RESOLUTION INVESTORS

resolutioninvestors.com

Q2 2026

Resolution Investors

Quarterly Letter

MARKETING COMMUNICATION FOR PROFESSIONAL INVESTORS ONLY

Introduction

Dear Friends,

In this letter, we consider the narrowness of market performance, with our *Thinking Aloud* segment assessing whether the standout performers of Q2 – chiefly the Memory and Storage companies - are truly evolving beyond their commodity-cyclical past.

We review the Strategy's positioning and performance against this backdrop. We also discuss a number of portfolio companies, including Fortinet, Intertek, London Stock Exchange Group, Vertiv, Applied Materials, Walt Disney and Uber.

The *Sustainability and Stewardship* section summarises the Strategy's climate characteristics, alongside a climate case study on Novonesis. We also provide an update on our recent engagement with Svenska Handelsbanken. We will shortly publish our inaugural Sustainability and Stewardship Annual Report, which will set out our company-level climate assessments and recent proxy voting activity in greater detail.

As always, we appreciate your continued support and welcome your questions and feedback.

Best wishes

The Resolution Team

Strategy Overview

In calendar Q2 2026, the strategy returned +17.3% net of fees and fund costs, versus MSCI World Total Return Net USD +13.8%. Since inception on 30th September 2025 the strategy returned +11.2% net, versus MSCI World Total Return Net USD +13.1%.

As at the end of June, the portfolio comprised 30 holdings with an 87% active share, and a tracking error of 7%. The portfolio's average EBIT margin was 31% and its five-year historic sales CAGR was 15%. The weighted average market cap was $665bn and median $78bn. Our central case assumptions imply c13% upside to fair value.

The table below provides a snapshot of the current top 10 holdings, alongside sector, region and currency weightings.

Top 10 Holdings

Company	Weight
TSMC	6.2%
Applied Materials	5.7%
ASML Holdings	5.6%
Informa	4.1%
Wabtec	4.0%
Fortinet	3.9%
Nvidia	3.9%
Epiroc	3.8%
Becton Dickinson & Co.	3.7%
Adidas	3.4%
Total	**44.3%**

Sector Weights

Sector	Weight
Information Technology	30.3%
Industrials	20.5%
Financials	16.9%
Consumer Discretionary	8.9%
Health Care	8.0%
Communication Services	7.4%
Utilities	3.2%
Materials	3.0%
Cash & Cash Equivalents	1.8%
Total	**100.0%**

Regional Weights

Region	Weight
North America	53.7%
Europe	26.6%
United Kingdom	11.7%
Asia	6.2%
Cash & Cash Equivalents	1.8%
Total	**100.0%**

Currency Exposure

Currency	Weight
USD	67.9%
EUR	15.3%
GBP	6.8%
SEK	4.7%
DKK	3.0%
CHF	2.3%
Total	**100.0%**

Source: HC Global Equity Fund, Northern Trust; portfolio holdings and characteristic data.

Markets: Narrow Leadership

The Market delivered strong aggregate returns in Q2, but they were unusually narrow. The strongest gains were concentrated in AI-linked companies with Semiconductors, Technology Storage and Electrical Equipment together rising by around 50%.

Even within this cohort, leadership was exceptionally concentrated. While GPU leaders such as Nvidia and Broadcom continued to perform well, the strongest returns came from Storage, Memory and CPU-related businesses. In these areas, surging AI-driven demand met constrained supply, driving exceptional revenue growth, margin expansion and sharp share price appreciation. Several companies doubled in value during the quarter, including Seagate and Western Digital, while Micron and Intel tripled, and Kioxia rose higher still.

Outside these areas, performance was far more subdued. Software and other businesses seen as relative AI laggards stabilised after a weak Q1, though many remain down around 15-20% year to date. Oil & Gas also surrendered some of its prior gains as geopolitical tensions in Iran eased, at least for now. Most other sectors delivered modest returns and are only slightly higher year to date.

This degree of concentration is likely to have created unusually wide dispersion in returns between active managers. It also reflects the fact that some of the strongest-performing AI-linked businesses in Q2 operate in more cyclical, supply-sensitive parts of the value chain. Their near-term economics have improved materially as demand has outstripped supply, but history suggests such periods are rarely durable. When conditions are favourable, earnings can rise sharply; when supply eventually catches up, the subsequent correction is often severe.

Resolution has not owned these businesses and does not seek to participate at current levels. While the current backdrop may remain supportive, we do not believe their long-term economics can be underwritten with sufficient conviction. We prefer to invest in businesses such as TSMC and ASML, where we believe the competitive advantages, pricing power and through-cycle economics are substantially stronger.

We discuss this topic in more length in the *Thinking Aloud* section below.

Strategy Performance: Selection over Allocation

The Resolution strategy returned +17.3% net in Q2, outperforming the MSCI World Index, which returned +13.8%. Industry allocation was a headwind during the quarter. While our lack of exposure to Oil & Gas was beneficial, this was more than offset by our lack of exposure to the narrow group of the strongest-performing AI-related segments, particularly Storage, Memory and CPU companies, which we estimate detracted over 300bp from performance in isolation in Q2. Strong stock selection across the overall portfolio more than offset this headwind.

