing.

Who: Stantec's direct clients are mostly governments, utilities and companies, but the people affected are the communities and ecosystems its projects touch. Much of its work is public infrastructure, so beneficiaries include lower-income and underserved communities, especially in its international water and development work. A summary of key stakeholders and how they are affected based on previous or ongoing activities:

Stakeholder	How they are affected
Ecosystems and species	Restored rivers, wetlands, prairies, marsh and coastal habitat; fish passage (salmon, steelhead, Pacific lamprey); native plant communities
Communities	Safe water, sanitation, flood protection, transport
Indigenous communities	Klamath restoration with Indigenous Nations; C$104m revenue through Indigenous business partnerships in Canada; offsets from Indigenous-led forest conservation; loan savings donated to Indigenous climate action
Coastal and island communities	Resilience and marine capacity building (South-Western Indian Ocean, Guinea fishing villages)

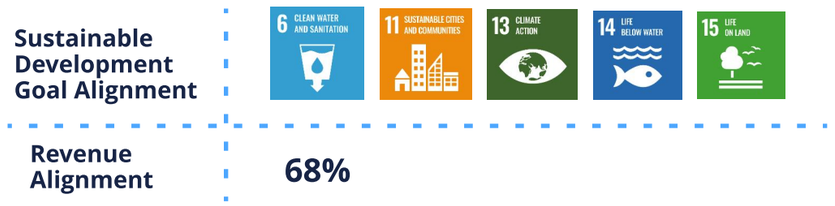
How Much: The scale of their work is large, spanning thousands of projects across six continents. Depth and duration are greatest in restoration, where outcomes are long-lasting and measurable at project level. In 2025, they report that 68% of their revenue is aligned to the United Nations Sustainable Development Goals. Some of their key impact metrics can be found below:

Metric	Figure
Land restoration to date	68,000+ acres (cumulative)
Restoration specialists	700+ employees
Native plants sold, 2025	668,690+; enough seed and plants for circa 3,100 acres
Klamath Basin	400+ miles of salmon habitat reopened; 2,200 acres re-vegetated
Cedar Island marsh	35+ acres restored (design)
EU LIFE evaluations	Circa 1,300 proposals a year, for a decade+

Contribution: In general, much of Stantec's contribution could be covered by peers, although their contribution in biodiversity is stronger. Few peers combine large-scale ecosystem restoration and a native plant nursery with engineering design, and Stantec often pushes clients towards nature-based options they might not otherwise choose.

Risk: Whilst seeking positive outcomes, alignment risk is moderate given they work alongside more controversial sectors such as mining clients where permitting can enable habitat loss, although Energy and Resource is only 11% of their revenue and human rights screening avoids controversial projects, as do their sustainability-linked pay packages. Restored habitats need long-term monitoring and adaptive management as nature-based solutions can fail without upkeep, although this is mitigated through their monitoring services. Infrastructure spending is cyclical and can shift on changing environmental legislation, although having a diversified portfolio mitigates some of the country-specific risk.

Source: Stantec 2025 Sustainability Report





Stewardship

Engagement

Engagement is a significant component of impact investing, allowing investors to drive real-world outcomes beyond just share ownership. It is the process by which investors use their position as shareholders and bondholders to influence how companies manage ESG issues. It can take the form of direct dialogue with management, collaborative engagement alongside other investors, and the exercise of voting rights. Rather than simply selling holdings that fall short, engagement seeks to improve them from within, supporting companies to strengthen disclosure, set credible targets and reduce harmful practices.

Engagement achieves outcomes through a clear process: setting objectives linked to material issues, escalating where progress stalls (through collaboration with other investors, voting against management or, as a last resort, divestment), and tracking results over time. The examples that follow illustrate how this works in practice across the portfolios.

Engagement Case Studies

Climate & Biodiversity

Paper & Packaging

In the last year, Columbia Threadneedle have been engaging with a number of companies, including Smurfit Westrock, a global paper-based packaging company that produces corrugated and consumer packaging using renewable, recyclable fibres, supporting a sustainability thesis through circular materials, sustainable forestry, and enabling lower-carbon packaging solutions for customers. The company produces 55% of products from recycled fibre and 45% from virgin fibre with sustainable forestry practices.

Paper mills are energy and resource intensive, exposing the company to rising carbon, energy and regulatory costs. Its raw materials depend on sustainably managed forests from its owned forest plantations in Brazil, Colombia, France and Spain which are 100% FSC/PEFC certified, but they also rely on third party sourcing. Biodiversity and human rights are a key focus of the engagement process. As a result, Columbia Threadneedle have been engaging on emissions targets and validations, as well as wider decarbonisation plans where the US has diverged slightly from Europe which is better supported by subsidies for electrification.

