



Investment Philosophy

SilverCross Global Small-Cap Fund invests in a portfolio of 25-35 high-quality smaller companies. It invests in companies with defensible business models across global developed markets.

The Manager applies four core principles in its stock selection. Its aim is to drive attractive long-term investment returns in excess of the benchmark while keeping portfolio turnover low.

Core Selection Principles

Create Value with a sustainable business model.

Compound Growth thanks to a scalable business model.

Undervaluation implies an asymmetric risk / reward profile.

Insider Ownership ensures alignment with management.

About The GreenBullet

The SilverCross GreenBullet, is the ESG sibling of our longstanding SilverBullet. With this newsletter, we aim to offer further insight into recent ESG events, and how they may affect the SilverCross portfolio.

Climate 2025: Progress, Pressures and the Path Ahead

2025 has been a defining year for environmental, social and governance (ESG) considerations, with climate remaining a central driver of risk and opportunity. During the year, climate impacts intensified, global regulation advanced unevenly, and investors faced an increasingly diverging policy landscape. While COP30 highlighted the difficulty of reaching global consensus, other developments underscored the accelerating urgency for credible, real-world action.

Against this backdrop, one theme has become increasingly clear: companies that are already executing operational efficiencies are pulling ahead, regardless of political cycles. This dynamic reinforces a core principle of the SilverCross investment philosophy. Durable long-term value is created not by companies waiting for regulation, but by those innovating ahead of it.

In this piece we highlight the major climate developments of 2025, the implications for investors, and how our portfolio companies are weathering the storm through their decarbonisation efforts.

A Changing Climate: What Shaped 2025

Record Climate Impacts

2025 has already seen some of the most severe climate-linked disasters in recent history. In the United States, the first half of the year became the costliest ever for climate-related disasters. Extreme wildfires, storms and floods swept across multiple states, a pattern scientists have consistently linked to hotter, drier and more unstable atmospheric conditions. Southern Europe also experienced repeated heatwaves and drought conditions, placing pressure on water systems, agriculture and energy demand.

In October, a major hurricane, dubbed the “storm of the century”, struck Jamaica, causing widespread flooding, infrastructure damage and prolonged power outages. The event highlighted the growing vulnerability of small island economies to increasingly intense tropical storms. Shortly after, unusually warm ocean temperatures fuelled a sequence of powerful storms, torrential rains and landslides across Southeast Asia, claiming over 1,750 lives.

Successive rounds of national climate plans have reduced projected global warming by the year 2100, from around 3.6° C under the plans submitted under the Paris Agreement in 2015 to an approximate 2.6° C today. Yet, the world remains far from the 1.5° C pathway required to limit the most severe physical, economic and social impacts of climate change. The acute events described above have been mirrored by profound changes in the Earth’s underlying climate system. The Arctic experienced its warmest and wettest year on record, with temperatures rising at more than twice the global average. At a global level, the past three years rank as the hottest on record. Average temperatures approached, and in some cases exceeded, the 1.5° C threshold for the longest sustained period to date. This year has once again shown that climate risk is not a distant or abstract concept. It is unfolding now, shaping economies and supply chains.

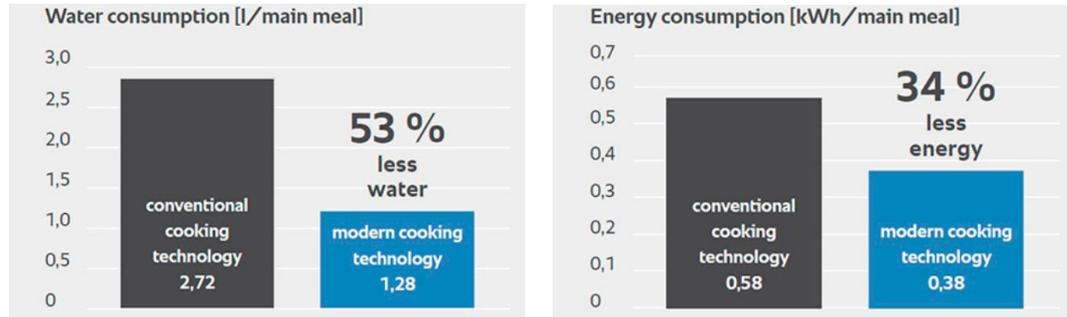
The Continued Search for a Just Transition

In 2025, the debate around climate action continued to shift from how much capital is deployed to how the transition is managed. The International Labour Organisation (ILO), defines a ‘just transition’ as the process of “greening the economy in a way that is as fair and inclusive as possible [...] creating decent work opportunities and leaving no one behind”. In other words, it reflects the need to decarbonise economies while simultaneously supporting energy security, employment, affordability and social mobility.

