CIBC Sustainable Canadian Equity Strategy

Portfolio commentary as of December 2025

Overview

In November, Brazil hosted the 30th United Nations Climate Change Conference (COP30). This year's COP marked the 10-year anniversary of the Paris Agreement, and countries were expected to update their climate plans and Nationally Determined Contributions (NDCs) with more ambitious targets. Alongside these targets, climate adaptation, physical risk, and climate finance were significant areas of focus. However, divisions and hesitancy surfaced as countries' priorities and goals began to diverge, and the absence of a US delegation underscored uncertainty about the direction of the world's second-largest emitter. Despite these reservations, COP30 advanced two key areas — adaptation and climate finance — albeit on a timeline later than previously envisioned. Countries agreed to triple adaptation investment by 2035 and adopted 59 indicators to track progress toward that goal. The conference also provided a more comprehensive roadmap to delivering on last year's goal of $1.3 trillion in annual global climate investment. Overall, the product of COP30 focused on the HOW, whereas previous COPs focused on the WHAT. The most notable omission from the COP30 statement was the absence of language on phasing out fossil fuel use and reforming subsidies, leaving individual nations to determine their own plans. Given heightened geopolitical uncertainty and an increased focus on energy security, it is worth monitoring how this evolves in the short term, particularly amid increasingly diverging views on the energy transition across the globe.

Performance

The Sustainable Canadian Equity fund marginally underperformed the S&P/TSX Composite Index in Q4, mainly driven by marginal relative underperformance from the fund's Materials and Industrials holdings. This was partially offset by strong relative performance from the fund's Utilities, Financials, and Communications holdings. Within Materials, Agnico Eagle posted a slightly negative return during Q4, while many sector peers continued to rally amidst a banner year for Gold prices. Within Industrials, WSP Global and Thomson Reuters were the largest detractors, partially offset by strong relative performance from Element Fleet. On the positive side, Canadian Banks and Renewables focused Utilities had a strong quarter – the fund's allocations to Brookfield Renewables, TD Bank, and Scotiabank were all strong positive contributors. Sector positioning impacts were positive in Q4, as the Energy sector underperformed the benchmark due to lower oil prices. Gradual production increases from OPEC throughout 2025 increased supply, resulting in price declines in both WTI and Brent at levels not seen since the pandemic. This resulted in strong performance tailwinds for the fund, given its fossil fuel divestment approach.

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