Performance was largely driven by several holdings outside the most crowded areas of the market, where long-term value is underappreciated or where companies are fundamentally misunderstood. We believe such opportunities have become more prevalent as market leadership has narrowed. During Q2, this was reflected in strong contributions from Fortinet and Intertek, each discussed in more detail below, as well as from Adidas, Informa and several others.

We also continue to participate in the structural growth opportunities presented by AI, with exposure across several parts of the value chain. While our positions did not include the highest-momentum segments of the market, our core semiconductor and infrastructure holdings did deliver strong absolute returns ahead of the broader market. During the quarter, we modestly increased our net AI exposure through new positions in Applied Materials and Vertiv, funded in part by reductions in other AI-related holdings. We discuss both in the *Portfolio Activity* section below.

Underperformers during the quarter were limited in both number and scale. Weakness was primarily sentiment-driven rather than a result of material earnings deterioration, and we continue to view these positions as having attractive long-term potential. We comment on London Stock Exchange below.

In conclusion, market returns remained concentrated in a relatively narrow set of companies, but we continue to see a broad and expanding opportunity set across sectors and regions. Our focus remains on disciplined stock selection, targeting leading businesses where valuation and fundamentals are not fully aligned.

Contributors

FORTINET

Fortinet is a leading cybersecurity company with a dominant position in network firewalls. We are attracted to its strong competitive position, attractive unit economics, long growth runway and founder-led management team, which has consistently shown disciplined capital allocation and strong alignment with shareholders.

The position contributed over 250bp of alpha in Q2. We currently hold a 4.2% position in the fund, having modestly reduced the holding during the quarter.

We began building the position in Q3 2025 when the market interpreted a slowdown in product revenue growth as evidence of a more structural challenge, driven by intensifying competition from traditional cybersecurity vendors and concerns around the impact of AI on the industry. Our view was that the market was underestimating the durability of Fortinet's competitive advantages.

Fortinet's Q1 2026 results provided evidence in support of this view, with product revenue growth reaccelerating through a combination of market share gains in network firewalls and improving demand across its portfolio. Looking ahead, we believe we may be at the beginning of a more durable growth trend as enterprise networks become increasingly complex, supported by rising data volumes and the continued expansion of AI infrastructure.

Fortinet is well positioned to benefit from these trends. The market has begun to recognise this, although we continue to see potential for further positive surprise.

intertek

Intertek is one of the world's leading Assurance, Testing, Inspection and Certification (ATIC) companies, with an operating history spanning more than a century. Its independent verification services are becoming increasingly important as sustainability requirements, emissions monitoring and supply chain traceability continue to grow in importance.

The position contributed over 150bps of alpha in Q2. We exited the investment late in the quarter.

As discussed in our last quarterly letter, we believe Intertek's role remains highly relevant in a world of increasing complexity, where the need for trusted independent verification continues to grow. Operationally, the company has also been executing well for several years.

However, the shares sold off sharply in Q1, driven largely by concerns over a modest slowdown in growth at the end of calendar 2025. We believed the market had become overly focused on a short-term hiccup while under-appreciating the company's long-term competitive position and improving growth outlook. This provided an opportunity to increase our position.

Intertek subsequently reported April trading that exceeded expectations, prompting a positive market reassessment. Similar to Fortinet, near-term concerns proved overstated and created an attractive opportunity to add to the position.

Shortly afterwards, Intertek received a take-private approach from EQT. Following several improved offers, the board recommended a final offer of £60 per share. With the shares trading close to the agreed offer price, we exited the position and crystallised the value created.

Despite the premium paid, we believe EQT is acquiring a high-quality business with further value creation potential, and we would not be surprised to see Intertek return to the public markets in the future.

Detractors

London Stock Exchange Group

London Stock Exchange Group (LSEG) is a global financial-markets infrastructure and data company. The business is highly diversified, with approximately 40% of revenue from Data & Analytics, including financial desktops, data feeds and analytics, and a similar proportion from trading venues, Tradeweb, clearing and other post-trade services. FTSE Russell provides indices and benchmarks, while Risk Intelligence helps customers prevent fraud and financial crime. Overall, around three-quarters of revenue is highly recurring.

LSEG's share price remains above our inception price, although it was one of our weaker holdings in Q2. We added modestly into weakness and now hold a 3.5% position.

The share price decline was driven primarily by concerns around AI disruption to the financial desktop division, which represents around a fifth of group revenue, reinforced by a broker downgrade. The concern is that AI-enabled workflows, natural-language interfaces and cloud-based data access could reduce reliance on traditional terminals over time, lowering switching costs and putting pressure on pricing. We view this as a credible long-term evolution, but not an immediate or fundamental threat to the broader franchise.

At the same time, LSEG is investing to adapt. Its strategic partnership with Microsoft is modernising its data infrastructure, embedding AI capabilities into customer workflows and enabling broader distribution of its datasets. Rather than disintermediation, we believe the more likely outcome is that LSEG remains deeply embedded in customer workflows, with evolving interfaces and business models.

Importantly, the majority of the business remains highly attractive. Much of LSEG's data is proprietary, real-time or deeply embedded in critical workflows, where accuracy, entitlements and reliability are essential. These characteristics create meaningful barriers to entry and should become increasingly valuable as demand grows for trusted data in an AI-enabled environment.

Overall, while remaining attentive to changes in the competitive landscape, we continue to believe LSEG is well positioned to navigate this transition. In our view, the recent derating has been overdone. From an attractive starting free-cash-flow yield, we see a path to mid-teens total shareholder returns without requiring a re-rating, and we remain invested.

