

Climate solutions: Same same, but different

How applying the same revenue filter produces different climate solutions portfolio characteristics across developed and emerging markets, and the implications for investors.

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Executive Summary

The climate investment landscape is often discussed in aspirational terms: promising technologies, pilot projects and potential breakthroughs. Today's reality, however, sees a transition that is increasingly about capital deployment now, rather than ambition or innovation for the future.

The Storebrand Plus funds, which allocate 12-15% of portfolio assets to climate solutions, require qualifying companies to derive over 50% of revenues from products and services that directly address the challenge of reaching net zero. This paper examines the results of that filter when applied to two different investment universes: developed markets (Storebrand Global Plus) and developing ones (Storebrand Emerging Markets Plus).

Despite the same revenue threshold, whitelist methodology and analytical framework, we find that the company profiles within the two funds' climate solutions sub-portfolios are strikingly different. Depending on where they are domiciled, the shared climate challenge is being monetised through different business models at different points in the transition value chain.

In emerging markets, particularly China, the solutions sleeve is dominated by companies already manufacturing and delivering upstream climate hardware at industrial scale: batteries, solar panels, grid equipment and rolling stock. In developed markets, the sleeve tilts towards services, efficiency, recycling and grid infrastructure – activities that are essential, but often downstream or further removed from the physical production of climate technology.

As well as exploring what the Plus funds' holdings demonstrate about how climate solutions are distributed across the global economy, the paper explores what this means for investors seeking genuine and diversified exposure to the energy transition. There are also important investment implications for differentials in valuations, earnings growth, share price performance and risk factors across the two markets, as well as some key areas of common ground. For asset owners and allocators, we find that DM and EM climate solutions are complementary, rather than substitutes, and exposure to both gives more complete transition coverage than either alone.

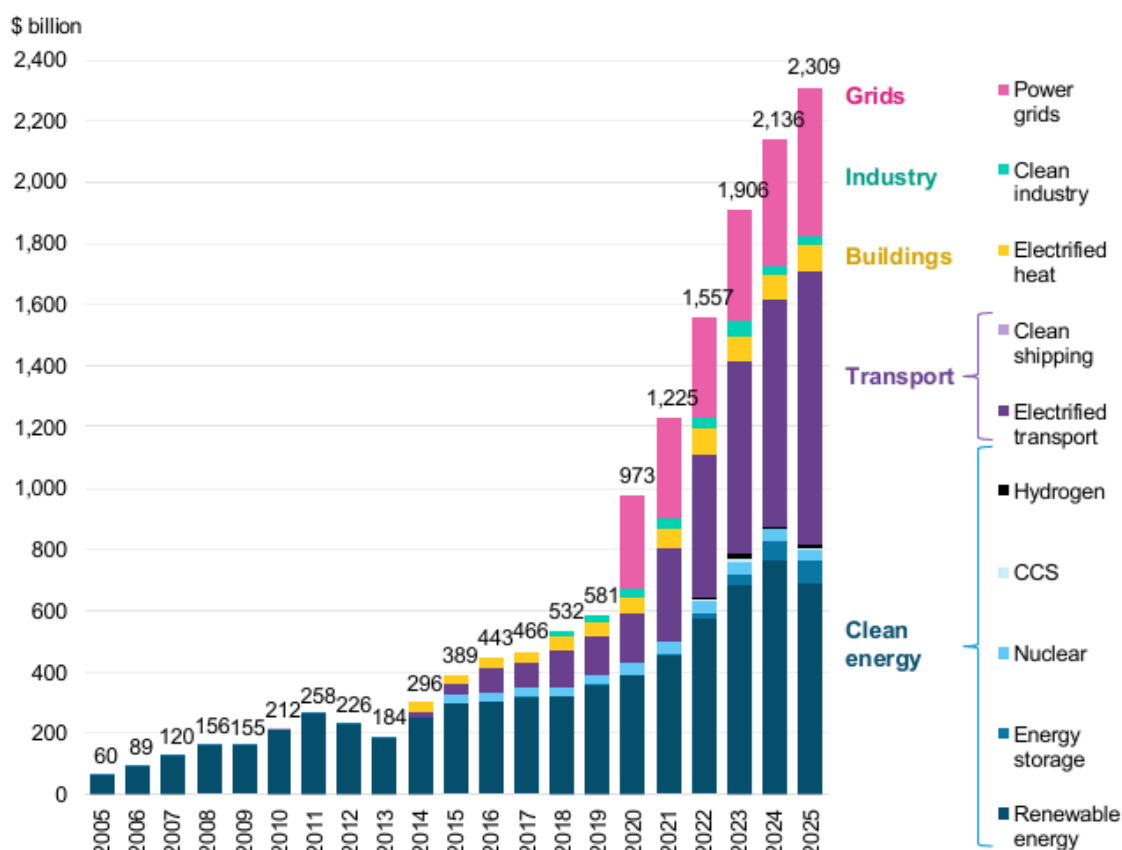
The paper also examines the risk factors facing companies and their investors in both emerging and developed markets as well as the outlook and the structural trends that are likely to shape the evolution of both markets in the coming years.