A notable engagement activity has been with the Indigenous Misak community, which has been progressing over 3-4 years, and is focused on government engagement regarding access to financing and support by the company's technical training in sustainable forestry to improve the economic value of land. Third-party validation including WWF partnerships and KPMG assurance with on-the-ground forestry audits supports credibility of this engagement activity.

Source: Columbia Threadneedle



Fashion

From an ethical investment standpoint, fashion remains a highly scrutinised sector. It carries a large environmental footprint, accounting for an estimated 3-10% of global carbon emissions. It is also linked to over 92 million tonnes of waste and over 79 trillion litres of water consumed each year. Its social record is equally challenging. Poverty-level-pay and poor conditions are common for garment workers, and concerns surrounding forced and child labour in supply chains persist in column inches.

The rise of ultra-fast fashion, with online companies such as Shein, has intensified these pressures by accelerating production cycles and consumption. Supply chains are also long and fragmented, often reaching several tiers beyond the brand, so companies can struggle to see what is happening at the factories and farms that ultimately make their products.

This is why engagement carries particular materiality in fashion. Brands face high reputational risk, tightening regulation and increasingly informed consumers, so poor practice can quickly become a financial risk as well as an ethical one. Rather than simply avoiding the sector, engagement lets investors press for better outcomes from within, including supply chain transparency, living wages, safer working conditions and credible circularity targets. Because the sector is so visible, progress at a leading brand can also raise expectations across its peers and suppliers.

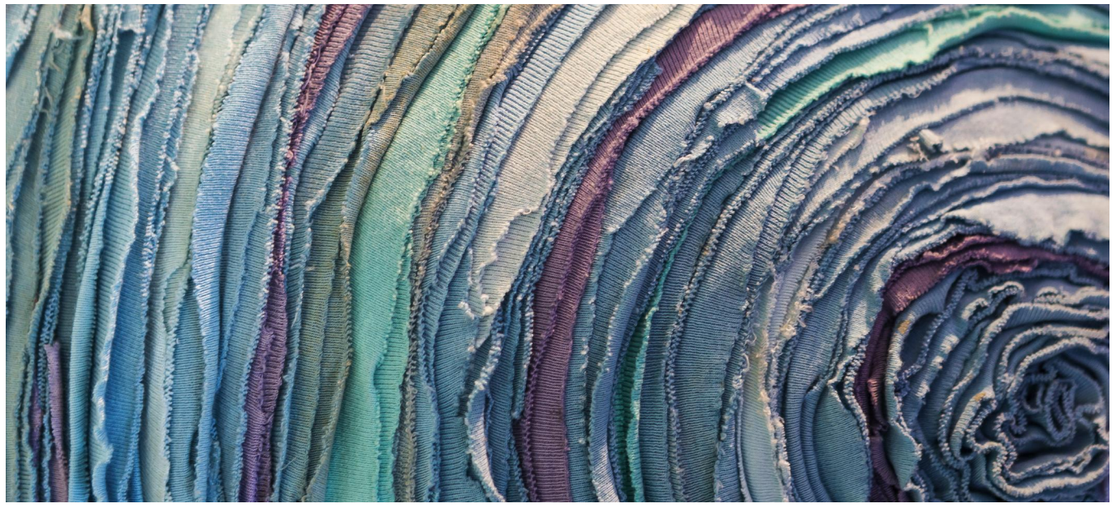
Through the Robeco Circular Economy fund, the Ethical Model Portfolios have exposure to engagement in this sector, namely with Marimekko.

Marimekko is a Finnish design house operating in the Fashion and lifestyle sector. Underpinned by a slow-fashion ethos, it focuses on clothes to be worn, restyled, and handed down for generations.

Robeco's engagement, consisting of over eight dialogues, has led to a 39% growth in circular materials adoption through development of Marimekko's closed loop process. This is a unique system where surplus materials from its own production are turned into raw material for new products. For example, cutting waste from its classic 'Tasaraita' shirt is collected, recycled and spun into new yarn. This reduces water use whilst encouraging its design teams to identify where recycled fibres can be used most effectively. Marimekko have also implemented the use of natural dyes at its printing factory, with raw materials mainly sourced from industrial side streams, such as a black dye made from recycled wood waste.

Robeco have also noted Marimekko moving towards 'pre-loved' and 'lifecycle' models as strategic growth areas, but scalability and supplier transition remain a focus in their continued engagement.

Source: Robeco



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