CIBC SUSTAINABLE GLOBAL EQUITY STRATEGY

Portfolio commentary as of January 2023

Overview

- As the calendar shifts into a new year, we attempt to identify the key issues and trends to expect across the responsible investment landscape throughout 2023. In an area where change is happening at a heightened pace, it is critical to prepare for these trends in order to navigate the complexity and diversity of ESG considerations across various markets.
- With an increase in net zero commitments from companies, asset managers, and asset owners, we expect more focus on standardized emissions disclosure frameworks to emerge. This will impact how investors perceive company and portfolio emissions, and should lead to more transparent climate risk disclosures across the investment industry.
- On the back of COP15 in Montreal last year, along with the upcoming launch of the Task Force on Nature Related Disclosures (TNFD), we expect biodiversity to become a larger part of the climate conversation alongside carbon emissions.
- Given the increase in climate-related advances in recent years, it seems as though social issues have taken a back seat. We expect this trend to reverse in the near term. For example, UNPRI has already signaled that human rights and modern slavery will be an area of focus moving forward, and DEI initiatives are top of mind for organizations globally.
- Overall, while the polarization of ESG continues to be stoked, and asset flows have normalized relative to recent levels, we are expecting another year of continued progress and refinement around how investors can best integrate nonfinancial factors throughout their investment process.

Performance

- The Sustainable Global Equity strategy returned 4.51% in January, underperforming the MSCI World Index by approximately 0.79% during the month
- Performance of the fund's Consumer Discretionary and Financials holdings lagged their respective peers in January, with Dollar General (-6.58%) and HDFC Bank (-3.03%) providing most of the performance headwinds. This was partially offset by strong relative performance from the fund's Technology and Consumer Staples holdings, which managed to outperform peers. Top performers included Costco (+10.27%), L'Oreal (+13.57%), Samsung (+19.87%), and NVIDIA (+31.65%)
- 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. The portfolio also provides investors with less exposure to companies with poor ESG practices, highlighted by the higher ESG profile.

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