Portfolio Activity

We made several portfolio adjustments in the quarter as we continually aim to allocate capital toward the most attractive risk-adjusted opportunities. We initiated positions in Vertiv and Applied Materials, partly funded by reducing other AI-exposed holdings. We exited Walt Disney and Uber. We were also effectively forced sellers of Intertek following the agreed takeover by EQT, and exited a residual position in Waters received as part of its merger with Becton Dickinson's Biosciences & Diagnostic Solutions business.

Our annualised turnover since inception is just over 50%.

Purchases

VERTIV

Vertiv provides the critical power and thermal infrastructure required to operate data centres at increasing scale and intensity. With around 85% of revenues now derived from data centres, the business is tightly linked to the key constraints on AI-driven capacity growth – namely, power availability, heat management and system reliability.

We classify Vertiv as a Reduction Solution, enabling its customers to lower emissions through more efficient power and cooling systems. For example, Vertiv's higher-temperature liquid cooling can reduce cooling energy consumption by 50-60%. Applied to our estimate of Vertiv's installed base, this equates to avoided emissions of approx. 0.8-1.4Mt CO_2 pa.

We initiated our position after a share price pullback in May and subsequently added opportunistically.

Our investment case is centred on both cyclical and structural drivers: continued expansion in data centre capacity, rising rack densities that increase cooling intensity, and growing cross-selling opportunities as Vertiv integrates its power, thermal, and service offerings. We underwrote revenue growth in excess of 20% per annum over the medium term. This was reinforced by management's

Capital Markets Day targets of 20–22% organic growth, with adjusted operating margins exceeding 27% by 2030.

We think the market is still under-appreciating Vertiv's medium-term earnings potential. The combination of strong structural demand and clear margin expansion should drive significant growth in cash generation, supporting a cash flow yield above 5% over our forecast horizon, with further upside from both execution and end-market strength.

APPLIED MATERIALS®

Applied Materials is a leading semiconductor front-end wafer equipment manufacturer, providing a broad set of integrated, mission-critical products and services that enable chipmakers to increase output and improve process performance. The company has been one of the key enablers of the build-out of AI-driven data centres, as rising silicon demand translates directly into increased demand for its equipment and services. This has been reflected in strong share price performance over the past year.

We re-initiated a position in Applied Materials following its Q2 results in May. The results increased our conviction in the medium-term trajectory of the business and the visibility supporting that outlook. Management outlined a pathway for revenues to roughly double over the next five years, with product growth underpinned by customer commitments.

Importantly, the growth profile is also improving in quality. Increasing sales of integrated solutions, alongside a rising mix of higher-margin annuity-based services, should support gross margin expansion. Combined with operating leverage at scale, this flows through to operating margin upside. At the same time, management are clear that this growth can be delivered within existing capacity, implying no step-change in capital intensity.

Taken together, these factors strengthened our conviction that Applied Material offers an attractive risk-adjusted return profile.

Exits

We aim to run our winners while cutting our losers early - ideally before they become losers. Accordingly, our investment monitoring and risk management process is designed to prompt early action when we detect meaningful changes in competitive dynamics, signs of moat erosion, or shifts in capital allocation requirements. Even if suspect the long-term opportunity remains intact, we will often step aside and reassess from a more neutral position. This was the rationale for exiting our smaller positions in Walt Disney and Uber during Q2. In both cases, the shares had modestly underperformed, but this was not the primary consideration.

Walt Disney is a global media and entertainment company with leading businesses spanning streaming, film studios, television networks, theme parks and consumer products. A key part of the investment case has been the prospect of continued subscriber growth and healthy margin expansion in Streaming as the business matured. However, the industry backdrop is evolving in ways that make that path less straightforward.

First, the rapid development of AI tools is reducing the cost and time required to create content, contributing to a sharp increase in media supply. This is most evident today in short-form formats such as TikTok, Instagram Reels and YouTube Shorts, but the wider implication is a more competitive battle for consumer attention. Disney's unique portfolio of intellectual property gives significant protection, but a more crowded media environment is unhelpful.

Second, there is renewed consolidation across the media industry. Recent transactions and strategic restructurings - including Skydance's acquisition of Paramount, Warner Bros. Discovery's planned separation into two companies, and Comcast's repositioning of its media assets - reflect an industry seeking greater scale and more efficient content portfolios. While these developments do not directly undermine Disney's competitive position, they reinforce the importance of scale and point to a more concentrated landscape.

Third, as the streaming market matures, the path to value creation appears less straightforward.

Subscriber growth is slowing across the industry, so increasingly future success depends on pricing power, advertising monetisation and disciplined content investment. Disney remains well positioned given the strength of its IP, but the pace and magnitude of Streaming margin expansion are more uncertain.

Taken together, we felt it was preferable to step aside and reassess from a neutral position. In relative terms, we also believed other companies in our Consumer Discretionary coverage, including Adidas and Zalando, offered better opportunities.

Uber

Uber is a global mobility and delivery platform connecting consumers with drivers, merchants and delivery networks. Historically, the company has operated an asset-light marketplace model, benefiting from network effects without owning underlying transport infrastructure. However, autonomous vehicles have the potential to reshape the industry and alter the economics of the model, particularly its capital intensity.

