

Portfolio Case Study: Waste Management

In the last quarter, the phrase HALO trade came to the fore amidst the volatile disruption caused by AI advancements that potential threaten many existing business models, most notably software providers. The trade refers to a recent market shift where investors rotate away from asset-light tech stocks toward companies with tangible, capital-intensive assets like energy, infrastructure, and industrials. Driven by concerns over AI disruption and economic uncertainty, these firms are seen as more resilient due to high barriers to entry and enduring demand. As a result, capital has flowed into sectors with physical assets and stable cash flows, reflecting a broader repricing of durability and long-term economic relevance in equity markets. One of the beneficiaries of this was the water and waste sector, including WM.

The wider market declined in the first quarter, at times weighed down by AI disruption concerns but predominantly the wider Middle East conflict. The disruption to the software sector was notable, with a leading software ETF returning -22.91% in Q1. As a result of this disruption, investors moved toward businesses with durable, asset-heavy models and predictable cash flows. WM's core operations of landfills, recycling infrastructure, and collection networks fit squarely within HALO criteria, given their high replacement cost and low technological disruption risk. As a result, WM saw strong performance relative to the wider market in Q1, returning +5.22%.

The company's resilience is underpinned by strong cash generation and margin expansion, with free cash flow rising significantly and expected to continue improving into 2026. These characteristics align closely with what investors are prioritising in the HALO rotation: stability, barriers to entry, pricing power, and capital efficiency. Operationally, Waste Management has reinforced its appeal through continued investment in physical infrastructure, including automation upgrades in recycling facilities and expansion of renewable natural gas projects. These investments enhance long-term returns while further embedding barriers to entry.

HALO Trade (Heavy Asset, Low Obsolescence)

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Waste Management Main SDG Alignments:

Primary SDG



82.26%
Revenue Aligned

Secondary SDG



Company Profile:



WM is a leading environmental services provider in North America, playing a critical role in modern waste management. As the largest waste and recycling company in the region, it serves millions of residential, commercial, and industrial customers, offering collection, recycling, disposal, and resource recovery services. The company has shifted its focus from traditional waste disposal toward a more circular economy model.

WM is heavily investing in renewable energy and advanced recycling technologies. Its network of landfill gas-to-energy facilities captures methane emissions and converts them into usable energy; WM plans to power its entire natural-gas fleet with Renewable Natural Gas by 2026.

WM is expanding its recycling infrastructure and promoting materials recovery to minimise landfill dependence. Through innovations such as automated sorting systems and partnerships focused on reducing contamination, it aims to improve recycling efficiency. In 2024 it recovered 16 million tons of materials, targeting 25 million tons annually by 2030. WM's business actually avoids more greenhouse emissions through its recycling and energy-reuse services than it produces.



16 Million tons of material recovered for recycling

545,000 of annual recycling capacity added



45% of Landfill gas utilised for beneficial use

Sources:

WM | Sustainability

Market Review

Risk assets saw an abrupt end to their yearlong rally, with optimism of interest rate cuts falling away over fears of higher inflation and interest rate hikes brought about by the joint US/Israeli attacks on Iran.