When we apply the same revenue filter across both developed and emerging markets, companies in the former tend to enable the transition whereas those in the latter tend to build it.

1. Climate Solutions Enter the Deployment Era

The energy transition has entered a capital-intensive phase where the dominant financial flows are about scaling proven technologies. According to BloombergNEF’s latest Energy Transition Investment Trends (ETIT) report, global energy transition investment (spending on clean-technology deployment) rose 8% in 2025 to \$2.3 trillion, a new record¹. The three sectors dominating spending last year were EVs, renewables and grids — all mature technologies being rolled out at scale – which accounted for over \$2 trillion of the deployment (see figure 1).

Figure 1: Global investment in energy transition, by sector



Source: BloombergNEF. Note: Start years differ by sector but all sectors are present from 2020 onwards; see Methodology for more detail. Most notably, nuclear figures start in 2015 and power grids in 2020. CCS refers to carbon capture and storage.

Asia Pacific remained the largest region for investment in 2025, representing nearly half (47%) of the global total. China retained its lead as the largest market for capital spending, accounting for \$800 billion or around a third (34%) of total investment. It invests more than double the second-placed US (\$378 billion), which recorded a 3.5% increase despite the Trump administration’s moves to slow the energy transition. The EU shrugged off its own political headwinds to grow 18% to \$455 billion, contributing the most to the global uptick.

¹ BloombergNEF Energy Transition Report, January 2026.



2. Climate Solutions Portfolio Construction

The climate solutions allocation within the Plus funds is a positive selection mechanism that applies a revenue-based methodology to identify stocks that are providing the products and services to enable this transition as part of their core business. Rather than relying on corporate pledges or thematic classification alone, our revenue-based filter grounds portfolio construction in economic reality and requires that a company derives a quantifiable share of sales from products or services that directly contribute to climate mitigation or adaptation.

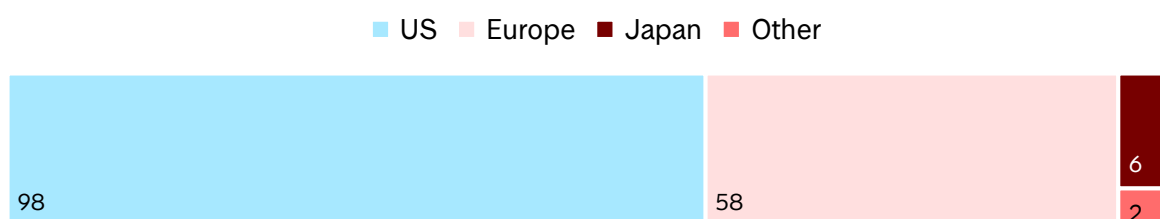
The threshold is strict: more than 50% of revenues must derive from climate solutions activities. This is as much a commercial maturity test as a sustainability definition. Companies in early-stage commercialisation – with capacity under construction, revenues projected rather than reported, or business models dependent on government subsidy – typically do not qualify, nor do those with peripheral solutions exposure in diversified conglomerates. The filter produces only delivery-stage businesses with demonstrable customer demand and recurring revenues.

The methodology classifies qualifying revenue into ten solution categories: Batteries & Storage, Solar, Wind/Hydro/Geothermal, Grid Equipment, Grid Operators, EVs & Green Vehicles, Public Transport, Energy Efficiency, Recycling & Circular, and Water/Services/Other. See Appendix 1 for more details on the methodology.