In April 2026, Uber's CEO outlined plans to invest more than $10 billion, principally to acquire robotaxi fleets, building on partnerships and joint ventures with autonomous vehicle companies, including Nuro. This comes against a backdrop of rapidly increasing industry investment, including significant equity raises by autonomous vehicle leaders - most notably Waymo's $16 billion funding round in February - as well as growing commitments from automotive manufacturers, including Tesla.

We believe Uber's strategic direction is understandable: evolving from a ride-matching platform into a managed mobility network that helps deploy and coordinate autonomous fleets could represent a significant long-term opportunity. The company's current operating performance also remains strong. However, the pace of industry change is accelerating, and the implications for future capital requirements, competitive positioning and returns on capital are less clear.

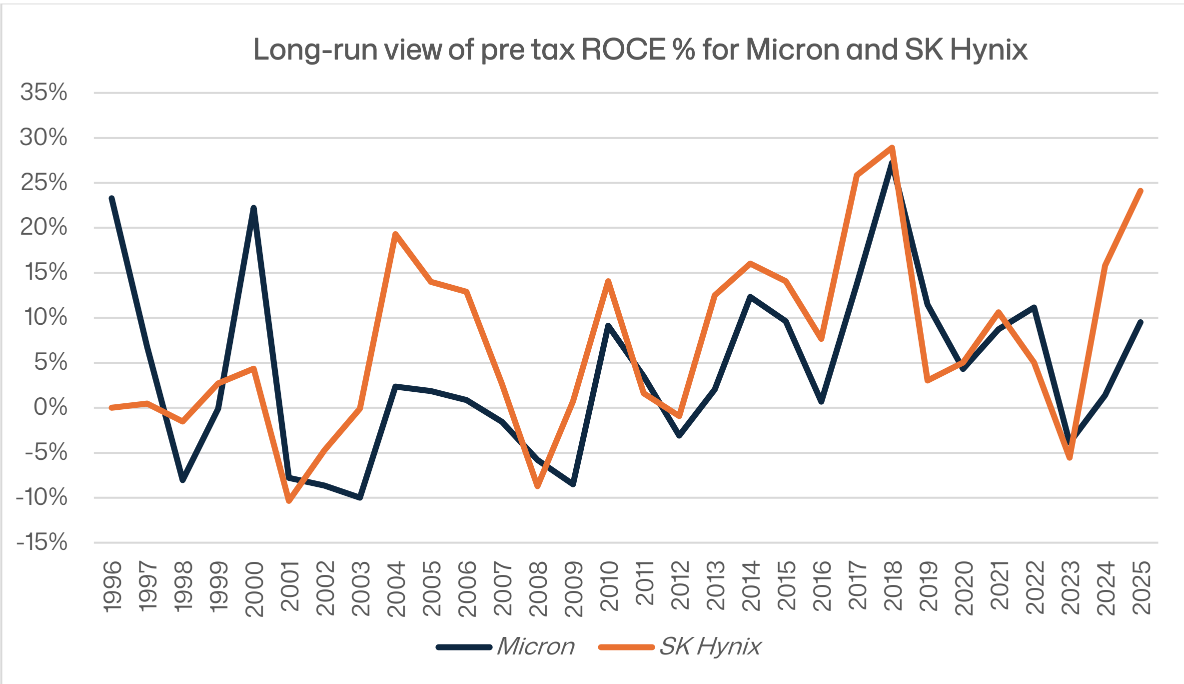
In this context, as with Disney, we preferred to step aside and reassess as the industry develops.

Thinking Aloud: The Commodity Cycle Trap and can a Leopard Change Its Spots?

As noted above, some of the strongest returns of late have come from Memory and Storage companies - names like Micron and SanDisk. The market story is clear: AI demand is now so structural, so large, and so urgent that these businesses are no longer just commodity cyclicals subject to boom and bust (see *chart 1*). They are increasingly being treated as essential AI infrastructure, with customers signing multi-year contracts and agreeing to minimum pricing floors.

The implication is that this marks a decisive break from history: a leopard that has finally changed its spots. The question is whether that is true.

Chart 1 shows the ROCE of Micron and SK Hynix over the past 30 years. Two features stand out: first, the extreme year-to-year volatility; and second, the low through-cycle returns, with both companies generating returns below their cost of capital on average - 4% for Micron and 7% for SK Hynix.



Source: S&P Capital IQ

What has actually changed?

There is a real case that the shape of the cycle for these companies is evolving. Multi-year purchasing agreements with minimum pricing create a baseline level of demand and profitability that did not historically exist to the same degree. They reduce some of the short-term earnings volatility, improve visibility, and allow management to plan capacity with more confidence. As such, the current cycle may prove longer, smoother and less violent than those that came before it.

It is also true that Memory is not a textbook commodity market. Industry structure matters. A small number of suppliers now dominate large parts of NAND and DRAM, and that oligopolistic structure gives them more pricing leverage than in fragmented industries. When demand is unusually strong and capacity is tight, that concentration supports much higher profitability than investors would normally associate with a commodity business.

So, the bullish case is not irrational. These are not businesses selling wheat into a fully competitive spot market. The combination of strong secular AI demand, rationalised industry structure and a degree of contractual support does suggest better economics than in the past.

But has the underlying nature changed?

We are less convinced. The important point, in our view, is that improved economics do not necessarily mean transformed economics.

