Tribe IMPACT CAPITAL

CIO update - Q2 2025

Investment update

- Tariffs prompted a stock market rollercoaster.
- Trump's trade threats weakened the US dollar.
- Germany's new government announced increased spending, helping boost European markets.

MACRO OVERVIEW

At the start of Q2, US President Trump announced a long list of trade tariffs. This mostly impacted countries where the US runs its biggest trade deficits, buying more than it sells. Many investors feared these tariffs could damage key trading relationships, hurt company profits and push up inflation. But, soon after the announcement, the US government delayed the tariffs by 90 days, giving business and markets some relief. The stock market rallied sharply, and investor sentiment improved alongside it. Positive news from bilateral trade talks with countries like South Korea, the UK, and especially China, helped further.

Investor sentiment received a further boost by solid corporate earnings reports and outlook statements. New job creation and improved hourly earnings hinted at continued expansion - even inflation expectations began to track back down after an early spike at the start of the quarter.

One clear effect of Trump's trade threats was a weaker US dollar. This happened for two main reasons. First, investors worried about Trump's desire to pull back from global trade, making US investments feel less safe. Second, Trump was pushing the Federal Reserve to cut interest rates. Lower interest rates can reduce the cost of government debt, but they also make the dollar less attractive for investors. The head of the Federal Reserve, Jerome Powell, resisted this pressure throughout the quarter in order to keep prices stable.

In Europe, Germany formed a new government under Chancellor Merz. At the end of Q1, Germany removed the debt break that limited its spending. This allowed the new government to announce big plans in Q2: €46 billion in tax cuts[1] and €500 billion for defence and infrastructure.[2] These moves lifted confidence across Europe, helped stock markets and strengthened the euro.

ASSET CLASS PERFORMANCE AND POSITIONING

During April, in the aftermath of the tariff announcements, we made changes to reduce the volatility of our equity portfolios. We bought cheaper value stocks - companies that looked attractively priced. We also added more quality stocks - businesses that pay steady and higher dividends. At the same time, we reduced our investments in the US market and cut back on exposure to the US dollar. On the fixed income side, we managed interest rate risk and kept sensitivity to rate changes low. We're cautious of the growing levels of government

1 FT. (JUNE 2024). FRIEDRICH MERZ PLANS €46BN CORPORATE TAX BREAKS TO REVIVE GERMAN ECONOMY.
2 BBC NEWS. (MARCH 2025). GERMANY VOTES FOR HISTORIC BOOST TO DEFENCE SPENDING.

Impact update

- European sustainability assets were repositioned away from US managers.
- The EU's Green Bond Standard (EU GBS) gathered traction.
- The UN's 2025 Sustainable Development Report reemphasised financing gaps.

THIS QUARTER

This past quarter saw some important moves in the world of sustainable finance. European funds are increasingly shifting their money away from managers they see as carrying political risk, towards those more aligned with their climate goals. At the end of Q1, in Denmark, pension fund manager AkademikerPension ended its investment mandate worth 3.2 billion Danish krones (approximately £3.7 million) with a major US bank.[1] The decision was due to what they described as a "growing gap" in how the bank managed climate risks. Since, other large European pension funds, like Pensioenfonds Metalektro (PME) in the Netherlands, are also reviewing their US-based managers, expressing concerns about climate strategies and voting decisions.

Meanwhile, the European Union's Green Bond Standard (EU GBS) saw a world-first during the quarter. Spanish energy company Iberdrola became the first company to issue a green bond that simultaneously complies with the EU GBS and the Green Bond Principles of the International Capital Market Association (ICMA). The European Investment Bank also issued the first multinational green bond under the EU standard. Global sustainable bond issuance is projected to reach around $1 trillion in 2025, according to Moody's.[2]

This progress is especially welcomed after the release of the UN's Sustainable Development Report for 2025 in June. The report called for urgent changes to the global financial system to help reach sustainability targets for 2030 and beyond. There were three major priorities for the financial sector: reforming how the global financial system works, increasing funding for sustainability, and changing how private capital markets operate to better support investments in education, climate, and infrastructure.

STEWARDSHIP ACTIVITIES

This quarter, one area of our engagement was with Vestas, a leading wind turbine company. We initiated a follow up call, continuing our previous conversations with them two years ago on releasing a biodiversity policy and strategic framework.

Vestas announced that they won't be delivering a policy until 2026, a year later than they initially communicated. With that in mind, our stewardship activities with the company throughout the quarter were focused on assessing what contributed to the delay, and the level of material concern that we should assign to it.

Biodiversity risks for the company mainly relate to where its

1 NET ZERO INVESTOR. (MARCH 2025). AKADEMIKER TERMINATES DKK 3.2BN MANDATE WITH STATE STREET CITING ESG CONCERNS.
2 ESG TODAY. (JANUARY 2025). MOODY'S PREDICTS $1 TRILLION SUSTAINABLE BOND MARKET IN 2025 DESPITE POLITICAL HEADWINDS.

debt issuance, which we think will see investors demand elevated rates of interest, especially for longer-term borrowing.

Overall, it was a good quarter for Tribe portfolios. They performed well in absolute terms and relative to benchmarks, despite market ups and downs. Our equity portfolios marginally outperformed global stock markets, helped by strong underlying performance in areas like water and in regions such as Japan and Europe. Our bond portfolios also outperformed global benchmarks, driven in part by our weighting to UK government bonds (gilts), which performed well in the quarter.

Fred Kooij
Chief Investment Officer

wind turbines are built. Onshore and offshore wind farms can be located in areas rich in wildlife, including places important for bird populations. There are also some supply chain risks, especially around sourcing rare earth minerals used in turbine components and recycling the blades when they're no longer in use.

This is a collaborative engagement with one of our third-party equity fund managers, and together we're investigating the policy delay and encouraging stronger action on biodiversity issues.

Amy Clarke
Chief Impact Officer

Outlook for Tribe's portfolios

Looking ahead, in the coming months we expect markets to continue showing some similar patterns to the first half of the year. Uncertainty around US politics and foreign policy will likely keep affecting investor confidence.

We've diversified our portfolios to mitigate the risk of heightened volatility ahead. We're retaining our exposure to core sectors, such as electrification and water. We also believe Japan and Europe offer compelling valuation opportunities compared to the US, especially against the backdrop of the weakening US dollar.

We'll be closely watching how the European Union handles upcoming negotiations on corporate sustainability rules. The "Simplification Omnibus Package" proposes changes to existing rules on how companies report and manage their social and environmental impacts. With the 30th Conference of the Parties (COP30) climate summit coming up later this year, the EU's decisions have the potential to shape how businesses are held accountable for their impacts on people and planet.