For Global Plus, 164 developed market companies pass the solutions filter, representing a combined portfolio weight of 12.4%, whereas 343 companies qualify for inclusion in Emerging Markets Plus, with a combined weight of 14.3%. The developed market sleeve has greatest exposure to the US, while China represents the largest for the emerging markets sleeve (figure 2).

Fig 2: Portfolio breakdown by geography

Global Plus:



EM Plus:



The larger number of holdings in the emerging markets portfolio highlights that in developing economies, climate-relevant revenue is more broadly distributed across the corporate landscape.



3. One Filter, Two Different Sleeves

Applying the same revenue filter to both funds reveals a distinct divergence in the types of climate solutions companies that dominate each market. The table below summarises the distribution of solution holdings by theme across the two funds:

Table 1: Thematic comparison – climate solutions portfolio breakdowns

Theme	Global Plus Weight	Global Plus Holdings	EM Plus Weight	EM Plus Holdings	Difference (EM – GP)	Comment
Batteries & Storage	0.1%	2	22.4%	87	+22.3%	EM dominates
Solar	3.7%	14	14.4%	84	+10.7%	EM leads
Wind, Hydro & Geothermal	9.9%	22	12.9%	38	+2.9%	Both strong
Grid Equipment	13.8%	20	17.4%	71	+3.5%	Both strong
Grid Operators	11.0%	7	8.4%	5	-2.5%	Both strong
EVs & Green Vehicles	14.8%	6	7.4%	11	-7.5%	DM leads
Public Transport	8.2%	13	10.0%	19	+1.7%	Both strong
Energy Efficiency	8.6%	25	1.4%	6	-7.1%	DM leads
Recycling & Circular	10.9%	17	0.1%	1	-10.8%	DM dominates
Water, Services & Other	18.9%	38	5.6%	21	-13.3%	DM leads
TOTAL	100.0%	164	100.0%	343		

Several thematic differences stand out. Batteries – the enabling technology of electrified transport and grid storage – represent over a fifth (22.3%) of the EM solutions sleeve but only 0.1% of the DM equivalent. Solar manufacturing tells a similar story: 14.4% of EM versus 3.7% of DM. Conversely, recycling accounts for 10.9% of Global Plus's solutions weight but is virtually absent from the EM sleeve. Energy efficiency 8.6% of Global Plus versus 1.4% in EM. See Appendix 2 for the full breakdown.

The top holdings in each fund, which reflect the solutions companies with the largest market capitalisation in the two markets, further illustrate the divergence:

Figure 4: Top 5 climate solutions holdings

#	Global Plus	Active Weight	Theme	EM Plus	Active Weight	Theme
1.	Tesla Inc	+0.08%	EVs & Green Vehicles	CATL	+1.26%	Batteries & Storage
2.	Schneider Electric	+0.34%	Water, Services & Other	China Yangtze Power	+1.02%	Wind, Hydro & Geothermal
3.	Quanta Services	+0.42%	Grid Equipment	BYD Co	+0.30%	EVs & Green Vehicles
4.	Steel Dynamics	+0.44%	Recycling & Circular	Power Grid Corp India	+0.92%	Grid Operators
5.	Iberdrola	+0.21%	Grid Operators	Beijing-Shanghai HSR	+0.79%	Public Transport

Global Plus's largest solutions holding is Tesla, which at 1.61% of the portfolio represents only a modest overweight relative to its position in the MSCI World index. The company is classified under 'EVs & Green Vehicles' despite its revenue increasingly coming from energy storage and software, rather than manufacturing alone. The fund's other four largest holdings, which represent more significant active positions, comprise electrification services (Schneider Electric), grid infrastructure (Quanta Services), materials recycling (Steel Dynamics), and grid operation (Iberdrola) – companies whose climate contribution is often embedded within broader industrial or utility operations.

In Emerging Markets Plus, the top holdings are direct manufacturers of climate hardware and the active positions are even more pronounced. CATL is the world's largest battery producer and China Yangtze Power runs the world's largest hydroelectric system. BYD is both a vehicle manufacturer and a vertically integrated battery-to-car operation, Power Grid Corporation of India operates the subcontinent's electricity transmission backbone, and Beijing-Shanghai High Speed Railway runs one of the world's busiest green transport corridors.