First, the product itself remains relatively standardised. Customers may care deeply about performance, reliability and supply assurance, but within each product generation the output is still broadly fungible. This is not the same as a business that has created deep differentiation through brand, embedded workflow, proprietary ecosystem or switching costs.

Second, the contracts only go so far. While multi-year agreements provide greater visibility, the pricing floors are typically set below current spot levels and the contracts signed to date cover only a portion of expected industry demand. They may reduce short-term volatility and improve planning certainty, but the marginal unit remains governed by supply and demand. When capacity eventually catches up, it is that marginal pricing which tends to determine industry profitability.

Third, the cycle still contains the seeds of its own reversal. One of the reasons these businesses look so compelling today is that the current boom is generating very large cash flows. That is real value creation, and it should not be dismissed. Even in cyclical industries, a period of exceptional profitability can permanently strengthen the balance sheet, reduce debt, fund buybacks or allow for investment which strengthens the company's competitive advantages in the future.

But the same cash flows also fund the next wave of capacity expansion. In memory, this dynamic is particularly important because industry supply can increase not only through new wafer capacity, but also through technology improvements that increase the amount of memory produced from each wafer. At the same time, fabs have high fixed costs and need to operate at high utilisation rates, meaning companies are often reluctant to reduce output even as pricing begins to weaken. In commodity industries, that is often where the trouble begins: high prices create high cash generation; high cash generation funds capex; and capex ultimately drives the oversupply that undermines pricing.

That does not mean the current upcycle is not real. It is. It simply means that unusually strong cash generation is not, on its own, proof that a business has escaped its historical pattern. It may still represent a favourable phase of the cycle rather than a permanent change in the character of the asset.

What real change looks like

The key test is whether the source of returns has changed. A commodity cyclical business can improve, but a genuine transformation usually requires a change in what it sells, how it earns, or where it sits in the value chain.

DuPont provides a useful example. Historically, it had much deeper roots in more traditional chemical and industrial markets, where returns were more exposed to the cycle. Over time, it has reshaped itself through portfolio change, divestments and a greater focus on higher-value, more differentiated end markets. The important point is not simply that it became smaller or more focused, but that it moved further away from pure price-taking activities towards businesses where technology, formulation, customer intimacy and application-specific know-how matter more. That kind of change can improve margins, reduce cyclicality and support a higher valuation because the quality of the earnings stream genuinely improves.

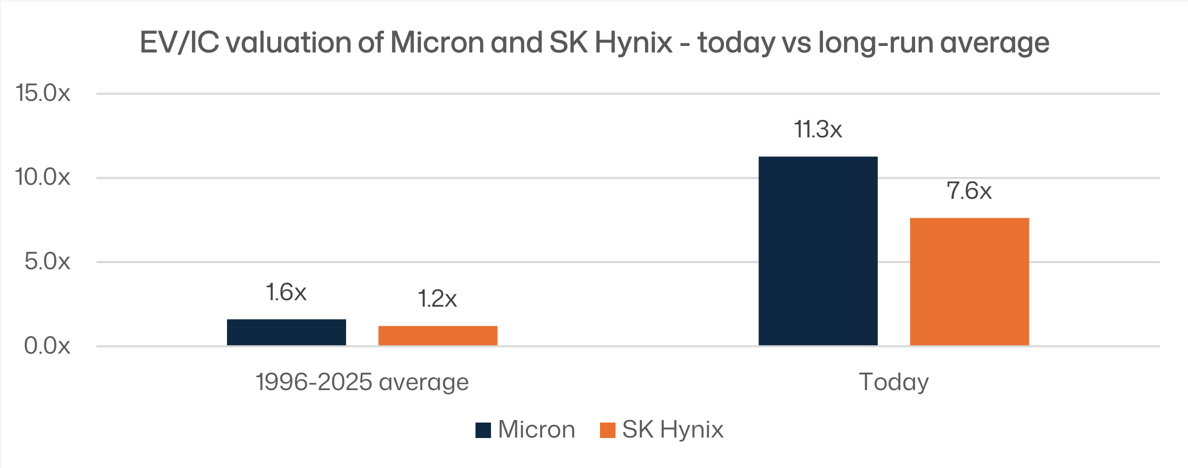
The reason this matters is that the source of a company's economics has changed. It has gained stronger pricing power, deeper customer relationships, or greater control over differentiated products. Investors can usually see that reflected in more stable returns on capital and, over time, higher valuation multiples.

That is where the contrast with Micron and SanDisk becomes important. Their current economics may be better than history would imply, but they have not obviously changed the source of those economics in the same way. They are still principally selling a relatively homogeneous physical input into a market where supply discipline, capacity additions and pricing cycles remain central to the outcome. The oligopoly helps. The contracts help. The secular demand helps. But those things make the cycle better; they do not necessarily make it different.

Genuine transformation can take different forms: moving up the value chain, adding a service layer, building switching costs or creating a more embedded role in the customer's operations. In each case, the result is the same: more differentiated economics, stronger pricing power and higher, more stable returns on capital.

That is also why we remain cautious on Memory and Storage. Micron and SanDisk are not clearly moving in those directions. They may be becoming more disciplined suppliers in a concentrated market, and that may be enough to support a better phase of the cycle, but it does not make them structurally different businesses.

Chart 2 shows the EV/IC multiples at which Micron and SK Hynix trade today relative to their long-run averages. For both companies, current valuations imply a future that looks markedly different from their historical experience.