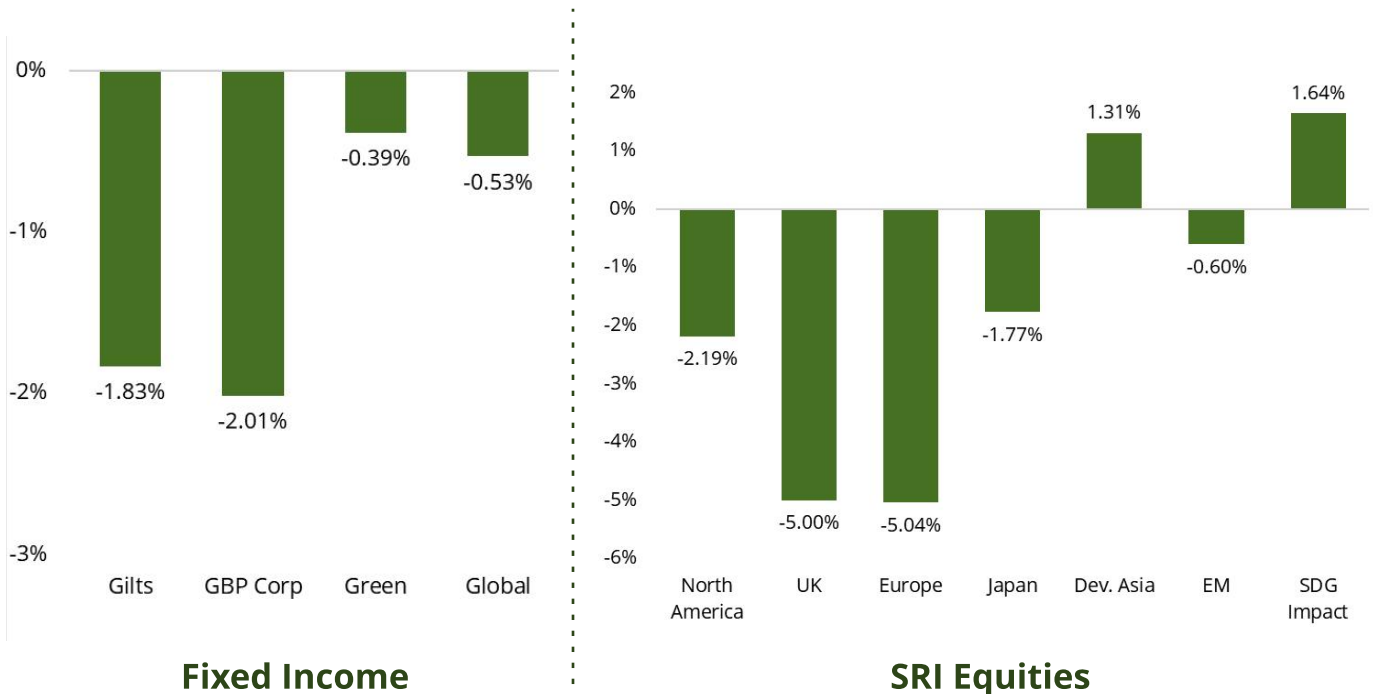
As we started the year, there was early optimism, supported by steady economic growth, easing inflation, and expectations of interest rate cuts, alongside continued momentum in AI-related investments, albeit with disruption in software related companies. This constructive backdrop shifted as geopolitical tensions in the Middle East pushed energy prices higher and reignited inflation concerns. As a result, market sentiment weakened, with investors increasingly worried about the risk of slower growth combined with persistent inflation. A number of equity markets entered correction territory in March, defined as a drop between 10% and 20% from the latest peak, with a leading benchmark for global equities ending the quarter down circa 3%. Those countries and regions most susceptible to an energy crisis were notably hit, including Emerging Markets but also developed regions such as Europe and the UK.

There were limited places to hide in March, with most asset classes experiencing weakness, including traditional safe havens such as gold and fixed income, with the latter experiencing a notable repricing. Initial expectations for multiple rate cuts were scaled back, leading to a “higher-for-longer” interest rate outlook. Bond yields rose accordingly, resulting in negative returns across both government and corporate bonds, while credit spreads widened. The yield on the benchmark 10-year gilt rose from a low of 4.23% at the start of March to beyond 5% at times, finally ending the quarter at 4.92%.

Meanwhile, concerns over private credit continue to build, particularly given the weakness in software related investments. First quarter reporting season kicks off in mid-April, so investors will gain some insight from global companies and the impact the turbulence has had on their business models.

General Asset Class Returns (Q1 2026)

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 tracked by funds. The equity market returns reflect that of funds that track the SRI Paris Aligned Benchmarks to provide a gauge of returns that better reflect the underlying investment universe.



Portfolio Review

Risk assets had a strong start to the quarter, buoyed by the optimism of loose monetary policy and steady economic growth. Particular themes were also supportive of portfolios' equity returns, notable the enthusiasm around AI infrastructure build out and the HALO trade (a trade related to companies with heavy assets and less likely to be disrupted by AI disruption, such as water and waste companies).

This soon faded with the Middle East Conflict and the biggest winners in the first two months of the quarter became the biggest losers in March, although overall they remained leaders for the quarter. For example, Regnan Sustainable Water and Waste returned -8.69% in March but still ended the first quarter +0.38%. Similarly, Emerging Market equity exposure were negatively impacted in March, but remained the standout in the quarter, with UBAM Positive Impact Emerging Equity and abrdn Emerging Markets SDG returning +6.78% and +3.95% respectively.

Portfolios' global sustainable equity fund exposure was mixed, with Schroders Global Sustainable Value equity returning +1.1% whilst the more growth orientated

funds lagged, with Janus Henderson Global Sustainable the notable detractor, returning -4.57% for the quarter.

Shorter duration bond funds outperformed longer duration funds given the move higher in yields. The HSBC Sustainable development bank bond fund was the notable performer, returning +0.19% for the quarter, whilst the weakest performer was the CT UK Social bond fund which returned -1.19%.