A just transition influences where technology adoption accelerates, how infrastructure is built, and which business models are most likely to benefit from long-term policy and capital support. Several of the SilverCross holdings lower the practical barriers to decarbonisation by improving efficiency, productivity and resilience. This includes exposure to energy and water efficiency (Rational AG), automation technologies that support resilient operations (Interroll), and climate-resilient building technologies that reduce energy demand and improve system reliability (Belimo).



Companies that simplify the transition, rather than making it more complex or costly, are well positioned as governments, industries and households navigate the practical realities of transitioning to a net zero economy.



Water and energy savings of Rational ovens versus conventional ovens

Evolving Regulation

Alongside intensifying climate impacts, the regulatory landscape continued to evolve unevenly during the year. In Europe, 2025 marked a clear shift toward regulatory simplification. Political focus moved from expanding ESG rules to refining them, with efforts to reduce complexity, delay implementation for some companies and improve proportionality. This has introduced uncertainty around timing and scope, but not the underlying direction of travel.

Outside Europe, policy momentum diverged more sharply. In the United States, climate and broader ESG regulation became increasingly politicised. Federal progress on mandatory climate disclosure slowed, while enforcement priorities shifted. Greater reliance was placed on voluntary reporting and many initiatives were left for the state to decide. Corporate diversity, equity and inclusion (DEI) policies came under heightened scrutiny. Several states moved to restrict or challenge DEI-related requirements in public institutions and government-linked entities. This prompted some companies to reassess how they frame, govern and disclose social and workforce initiatives, while others scaled back public commitments altogether.

This regulatory divergence reinforces the importance of focusing on material ESG practices rather than regulatory compliance alone. Companies that embed climate resilience, workforce management and governance discipline into their core operations are better positioned to navigate shifting political cycles and evolving regulatory expectations. This is particularly true in an environment where rules are increasingly fragmented across regions. For investors, uneven regulation heightens the value of bottom-up analysis and active engagement, both of which are core pillars of the SilverCross investment process. This approach allows us to assess how companies manage material ESG risks and opportunities, beyond what regulation alone requires.

Trade

Trade policy has become an increasingly important extension of this regulatory fragmentation. In 2025, tensions rose around the EU's Carbon Border Adjustment Mechanism (CBAM). The regulation, set to come into effect in January 2026, places a carbon-based levy on imports of high-emission goods when they originate from countries with weaker climate regulations. Several emerging economies view CBAM as an unfair cost burden, while the EU argues that it is necessary to prevent carbon leakage and protect domestic decarbonisation efforts.

Beyond CBAM, broader trade disparities, including tariffs on green goods, continue to influence how and where climate technologies are deployed. China's policies over the past decade, including preferential financing and subsidies, have helped concentrate over 80% of global solar photovoltaics production in China. The US has also reshaped clean-technology supply chains through domestic-content rules and large-scale fiscal incentives, particularly under the Inflation Reduction Act. This has accelerated the localisation of EV, battery, solar and hydrogen manufacturing.

Fund Details

Managers since July 2014: David Simons & Chris Andrews

Inception date: 30 July 2014

Currency: EURO

Share Class: A

Management Fee: 1.15%

Total Expense Ratio: 1.40%

Minimum Investment: 100,000

ISIN code: NL0010832242

Bloomberg: SCGSCFA NA



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These regulatory and trade dynamics have direct implications for corporate cost structures, supply chain resilience and long-term competitiveness. Last year, we conducted a CBAM exposure assessment across our portfolio to understand which holdings may face upstream cost pressures or regulatory shifts. Of those in scope, we concluded that Aluflexpack and Stabilus were the most exposed, given their reliance on aluminium- and steel-intensive inputs. However, both companies benefit from mitigating factors, including significant EU-based production and the ability to pass through costs in certain markets. We have since sold both companies, and although their CBAM exposure did not drive our investment decisions, the assessment reinforced the importance of resilient supply chains in a world where trade and climate policy are increasingly intertwined.



COP 30: A Missed Moment, But a Useful Signal

The Conference of the Parties (COP) is the annual UN climate summit that brings together almost every country in the world to coordinate global climate action. Last month, COP30 was hosted in Belém, Brazil on the edge of the Amazon. The summit was expected to be the moment global climate commitments moved decisively from promise to practice. Instead, it exposed the widening gap between long-standing ambitions and real-world delivery. One of the most significant disappointments was the failure to agree on a credible roadmap for phasing out fossil fuels. Rather than setting out a clear pathway with timelines and milestones, the final text offered diluted language and deferred decisions.

