Tribe IMPACT CAPITAL

CIO update - Q1 2025

Investment update

- US equities sold off sharply as post-election policy shifts disappointed markets.
- European markets rallied following Germany's fiscal pivot on defence investment.
- US administration signals weaker transatlantic ties, fuelling EU self-reliance.

MACRO OVERVIEW

Global stock markets closed a turbulent quarter in negative territory, despite an optimistic start to the year. Investors initially hoped for pro-growth, business-friendly policies following President Trump's return to office. Instead, his early focus on cultural issues and aggressive tariff actions have rattled markets.

A major shock came in the form of steep tariffs imposed on both Mexico and Canada. Justified by the need to combat the smuggling of illegal drugs like fentanyl, the policy surprised many–especially with data showing only a tiny proportion of fentanyl enters via the Canadian border. President Trump further questioned Canada's economic independence, suggesting it should consider becoming America's 51st state.

Markets responded poorly. Consumer and business confidence fell sharply, driving a technical correction in US equities. The S&P 500 and Nasdaq 100 both declined significantly from January's highs. At the same time, Trump's approach to international relations–especially the North Atlantic Treaty Organization (NATO)–has created new uncertainty in Europe.

In response, Germany's newly elected Chancellor Merz reversed a long-standing "debt brake" policy. His government pledged €500 billion in new fiscal spending to boost defence and infrastructure–marking a notable pivot in European economic policy.[1] The move sparked optimism across the continent, with economists upgrading growth forecasts and equity markets rallying. The STOXX Europe 600 index gained ground, reflecting renewed investor confidence in Europe's future resilience.

ASSET CLASS PERFORMANCE AND POSITIONING

Our portfolios benefitted from a long-standing underweight position in the US–where fewer companies meet our sustainability and Sustainable Development Goal (SDG) aligned impact criteria. This limited the negative impact of the US market downturn.

However, our overall bias towards growth-oriented companies provided challenges, as expectations for US economic growth were downgraded and growth stocks underperformed. The US dollar also weakened during the quarter, as markets grew wary of unpredictable trade policies. For UK-based investors, this decline in the dollar negatively impacted performance.

In fixed income, we favoured shorter-dated, lower-

1 BBC. (March 2025). *Germany is back, says Merz after historic spending deal.*

Impact update

- US left the Paris Climate Agreement again, but global momentum continues.
- Anti-ESG and DEI sentiment rises in US policymaking.
- EU proposals on corporate sustainability sparked debate.

THIS QUARTER

The quarter brought a fresh wave of challenges to sustainability leadership–particularly from the US. In a now-familiar move, the new administration formally exited the Paris Climate Agreement. Justifying the withdrawal on economic grounds, President Trump's executive order made no reference to the shared and borderless nature of climate risk.

However, global momentum remains strong. Within days, Bloomberg Philanthropies pledged to cover US contributions to the UN Climate Framework and continue supporting emissions tracking. And globally, progress continued–2024 saw a record 585 gigawatts (GW) of new clean energy capacity installed, according to International Renewable Energy Agency (IRENA).[1] Remarkably, China accounted for more than half of this on its own, highlighting the unstoppable nature of the transition to renewables.

On the social side, the US administration has begun dismantling Diversity, Equity and Inclusion (DEI) programmes across government. In January, a presidential order directed federal agencies to remove DEI language from public channels. Days later, the Department of Education followed suit.

But shareholders pushed back. During company Annual General Meetings (AGMs) in January, over 98% of shareholders at Apple, Costco, and John Deere voted against proposals aiming to scrap diversity initiatives–showing continued investor support for inclusive business practices.[2]

Meanwhile in Europe, the European Commission proposed the Omnibus package–a sweeping attempt to streamline corporate sustainability reporting. While simplification is welcomed by many, there are growing concerns it could dilute existing rules and slow momentum. Tribe joined a Principles for Responsible Investment (PRI)-backed letter urging the EU to balance efficiency with ambition, and to safeguard the integrity of its sustainable finance frameworks.

STEWARDSHIP ACTIVITIES

This quarter, we continued our work with the *UK Wealth Managers on Climate Group*, a collaboration of nine firms–including Tribe–representing £165 billion in combined assets. Together last November, we **wrote to key asset managers** urging greater transparency around net zero commitments and climate-related performance.

In the letter, we outlined three requests for asset managers:

1. Adopt a net zero commitment and set clear, transparent net zero targets.
2. Communicate strategies clearly to clients and stakeholders.

1 IRENA. (March 2025). *Renewable capacity statistics 2025.*
2 As You Sow. (February 2025). *98% of John Deere & Apple Shareholders Reject Anti-Diversity Proposals.*

volatility instruments, which helped provide resilience amid market uncertainty.

Fred Kooij
Chief Investment Officer

3. Align stewardship efforts with stated net zero goals and tangible results.

Following these letters, we spent the past quarter reviewing the responses and discussing next steps. With many of the managers based in, or serving, the US–where political headwinds are strong–we're now refining our approach to ensure it's constructive, culturally aware, and focussed on long-term progress.

Amy Clarke
Chief Impact Officer

Outlook for Tribe's portfolios

The first months of 2025 were eventful, with politics, policy, and portfolio positioning all in sharp focus. This focus will continue into Q2.

In the US, policy uncertainty will likely keep markets volatile. But beneath the noise, household wealth and employment remain strong, suggesting economic resilience. If fiscal policy finds its feet, we could see stability return.

In Europe, the outlook is brighter. If Germany's new spending plan materialises, it could trigger a broader recovery across the continent, which might offset the looming threat of US import tariffs. The European Central Bank's (ECB's) continued interest rate cuts are also helping the region to regain momentum.

At Tribe, we're staying focussed on our core investment themes–areas with strong structural tailwinds like water, electrification, and sustainable infrastructure. While we remain exposed to developed markets, we're also exploring ways to diversify across less correlated geographies like Japan, helping manage volatility while staying aligned with our long-term goals.