The RM Alternative Income fund provided some ballast during the quarter, returning -0.76%. This investment does include both infrastructure and property, and Real-Estate Investment Trusts (REIT) experienced selling pressure in the higher yield environment. Many of these assets have performed well over the last year.

Portfolio Performance (Q1 2026)

Portfolio	Defensive	Cautious	Balanced	Balanced-Growth	Growth	Adventurous
Quarterly Return	-0.97%	-0.89%	-0.80%	-0.96%	-1.08%	-0.70%

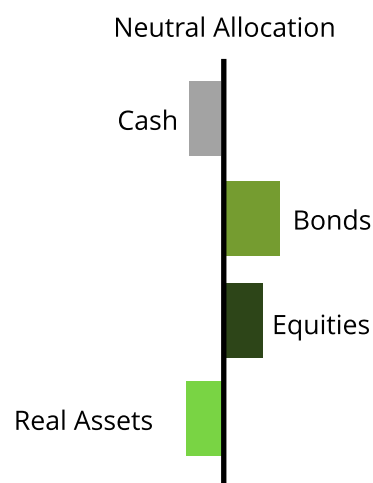
Asset Allocation Changes

A rebalance took place on 12th February 2026.

Fixed income allocations have remained above neutral levels with no material changes to overall allocations. However, we have made a marginal increase to portfolio duration whilst reducing exposure to gilts. We have sold Royal London Short-term Fixed Income Fund (with the exception of Defensive) and short duration gilts where held (only in Defensive and Cautious), in order to rotate into the Edentree Short Dated Bond Fund. We have introduced the Pimco Climate Bond fund and the HSBC Sustainable Development Bank fund into the Defensive and Cautious portfolios which provides exposure to higher quality debt to replace the outgoing funds.

Overall equity allocations have dropped by around 1%, which has been added to cash. In higher risk portfolios,

Asset Allocation Positioning

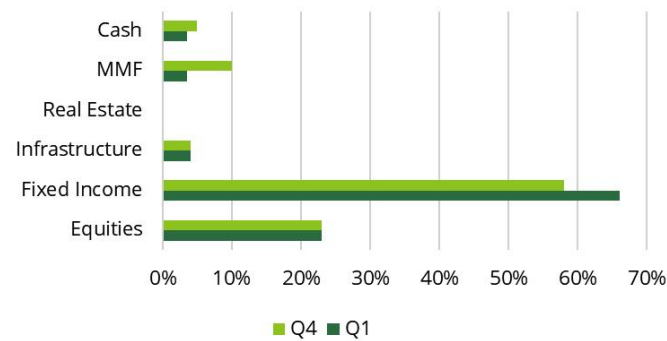


Asset Allocation Changes (Cont.)

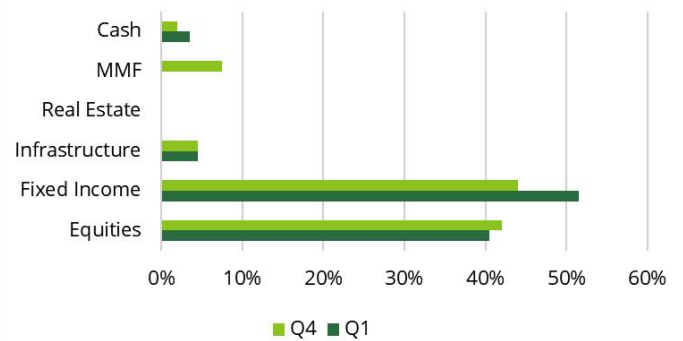
this has come through selling our allocation to the Stewart Indian Subcontinent fund. Whilst we like the region longer term, there has been a period of weakness which has dragged on returns. A recent bounce from a US trade deal was short lived, although an opportunity to sell above lows. Our reason for selling is further supported by changes at the fund house. We rotated a small amount of this sale in Growth and Adventurous to other emerging equity allocations to avoid materially reducing our EM

exposure. In lower risk portfolios, we have sliced our global sustainable growth funds and rotated into global sustainable income, so seeking a slightly more defensive approach with a small amount allocated to cash.