Source: S&P Capital IQ

The leopard question

So can a leopard change its spots? Perhaps a little. It can become less volatile, more disciplined and more profitable for longer than before. But that is not the same as becoming a different animal.

This matters because markets are often too quick to extrapolate favourable current conditions into the future. When a cyclical commodity business reaches peak profitability, the temptation is to conclude that something profound has changed. Sometimes that is true. More often, the economics have improved at the margin, while the basic structure remains intact.

Our instinct is that memory and storage today are closer to the latter case. This may well be a better, longer and more profitable cycle than investors have seen historically. The gains in cash generation are real. Some of that value will endure. But we are wary of assuming that improved visibility and contractual support amount to a full escape from boom-bust dynamics. The cycle may have softened; it has not disappeared.

What this means for us

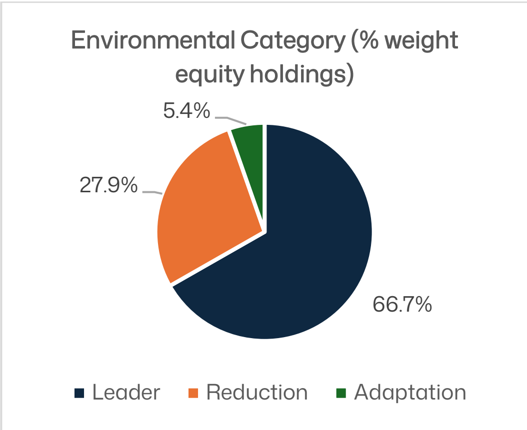
For a fund that values the ability to underwrite businesses through the cycle, that distinction is key. We are more comfortable owning businesses where the long-term return profile comes from durable pricing power, differentiated products, strong service content or embedded competitive advantages, rather than from the continuation of a favourable supply-demand imbalance. The former can usually be underwritten with greater confidence. The latter may generate spectacular returns for a time, but often carry more path dependency than first appears.

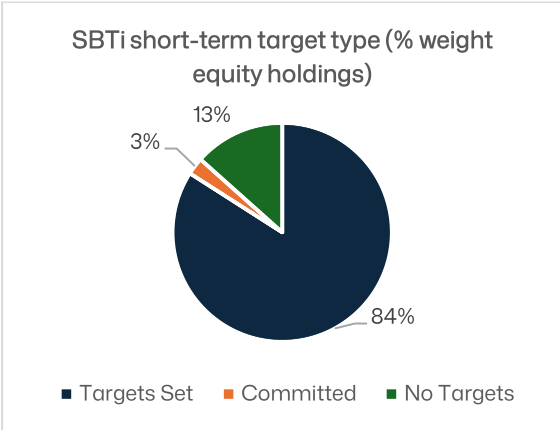
If that proves right, the implications may extend beyond Memory itself. A market that has been unusually concentrated in a handful of AI-linked winners may eventually begin to reward a broader range of businesses again, including those with durable economics, sensible valuations and less cyclical exposure. We would welcome that.

Sustainability and Stewardship

Climate – Strategy Characteristics

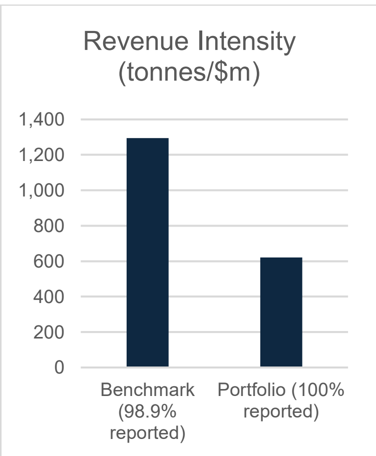
The strategy aims to offer investors a diversified and balanced exposure to the climate and energy transition. The sustainability category and SBTi short-term target status for our portfolio are below, as of the end of Q2 2026:

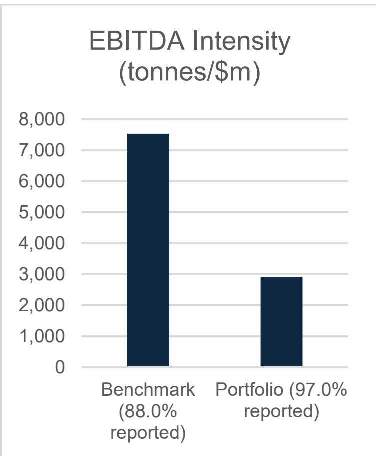


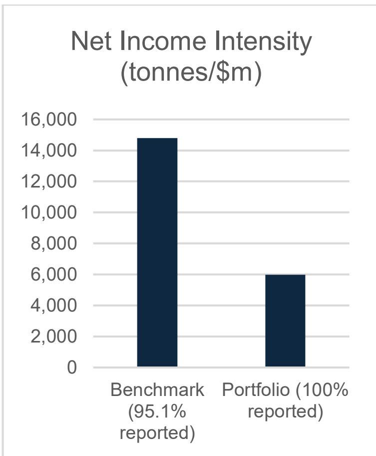


Source: HC Global Equity Fund; Science Based Targets institute

The charts below show the emissions intensity of the portfolio, measured against revenue and profits, compared with the MSCI World. These data give us confidence the portfolio companies operate at higher efficiency than our benchmark.