4. Where EMs Lead: Upstream Manufacturing

The EM Plus solutions sleeve is overwhelmingly concentrated in what might be called the "hardware layer" of the energy transition: companies that physically produce the batteries, solar cells, electric vehicles, and power equipment that the world needs to decarbonise.

<p>Batteries & Storage</p> <p>EM: 87 holdings (22.3% weight)</p> <p>DM: 2 holdings (0.1% weight)</p>	<p>The EM fund holds 87 battery-related companies spanning the full value chain. CATL alone shipped 661 GWh in 2025, holds 39% of the global EV battery market, and reported 424 billion yuan in revenue. BYD reported record revenue of 777 billion yuan, up 29% year-on-year. In Global Plus, battery exposure is limited to two small holdings, reflecting the concentration of battery manufacturing in Asia Pacific.</p> <p>In Global Plus, by contrast, battery exposure is limited to two small holdings with negligible combined weight. This is not a failure of the filter but a reflection of industrial geography: Asia Pacific accounts for over half of the global EV battery market, and Chinese manufacturers alone supply close to 40% of global EV battery installations.</p>
<p>Solar</p> <p>EM: 84 companies (14.4% weight)</p> <p>DM: 14 companies (3.7% weight)</p>	<p>The EM fund holds 84 solar-related companies, including Sungrow, the world's largest inverter manufacturer. China controls over 80% of global PV capacity, with 93.5% of polysilicon output in 2024. The 14 solar companies in Global Plus tend to be project developers or smaller-scale operators.</p> <p>The 14 solar companies in Global Plus tend to be project developers, component suppliers or smaller-scale operators rather than the large-volume manufacturers that dominate the EM portfolio.</p>
<p>EVs & Green Vehicles</p> <p>EM: 11 holdings (7.4% weight)</p> <p>DM: 6 holdings (14.8% weight)</p>	<p>EM holdings include BYD, XPeng and CRRC. China sold over 11 million new energy vehicles in 2024, roughly two-thirds of global EV sales, with Chinese EVs now cost-competitive with ICE vehicles on purchase price. Global Plus holds six vehicle-related companies led by Tesla, whose flat 2024 revenue growth contrasts with BYD's 29% increase.</p> <p>Global Plus holds six vehicle-related companies, led by Tesla, whose 2024 revenue of \$97.7 billion grew by less than 1% year-on-year. While Tesla remains a pivotal EV company, its recent growth trajectory contrasts sharply with BYD's 29% revenue increase over the same period.</p>

5. Where DMs Lead: Services, Efficiency, and Circularity

If emerging markets dominate the manufacturing of climate hardware, developed markets lead in the service and efficiency layers of the transition – activities that make clean technology work more effectively, last longer, and integrate into existing systems.

<p>Recycling & Circular</p> <p>DM: 17 holdings (10.9% weight)</p> <p>EM: 1 holding (0.1% weight)</p>	<p>Recycling and circular-economy companies represent 10.7% of Global Plus's solutions sub-portfolio but are almost entirely absent from the EM sleeve. This reflects the maturity of waste management infrastructure and regulatory frameworks in developed economies. Holdings include Steel Dynamics (electric arc furnace steelmaking from scrap), Aurubis (copper recycling) and a range of specialist materials recyclers.</p> <p>As the first generation of solar panels, wind turbines, and EV batteries reaches end-of-life, this recycling capacity will become increasingly critical to the transition's sustainability.</p>
<p>Energy Efficiency</p> <p>DM: 25 holdings (8.6% weight)</p> <p>EM: 6 holdings (1.4% weight)</p>	<p>Global Plus holds 23 companies in energy efficiency, spanning building management systems, smart lighting, insulation, and HVAC optimisation. Acuity Brands and Signify (formerly Philips Lighting) are among the leading holdings. Schneider Electric, the fund's second-largest solutions holding, is a global leader in energy management and building automation, with 2024 revenues of €38 billion representing 8% organic growth. The company was recognised as the world's most sustainable corporation by Corporate Knights. These companies address the demand side of the energy equation – reducing the amount of clean energy that needs to be generated in the first place.</p> <p>In the EM sub-portfolio, energy efficiency exposure is minimal, with just three holdings representing 1% of solutions weight. This difference reflects the relative immaturity of building energy codes and retrofit markets in developing economies, although it also signals an area of future growth potential.</p>
<p>Water, Services & Other</p> <p>DM: 38 holdings (18.9% weight)</p> <p>EM: 21 holdings (5.6% weight)</p>	<p>Global Plus holds six green consulting firms – Stantec, SPIE, Arcadis, Sweco, Willdan Group, and Ameresco - with no equivalents in the EM portfolio. These companies provide the engineering, environmental advisory, and project management services that enable climate infrastructure to be designed, permitted, and built. Their presence in the Global Plus sleeve reflects the depth of the professional services ecosystem in developed markets.</p>

