

### Fund commentary

The quarter was difficult due to mixed developments at both the macro and sector levels. At a high level, inflation, elevated interest rates, political uncertainty in several countries, China COVID policies, decelerating economic growth, and still no end in sight to the war in Ukraine, were strong headwinds.

In accordance with National Instrument 81-102, the Fund's performance is not disclosed as the Fund has been a reporting issuer for less than a year. Inception date of Fund: March 1, 2022.

Operationally, companies in the Fund had a solid quarter as demand for renewables projects outstrips supply, prices offset higher costs, and earnings revisions were mostly positive.

Upon the close of the period, the sub-advisor finally gained much more clarity on power prices and windfall taxes in Europe (UK, Italy, Germany, etc) with a better outcome than feared for the majority of countries. This clarity will provide higher forward-looking visibility and stability for many of the companies in the Fund.

In terms of decarbonisation impact at the end of the quarter, CO2 emissions are over 75% lower per CAD1mn invested in the fund compared to CAD1mn invested in the MSCI World Utilities Index.

The top five contributors were Drax, Enel, Terna, ERG SpA, and Edison International.

The top five detractors were TransAlta Renewables, Renova, Brookfield Renewable Corp., ReNew Energy Global, and Sunrun.

For regional attribution, Europe contributed to the Fund while North America and APAC detracted.

### Outlook

Moving into 2023, the sub-advisor's outlook for the global renewables sector is optimistic. Fundamentals for the sector are strong as they anticipate solid demand. Global prioritisation for energy security coupled with renewable electricity's increased relative affordability compared to traditional fossil fuel powered electricity, combine to create a favourable backdrop for the renewable sector. Further, the Inflation Reduction Act (IRA) will be a gamechanger for the entire renewables value chain as it provides 10 years of visibility for the sector and the sub-advisor believes the positive impacts of the IRA aren't yet fully baked into market expectations. The IRA will move from the drawing boards to revenues and earnings starting in 2024, as new factories and operating assets start to come online.

Looking ahead, the sub-advisor also expects to see a more stable operating environment for the sector. 2022 was a volatile year politically with U.S. mid-terms and eventful elections in the UK and Italy. With those events behind us, Europe finally gaining clarity on windfall taxes, and the worst of the interest rate hikes likely behind us, the sub-advisor envisages a more predictable environment ahead.

We may see a very difficult economic environment moving into 2023 but the sub-advisor predicts strong secular growth resilience for the renewables sector compared to the broader market. They expect to see companies in the Fund continue to grow as they have in 2022 despite the majority of the economy facing a slowdown.

While European names underperformed their U.S. counterparts for the aforementioned factors during the year, looking ahead, the sub-advisor believes operating environments and valuations are attractive for EU companies.

In terms of the Canadian market, in response to the U.S.'s IRA, the government has proposed an investment tax credit for renewables, green hydrogen, and electric vehicles. This should be very supportive for the sector.

In conclusion, as we move ahead into 2023 the sub-advisor is cautiously optimistic. Macro headwinds such as inflation, rising interest rates, energy affordability, and rising capital costs may continue to create volatility, however the Fund's sectors' overall environment is much more positive for 2023 than it was in 2022.

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