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## MARKET REVIEW

Global equities rose in September. Stocks fell sharply at the beginning of the month after declines in some mega-cap technology stocks and signs of a cooling US economy rippled across the globe and stoked concerns about the state of the global economy. However, stocks rebounded following a sizable 50 basis points interest-rate cut by the US Federal Reserve and a more forceful Chinese stimulus that bolstered market sentiment. Lower energy prices helped to ease inflationary pressures, and resilient labor markets in the US, Europe, and Japan reinforced the view that the global economy could achieve a soft landing. However, some key economic indicators were mixed across many developed nations, with services PMIs remaining in expansionary territory, while manufacturing PMIs continued to show sustained weakness. In China, markets were encouraged by more substantial policy support from the People's Bank of China, which aimed to revitalize the country's economic recovery. Politics garnered greater attention amid a close US presidential race and leadership changes in other countries; Shigeru Ishiba was elected as Japan's prime minister, Michael Barnier became France's prime minister, and Claudia Sheinbaum was sworn in as Mexico's first female president. Geopolitical risks intensified, with escalating conflict in the Middle East threatening to ignite a broader regional war after Israeli forces killed Hezbollah leader Hassan Nasrallah in Beirut.

## FUND PERFORMANCE AND ATTRIBUTION

- The Fund generated positive absolute returns in September but underperformed the MSCI All Country World Index benchmark.
- Contribution across Impact categories was mixed: Environment, Human Empowerment, and Multi-Theme contributed positively to absolute returns, while Life Essentials modestly detracted. Among the 11 impact themes, Resource Efficiency and Safety & Security contributed most to absolute returns. Meanwhile, Health and Clean Water & Sanitation detracted from absolute performance.
- From an issuer perspective, Chroma Ate Inc was the top contributor to absolute performance. Chroma Ate (Safety & Security, Taiwan) is a leading test equipment solution provider globally, with a strong presence in the testing of power equipment, batteries, and photonics applications. As a provider of testing equipment and unique testing capabilities, Chroma helps ensure that key components and products are safe and function as intended. Shares moved higher on renewed optimism around generative AI during the quarter given the company's role in system level testing for semiconductor chips.
- The top absolute detractor from performance was AstraZeneca. AstraZeneca (Health, UK) is a large cap global pharmaceutical company whose innovative treatments in cancer and cardiovascular disease enable earlier detection and more efficacious treatment of leading causes of death. Shares fell during the month after AstraZeneca reported a disappointing update on its cancer treatment Dato-DXd. In a phase 3 study of Dato-DXd for non-small cell lung cancer, the overall survival results did not meet expectations sparking concerns about the potential for approval. AstraZeneca continues to have a diversified pipeline.

## FUND POSITIONING AND OUTLOOK

While broadly diversified across the Fund's three impact categories and 11 impact themes, at the end of September we had allocated the most capital to the Resource Efficiency, Health, and Safety & Security impact themes.

We remain excited about the opportunities we are seeing across the investment universe. The end of the US hiking cycle leaves us evaluating new ideas where headwinds from previously unwavering US rates and USD strength should ease. At the margin, we are adding to risk-on, rate sensitive positions, funded from more defensive exposure. We remain respectful of valuations, trimming our winners and rotating capital into stocks that have underperformed. Our research remains very productive, and we continue to identify new ideas and expand the investment universe. Looking ahead, we continue to see our companies are supported by long term structural demand for innovative products and services seeking to address the world's greatest challenges. We remain ever thankful for your support.

## RISKS

**CAPITAL:** Investment markets are subject to economic, regulatory, market sentiment and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment. The Fund may experience a high volatility from time to time. **CONCENTRATION:** Concentration of investments within securities, sectors or industries, or geographical regions may impact performance. **CURRENCY:** The value of the Fund may be affected by changes in currency exchange rates. Unhedged currency risk may subject the Fund to significant volatility. **EMERGING MARKETS:** Emerging markets may be subject to custodial and political risks, and volatility. Investment in foreign currency entails exchange risks. **EQUITIES:** Investments may be volatile and may fluctuate according to market conditions, the performance of individual companies and that of the broader equity market. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **SMALL AND MID-CAP COMPANY:** Small and mid-cap companies' valuations may be more volatile than those of large cap companies. They may also be less liquid. **SUSTAINABILITY:** A Sustainability Risk can be defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

## PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.

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