CIBC Sustainable Global Equity Strategy

Portfolio commentary as of December 2024

Overview

- With significant changes to government administrations around the globe, upcoming milestones for interim climate goals, and the continued maturation of the transition finance market, 2025 is shaping up to be a year of change and uncertainty for sustainable investing. Here are three key areas that we will be monitoring.
- Countries representing over half of the world's population went through an election in 2024, which resulted in several significant political regime shifts as incumbent parties struggled to maintain power – including the republican sweep in the USA. While we are not clear on which policies will be implemented, we will likely see regulatory rollbacks and a reduced focus on climate as the Trump administration takes office. However, the specifics around certain items like the IRA, nuclear energy, and corporate reporting requirements remains uncertain.
- The 10-year anniversary of the Paris agreement is set to occur this year. Most notably, this includes the requirement for countries involved to update their nationally-determined-contributions (NDCs) – the actions they're taking to limit greenhouse gas emissions. Most countries are currently behind their Net Zero goals and will need to decide which actions they will take moving forward – including whether to accelerate or decelerate their climate commitments and actions domestically. This could result in significant investment implications across markets.
- While the public sector grapples with how to proceed on climate change, private investments into transition finance assets continue to grow. One area of this market where we are seeing significant advancements in both technology and infrastructure is around carbon sequestration. This is an exciting development as this technology can be a key component of net zero strategies moving forward, making it easier to remove emissions from hard-to-abate sectors like industry, agriculture, and transport. This is a fast-growing market and will represent increasingly significant opportunities for investors.

Performance

- The Sustainable Global Equity fund underperformed the MSCI World Index in Q4. Headwinds from relative performance of the fund's Technology and Industrials holdings were the biggest factors contributing to underperformance this quarter.
- Within the Technology sector, an overweight position to Capgemini provided the biggest headwinds, as the company revised revenue forecasts downwards amid sluggishness in certain market sectors. A relative underweight to Apple and NVIDIA within the portfolio also proved challenging as both companies had a strong quarter. Within industrials, Equifax and Kone were the primary detractors, underperforming sector peers.
- These headwinds were partially offset by strong performance from the Communications sector, as Alphabet and Netflix significantly outpaced the market in Q4. Additionally, the fund's structural underweight to Energy was a tailwind, as Energy underperformed the broader MSCI World index in Q4.
- The strategy continues to provide investors with lower exposure to carbon risk through reduced exposure to fossil fuels and emissions. As the world tackles the climate crisis, the strategy should benefit from its low exposure to transition risk over the medium and long term.

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