Source: S&P Capital IQ; data are for the most recent year for which S&P has finalised SFDR PAI data

Climate case study – Novonesis: A Solution in Plain Sight

Novonesis is a Danish biosolutions company formed through the 2024 merger of Novozymes and Chr. Hansen. It is the global leader in industrial biotechnology, developing enzymes, microorganisms, cultures, and functional proteins for large, everyday end markets including agriculture, food and beverage, and household care.

The company is compelling from a climate perspective because its products are integrated into existing customer processes rather than requiring new capital investment. In many cases, they displace more energy- and emissions-intensive inputs or improve efficiency, making emissions reductions commercially attractive, scalable, and immediately actionable. Importantly, this impact is embedded in product economics: customers adopt these solutions for cost and performance benefits, with emissions reduction as a co-benefit rather than the sole driver.

Own Footprint & SBTi Commitments

Novonesis's own operations are also aligned with a 1.5°C pathway, with targets validated by the Science Based Targets initiative. Its near-term goals include a 75% absolute reduction in Scope 1 and 2 emissions by 2030 versus a 2018 baseline, alongside a 35% reduction in Scope 3 emissions over the same period. The company has already achieved 100% renewable electricity and, by 2025, had reduced combined Scope 1 and 2 emissions by 67%, ahead of its interim target. Longer term, it is committed to net zero across the value chain by 2050.

Investment Relevance

Novonesis addresses an estimated €60 billion biosolutions market within the broader €1 trillion specialty chemicals and ingredients sector, positioning it within an attractive and still underpenetrated opportunity set. Growth is supported by four structural drivers: a growing global population, evolving nutritional and health trends, climate risk, and rising energy demand.

The company targets 6–8% organic revenue growth pa with EBIT margin rising towards 29% by 2030, alongside a doubling of return on invested capital. In our view, the climate imperative is not a constraint for Novonesis to manage, but a structural demand driver - policy-supported, economically aligned, and increasingly embedded in customer value chains - supporting sustained growth and attractive long-term returns.

How its products cut emissions

Bioenergy and low-carbon fuels provide a clear example. Novonesis enzymes enable more efficient ethanol production from agricultural residues such as wheat straw, rice straw and corn stover. Ethanol produced using these biosolutions can deliver lifecycle greenhouse gas reductions of more than 90% relative to gasoline, helping to decarbonise segments of transport where electrification remains more difficult.

In detergents, enzyme-based formulations such as lipases, proteases and amylases allow clothes to be washed effectively at 20-30°C rather than 60°C. As water heating accounts for majority of a washing machine's energy consumption, this enables major downstream emissions savings at very large scale across the household care sector.

In agriculture and animal feed, enzymes such as phytase improve feed conversion, reducing emissions per unit of protein produced. Biostimulants and bioprotectants can also support higher yields and more efficient use of agricultural inputs, helping to lower the emissions intensity of food production over time.

Novonesis also has exposure to other climate-relevant applications. These include biosolutions that support **industrial carbon capture** by reducing the energy intensity of conventional capture processes, and **food cultures and enzymes** that extend shelf life and reduce spoilage. Given the significant emissions embedded in food production, even modest reductions in waste can deliver outsized climate benefits.

Engagement case study – Svenska Handelsbanken

Svenska Handelsbanken illustrates both the challenges and opportunities of climate alignment in a decentralised, relationship-driven banking model. It has made tangible progress on its own footprint and embedded climate considerations into lending decisions, yet has chosen not to seek validation of its targets from the Science Based Targets initiative (SBTi). Our engagement has focused on assessing the robustness of Handelsbanken's process-based approach, understanding the limitations of financed-emissions data, and determining what this means for judging the bank's alignment with a 1.5°C pathway within our investment framework.

Svenska Handelsbanken is one of Sweden's four major banking groups, offering retail and corporate banking, mortgages, private banking and asset management. Sweden is its largest market, where it holds a significant share of the credit market and operates the country's largest branch network, alongside home markets in Norway, the UK and Netherlands. Its defining feature is a highly decentralised model in which local branches retain substantial responsibility for customer relationships and lending decisions, with sustainability integrated into this branch-led governance and risk culture.

Our dialogue with Handelsbanken began before the SBTi issue arose. During 2025, we first met the head of investor relations to discuss business prospects and strategy, and subsequently the head of operational sustainability to review the bank's wider sustainability policy. Following Handelsbanken's announcement that it would not pursue SBTi validation of its climate targets, we held a further meeting with both functions to understand the rationale and its implications for assessing the bank's alignment with a 1.5°C pathway within our climate-aligned investment framework.

Handelsbanken has established substantial environmental policies and targets. It reports financed emissions for 94% of total lending to the public and monitors parts of its portfolio against sector pathways designed to be consistent with a 1.5°C trajectory. The bank aims to reduce its own Scope 1 and 2 emissions by 50% by 2030 relative to a 2021 baseline and has already delivered a significant reduction, supported by energy-efficiency measures and 100% renewable electricity purchases in its operations. It applies restrictive policies to fossil-fuel financing and reports that exposure to coal, oil and gas has fallen markedly since 2021, consistent with a low risk appetite for high-emission sectors.

