Tribe IMPACT CAPITAL

CIO update - Q3 2025

Investment update

- Global stocks rose as trade deals boosted confidence, especially in US firms.
- Earnings beat expectations, led by companies building artificial intelligence.
- The first 2025 interest rate cut by the Fed lifted bond markets.
- Emerging markets surged.

MACRO OVERVIEW

For most of Q3, market sentiment has been positive, encouraged by a broad set of factors. In the US, new trade and tariff agreements brought more clarity to a complex global picture. While many details are still unclear, markets seem to believe the US has come out ahead. The government secured investment pledges from major trading partners like Japan and the European Union. At the same time, new import tariffs helped raise US federal revenue. This supported the passing of a more generous budget law through Congress, including extended tax cuts for businesses and high earners.

Corporate earnings were stronger than expected, particularly in the technology sector. AI related companies led the charge once again. Since many of these firms are based in the US, American markets gained the most in the quarter. In September, the Federal Reserve added to the momentum by cutting interest rates for the first time in 2025 – a move that also lifted global bond markets.

Emerging Markets (EM) and Developed Asia saw the strongest gains. These regions benefit from two key trends. First, countries are seeking new trade links outside the US, with a near-final deal between Indonesia and the EU as one recent example. Second, the prospect of a weakening US dollar (USD) as the US begins cutting interest rates is also positive for EM. With US rates now falling, other central banks may soon follow – helping to further support growth.

ASSET CLASS PERFORMANCE AND POSITIONING

Tribe portfolios delivered strong results in the third quarter, supported by the overall strength in equity and bond markets.

Although we are underweight US stocks compared to the benchmark, gains in other areas helped to balance this out. In particular, our investments in Japan and EM added value – areas where we've been increasing our exposure throughout 2025.

On the bond side, our managers have focused on lower-rated corporate debt. These positions outperformed global bond markets by a wide margin, helping our portfolios benefit further from the fixed income rally.

A key factor shaping returns this year has been the weakening US dollar. Several trends are driving this shift. The US is taking steps to reduce its economic ties to the rest of the world. Other countries are responding to this by forming new trade partnerships and reducing their need for USD. For example, oil and other commodities are

Impact update

- Mixed signals from sustainable fund inflows and outflows.
- Regulation is struggling to keep up with where the industry is going.
- New York Climate Week signals progress, but it's mixed.

THIS QUARTER

While challenges remain, especially on the regulatory side, progress in Q3 pointed to growing resilience in sustainable markets and continued opportunity for long-term impact investors.

Sustainability-linked bonds (SLBs), which are an important part of Tribe portfolios, are showing encouraging signs of progress. SLB issuance remained modest in Q3, but the sustainable finance market is shifting toward higher-quality instruments. More SLB issuers are meeting their environmental targets, strengthening the credibility and impact of these bonds more broadly. This is a welcome development that could continue to bring interesting impact opportunities for us, linked to real-world outcomes. Green bonds, also held in our portfolios, continued to demonstrate steady performance during the quarter and remain a reliable tool for financing the transition to a low-carbon economy.

On the policy side, the UK government confirmed it won't introduce a green taxonomy during the quarter. This decision could make it harder for UK investors and consumers to identify what qualifies as 'green'. Meanwhile, the EU postponed the rollout of its anticipated deforestation rules - the EU Deforestation Regulation (EUDR).

At New York Climate Week in September, it was clear momentum will continue despite the backdrop of political uncertainty. During the week, new data from Carbon Brief confirmed that over half of global greenhouse gas emissions are now covered by 2035 climate pledges.[1] Also in the US, a court ruling allowed construction to resume on a major offshore wind project–a positive signal for the country's renewable energy sector.

STEWARDSHIP ACTIVITIES

This quarter, we engaged with several of our US-based asset managers on how they're managing climate risk. Some recent, high-profile shifts in tone may appear like a step back, but they reflect the broader political environment in the US and haven't surprised many in the industry.

We've engaged with managers to clarify their long-term direction. From these conversations, we remain confident that climate is still recognised as a material financial risk. The core analysis that supports the transition to a lower-carbon economy remains in place. Managers are adapting to the risks, but also continuing to explore opportunities that align with sound, long-term investment strategies.

We continue to monitor climate risk and commitments

1 CARBON BRIEF. (SEPTEMBER 2025). ANALYSIS: HALF OF GLOBAL EMISSIONS COVERED BY 2035 CLIMATE PLEDGES AFTER UN SUMMIT IN NEW YORK.

increasingly being traded in alternative currencies.

At the same time, the US has started cutting interest rates. Lower rates reduce the income advantage the dollar has offered in recent years, making it less attractive to global investors.

Going forward, we expect the US dollar to continue to fall against major currencies, though it may hold up better against the pound given the significant growth and fiscal challenges the UK faces. To reflect this view, we maintain a substantial relative underweight to US dollar-denominated assets by holding fewer US stocks relative to the global equity index. On the bond side, we manage currency risk by holding only Sterling-denominated funds.

Fred Kooij
Chief Investment Officer

throughout our portfolios, as well as assess where there may be opportunities to support.

Amy Clarke
Chief Impact Officer

Outlook for Tribe's portfolios

Looking ahead, from an investment perspective, we expect strong global investment in technology and energy infrastructure to continue to support market growth. In Europe, Germany's fiscal stimulus should start to boost economic activity in the coming months. Emerging markets are also likely to benefit from the monetary stimulus offered by interest rate cuts.

There are, however, some trends we're watching cautiously. In the US, the full effects of recent policy changes, including tariffs and immigration restrictions, have yet to be felt. These could affect business confidence and labour availability. More generally, the systematic erosion of US institutions, from the Federal Reserve to the media, could also begin to hurt investor sentiment. With US markets trading near record highs, they appear more exposed to a correction than their European or EM peers. Fixed income continues to offer value through lower volatility and diversification in this market.

On the impact side, in Q4, we'll have the EU Omnibus vote at EU Parliament in October, covering critical sustainability management and disclosure rules. The EU will also propose reforms to Sustainable Finance Disclosure Regulation (SFDR), which governs sustainable finance. In the UK, entity-level Sustainable Disclosure Requirements (SDR) reporting will begin, requiring asset managers to provide further transparency on their businesses. And globally, attention turns to Conference of the Parties (COP) 30 and the UN Framework Convention on Climate Change (UNFCCC) convening in Brazil this November.