More broadly, the updated national climate plans required to close the emissions gap did not materialise. Funding pledges also remained vague and disagreements over trade-linked climate measures limited progress. In short, COP30 reaffirmed the direction of travel but lacked the decisive steps required to change it.

Decarbonisation within the SilverCross Portfolio

Beyond any single summit or political process, 2025 has reinforced a set of structural decarbonisation themes that are increasingly shaping markets, regulation and corporate strategy. These dynamics are not confined to annual climate negotiations, they are playing out across trade policy, capital allocation and the pace of decarbonisation globally. Rather than viewing the gridlock as discouraging, we see it as a powerful validation of our investment strategy. When policy progress slows, the companies already delivering measurable decarbonisation, regardless of political cycles, become even more critical. Several of the companies in the SilverCross portfolio are doing exactly that.



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Carel Industries, our second-largest contributor to return year-to-date, illustrates this dynamic well. The company has translated its climate commitments into tangible, year-on-year emissions reductions while benefiting from strong demand for its high-efficiency cooling, humidification and control technologies. Its near-term greenhouse gas (GHG) reduction targets have been approved by the Science Based Targets initiative* (SBTi), underscoring the credibility of its decarbonisation pathway. Carel has strengthened its operational performance across key indicators measured against a 2023 baseline, increasing the share of renewable energy in its consumption from 49% to 57% and more than doubling its self-generated solar electricity. Over the same period, Carel achieved an 8% reduction in direct (Scope 1) emissions and a 44% reduction in market-based indirect (Scope 2) emissions. This demonstrates genuine operational decarbonisation rather than symbolic commitments. Importantly, Carel's products also have material downstream impact. In 2024, Carel technologies enabled customers to save an estimated 7,012 GWh of energy and avoid nearly two million tonnes of CO₂e. This saving is roughly equivalent to the annual emissions of Rotterdam's entire built environment (gebouwde omgeving). By helping customers adopt natural refrigerants and improve system efficiency, Carel delivers emissions reductions across its entire value chain, not just in its own operations.



Carel's current and projected emissions reductions. The projected emission reductions are in line with SBTi criteria

The same pattern of ambition translated into action can be seen in Technology One, a market-leading enterprise SaaS provider. Technology One benefits from a naturally low-carbon, asset-light cloud business model. It has already reduced emissions ahead of software-sector peers, while maintaining the strong margins and disciplined execution that underpin its long-term compounding potential. The company achieved carbon neutrality across its global operations in 2023, covering Australia, New Zealand, the UK and Malaysia. It has set ambitious targets to reduce global Scope 1 and 2 emissions by 80% by the end of 2025 and to reach 100% by 2030. Technology One is rapidly transitioning its office footprint to renewable electricity. By FY2024, six of its ten global head offices were powered by renewables. As a result, it has already reduced Scope 1 and 2 emissions by 69% compared with its 2022 baseline, with reductions expected to reach 81% by the end of this year.

In both cases, climate commitments have translated into measurable emissions reductions rather than remaining symbolic pledges, aligning with COP30's core message that delivery and credibility must define the next phase of global climate action. Notably, these operational improvements have occurred alongside strong share price performance, which demonstrates that decarbonisation doesn't have to come at the expense of financial performance.

*The SBTi was established by the UN Global Compact, amongst others, to help companies set scientific emissions reduction targets in line with the Paris Agreement.



What This Means for Investors in 2025 and Beyond

The events of 2025 have reinforced a fundamental reality for investors: climate risk, social expectations and regulatory divergence are no longer peripheral considerations. They are increasingly shaping cost structures, supply chains and long-term value creation across sectors. While global policy continues to advance unevenly, the overall direction of travel is clear, even if the pace is not.

This uneven environment heightens the importance of company-level execution. Businesses that embed efficiency, resilience and responsible governance into their operations are better positioned to navigate policy uncertainty, rising physical climate risks and shifting stakeholder expectations. At the same time, ESG regulation and policy are entering a more mature phase. After years of rapid expansion, the focus is shifting from ambition-setting to implementation and refinement.

For investors, this evolution reduces the value of box-ticking compliance and elevates the importance of substance, with greater emphasis on how companies manage material ESG risks in practice rather than regulatory alignment alone. At SilverCross, this reinforces our focus on identifying high-quality companies including those that are already translating ESG commitments into measurable outcomes. Through bottom-up analysis and active engagement, we seek to back companies that are strengthening their competitive position while contributing to a more resilient economy.

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About the author

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For more information on sustainability and the Fund Prospectus, you can visit our website <https://silvercross-im.com/en/about-us#documents>

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