Handelsbanken's decision not to seek SBTi validation rests on three related arguments. First, financed emissions arise from customers' activities and are affected by factors outside the bank's direct control. Second, the underlying data, particularly Scope 3, remain heavily dependent on estimates and standardised emissions factors, with uneven coverage across sectors and customers. This can weaken the link between reported portfolio emissions and the actions taken by the bank: commercial real-estate intensity, for example, increased at Group level in 2025 despite improving in every home market, because the geographic mix of the portfolio changed. Third, Handelsbanken's decentralised model is difficult to reconcile with centrally imposed lending targets. Branches assess customers individually, while sustainability is embedded in customer selection, credit assessment, risk management and engagement rather than managed through a top-down portfolio limit.

The bank therefore describes its approach as process-based rather than target-based. Sustainability risks are assessed alongside conventional financial and credit risks, supported by sector restrictions, climate stress testing, customer engagement, financing for energy-efficiency improvements and comparisons with 1.5°C-aligned reference pathways. Handelsbanken believes that integrating these considerations into lending decisions should improve the sustainability of its portfolio over time. It will continue to monitor the development of SBTi's financial-sector framework and use its principles in climate analysis and indicative sector pathways, but does not currently believe that an absolute lending-emissions target would provide a sufficiently reliable or effective measure of progress.

We recognise the genuine limitations of financed-emissions data and the tension between central targets and Handelsbanken's branch-led model. However, a credible process does not by itself demonstrate that the portfolio will follow an SBTi-equivalent trajectory. Before any investment, we would therefore need to assess the bank's financed-emissions performance and determine whether its lending processes and sector pathways are delivering an outcome consistent with SBTi-aligned targets. Until then, we will continue to monitor the company and keep its eligibility as a Transition Leader under review.

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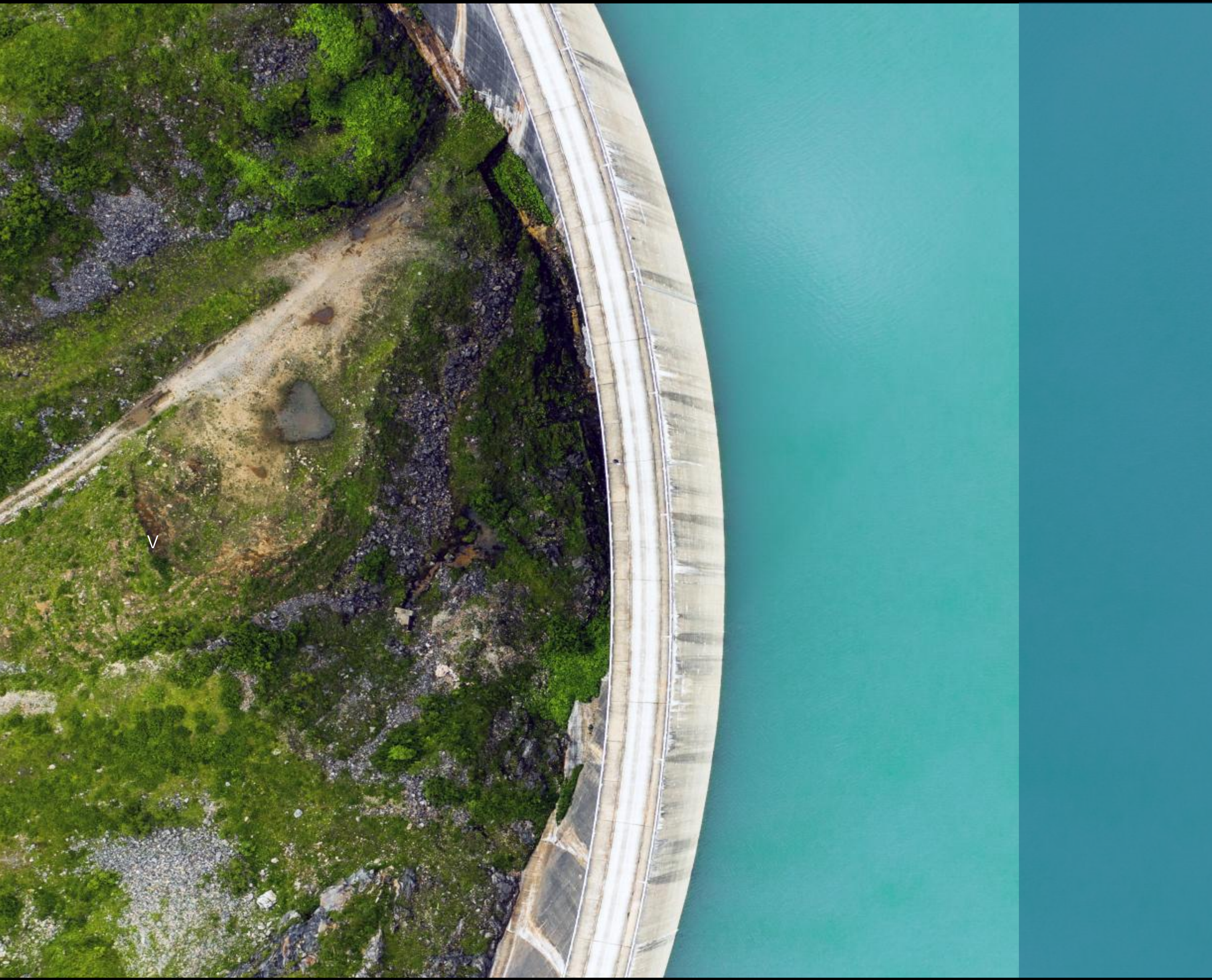

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