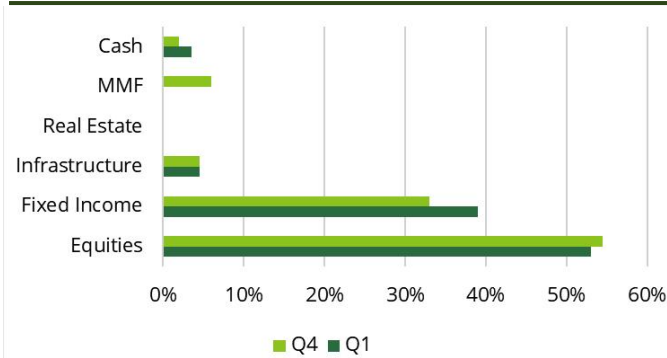
Defensive



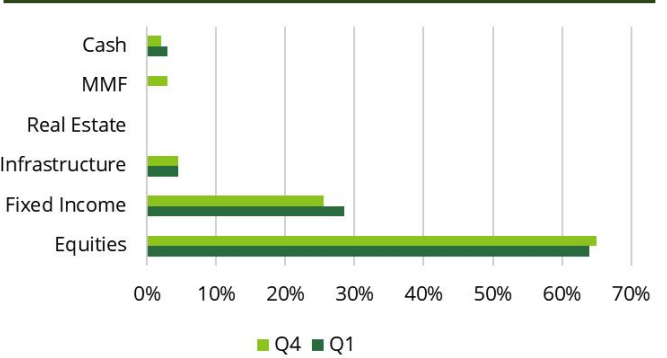
Cautious



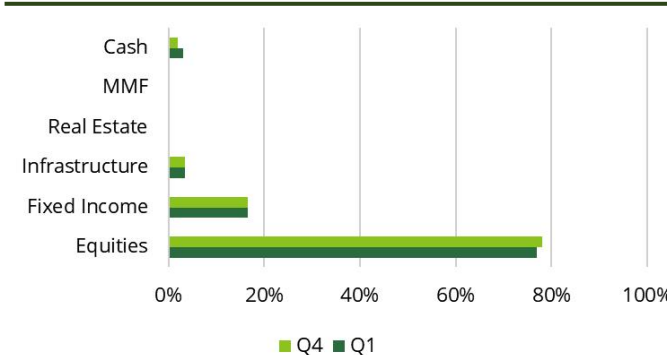
Balanced



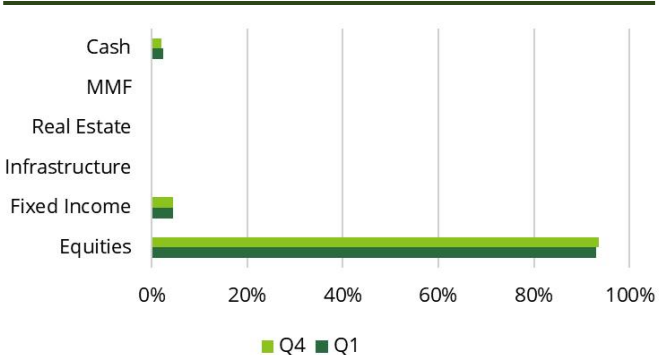
Balanced-Growth



Growth



Adventurous



Outlook

Risk assets have rallied strongly so far in April, rebounding on hopes that a ceasefire deal between the US and Iran will lead to a longer-term deescalation in tensions and the reopening of trade flow through the Strait of Hormuz. However, the safe transit of ships has already come under question, highlighting the fragility in the truce. For now, the ceasefire marks an end of acute conflict, but a period of uncertainty and instability is likely to persist which provides reason to remain cautious on adding further to portfolio risk, even if volatility is dampened to a degree.

We felt the market pricing of interest rate rises was overdone in response to the inflationary concerns, and following the ceasefire it would seem central banks are even more in a position where they can pause, assuming there is no additional supply disruption. Central banks will not need to act aggressively in the short-term, and as negative economic data continues to feed through, and potentially be exacerbated by the conflict, conversations may return to rate cuts. We therefore remain comfortable in our above neutral fixed-income position, having added to the asset class in March.

Despite the fall in equities from their pre-conflict peak, expectations for corporate earnings have actually continued to rise, and the start of earnings season in April will provide further colour on how businesses have already, and more consequentially will be moving forward, affected by the events in the Middle East. Whilst economic data was weakening, global growth was proving relatively resilient, particularly in the US where fiscal policy is supportive and providing optimism for corporate earnings. Economies are also

far less energy intensive now, than in energy shocks of the past, but regions such as Europe remain susceptible and there is already growing calls that earnings expectations for the upcoming reporting period are already too high.

Key areas our portfolios are exposed to, such as grid electrification, energy efficiency and renewable energy seem to be showing no major signs of cracks. Further, we expect a return of attention to the AI disruption trade, providing support to 'HALO' stocks in our water & waste theme. Whilst the US dollar has seen a small strengthening in recent weeks, we also continue to see a longer-term trend of de-dollarisation, which should continue to support Emerging Market equity performance. Whilst there are reasons to remain cautious, short-term volatility also brings opportunities and we continue to believe the sustainability themes our portfolios focus on will be long-term winners.

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