6. The Common Ground: Grid, Wind and Public Transport

Not everything divides neatly along the developed/emerging axis. Several solution themes carry significant weight in both funds, reflecting areas where climate infrastructure investment is genuinely global.

<p>Grid Equipment</p> <p>DM: 20 holdings (13.8% weight)</p> <p>EM: 71 holdings (17.4% weight)</p>	<p>The largest shared theme with Global Plus allocating 13.8% of its solutions weight to grid companies such as Quanta Services, Hubbell, and Prysmian, while EM allocates 17.4% to companies including Hyundai Electric, Polycab India, and GE Vernova T&D India. Grid expansion and modernisation is a universal requirement; irrespective of whether the electricity comes from solar panels in Rajasthan or wind farms in the North Sea, it needs transmission and distribution infrastructure to reach consumers.</p>
<p>Grid Operators</p> <p>DM: 7 holdings (11.0% weight)</p> <p>EM: 5 holdings (8.4% weight)</p>	<p>Grid operators are well-represented in both funds, with holdings like Iberdrola, National Grid, and Terna in Global Plus, and Power Grid Corporation of India, Equatorial Energia, and Transmissora Alianca in EM, reflecting the regulated utility model's presence across both market types.</p>
<p>Wind, Hydro & Geothermal</p> <p>DM: 22 holdings (9.9% weight)</p> <p>EM: 38 holdings (12.9% weight)</p>	<p>Broadly distributed across both sub-portfolios with 18 companies in Global Plus and 29 in EM Plus and a similar weighting (5.7% versus 4.8%, respectively). This reflects the global nature of the wind industry's supply chain, with turbine manufacturers, component producers, and project developers spread across both developed and emerging economies.</p>
<p>Public Transport</p> <p>DM: 13 holdings (8.2% weight)</p> <p>EM: 19 holdings (10.0% weight)</p>	<p>Features prominently in both sleeves with Global Plus holding operators like Getlink (Channel Tunnel), MTR Corporation, and rolling stock supplier Knorr-Bremse, while EM Plus holds Beijing-Shanghai High Speed Railway, CRRC, and several urban rail operators. This demonstrates how mass transit is a universal climate solution.</p>

