CIBC Sustainable Global Equity Strategy

Portfolio commentary as of March 2025

Overview

- The 30th Conference of Parties, where signatories of the Paris Agreement will meet to discuss progress, will be hosted in Brazil at the end of 2025. It will be an important milestone for the global ambition to achieve net zero emissions. We expect Carbon Dioxide Removals (CDR) to be an important part of the discussion and overall plan to scale decarbonization efforts across markets and believe they will be an increasingly essential part of achieving global climate ambitions as energy systems and industry move towards net zero. As a result, the CDR industry is undergoing rapid maturation in order to achieve the scale required for achieving these goals. Estimates for the required today and of removals in a net zero economy are as high as 10 gigatons per year by 2050.
- Nature-based CDR solutions are proven and feasible technology-based should continue to scale accordingly as they mitigate the worst effects of climate change in the near-term. Certain novel or technology-based CDR solutions are viable today at a smaller scale, but more innovation and improved economics will be required before they are commercially viable. Under the current landscape, we see nature-based solutions dominating the CDR market until at least 2030 but anticipate novel CDR will continue to improve from both a technological and cost perspective, resulting in increased market share over the long term.
- Overall, we believe that CDRs are a key sector in the transition economy, and a combination of nature-based, novel, and hybrid approaches will be needed to address residual emissions in 2050 and beyond. While the current investment universe is limited, strong support from market participants have the industry poised to scale and grow, enabling greater liquidity and transparency within carbon markets. We believe this will ultimately result in a larger opportunity set for investors in the coming years as the role of CDRs in climate transition plans and global decarbonization efforts becomes clearer.

Performance

- The Sustainable Global Equity fund marginally underperformed the MSCI World Index in Q1. Headwinds from the fund's sector positioning, coupled with underperformance of the fund's Health Care and Communications holdings were the biggest factors contributing to underperformance this quarter.
- Within the Health Care sector, allocations to Novo Nordisk and Danaher were the biggest headwinds, as the Pharmaceuticals and Devices subindustries broadly lagged other peer groups within Health Care. Within Communications, Alphabet underperformed peers as the market saw sweeping selloffs across all of the magnificent seven stocks. Collectively, Q1 was the worst quarter on record for the group, with all seven companies posting negative returns. Energy was the top performing sector in Q1, resulting in further performance headwinds given the fund's structural underweight to the sector.
- These headwinds were partially offset by strong relative performance from the fund's holdings across several sectors, including technology, materials, and consumer discretionary. Given the magnificent 7 selloff noted above, underweights to Apple, NVIDIA, and Tesla boosted relative performance within the consumer discretionary and technology sectors. Other top performers included SAP, Amadeus IT, and Republic Services.
- 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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