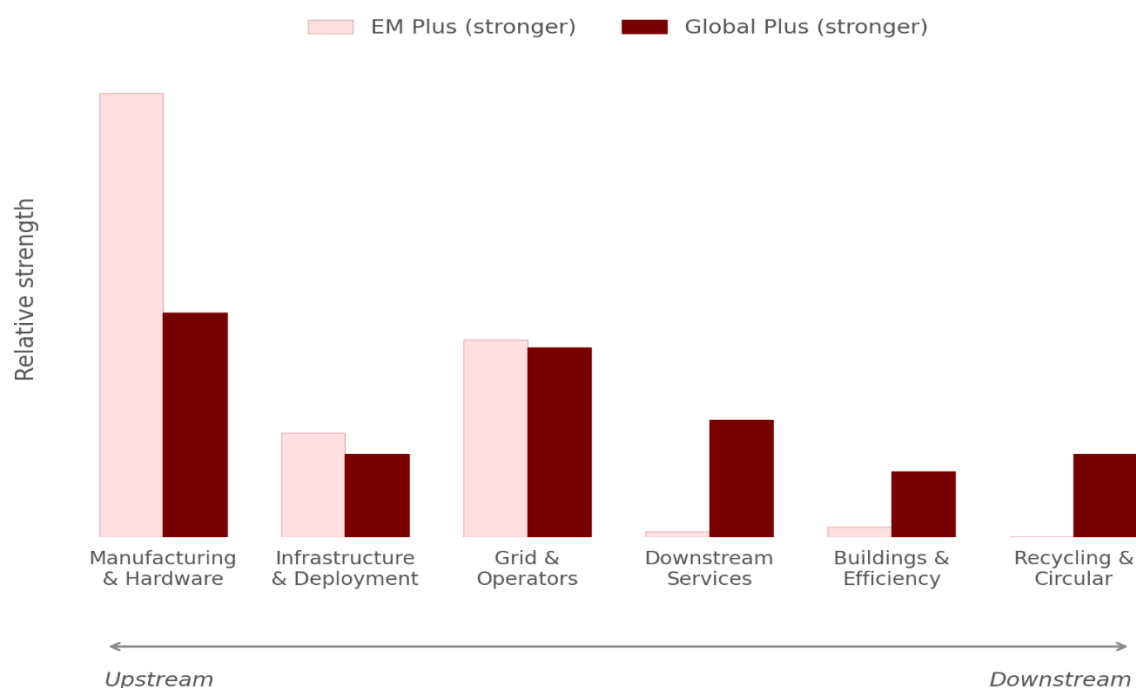
7. Implications For Portfolio Construction

The structural differences between the two solutions sleeves carry several practical implications for investors.

Complementary exposure

An investor holding both funds gains exposure to the full breadth of the climate solutions value chain. Reflecting their positions on the maturity curve – emerging markets are building new energy systems while developed markets are optimising existing ones – EM Plus is tilted towards upstream activities whereas Global Plus is more heavily weighted downstream. Held together, the two sleeves provide exposure across the full transition spectrum, from hardware manufacturers of batteries, solar cells and electric vehicles that physically drive the transition to the service and efficiency layers of companies that optimise, recycle, consult, and manage the infrastructure built from that hardware.

Fig 5: Value chain positioning – complementary transition exposures



Revenue maturity and growth

Many EM solutions companies are generating revenues at enormous scale. CATL's battery revenue alone exceeds the total revenue of most Global Plus solutions companies and BYD's 2024 revenue of over \$100 billion dwarfs any single holding in the Global Plus solutions sleeve. Sungrow's 2024 solar inverter and storage revenue exceeds \$10 billion. This illustrates how these companies are established businesses with proven manufacturing economics, demonstrable demand and, in many cases, global market leadership.

In contrast, several developed market solutions companies derive their climate revenue from activities that are embedded within larger, more diversified businesses. Schneider Electric's sustainability-related revenue is substantial but forms part of a €38 billion industrial technology conglomerate. Steel Dynamics' recycling credentials come from its electric arc furnace

steelmaking, which is one component of a diversified steel business. While this is also positive – diversification provides resilience and can provide capital for solutions investments – it means the climate revenue signal is often more diluted in the developed market sleeve.

There are also revenue trends across the different climate solutions categories:

- **Manufacturing & hardware:** Producers of battery and solar equipment offer the strongest linkage to deployment capital and often the highest revenue growth but can face margin pressure during overcapacity cycles or when raw material prices increase.
- **Infrastructure and utilities:** Hydro, grid operators and transmission businesses may offer lower growth but more visible cashflows, regulated or contracted revenues, and stronger balance-sheet resilience. These infrastructure-like economics provide attractive long-duration concessions, regulated tariffs and decades of asset life.
- **Services, systems and efficiency:** Building efficiency, consulting, water treatment and recycling businesses often provide less explosive growth than manufacturers but often better margins, more stable demand and lower capital intensity.

Held together, the two sleeves provide diversified exposure across these different economic models, spanning high-growth manufacturers, regulated infrastructure operators and high-margin consultancy and services businesses.

Valuation dynamics

Using Morningstar data for the largest solutions holdings in each fund, a clear valuation pattern emerges. The weighted-average trailing P/E across the sampled EM Plus solutions holdings is approximately 29x, compared with 128x for Global Plus. However, the Global Plus figure is heavily influenced by Tesla, which trades at approximately 373x trailing earnings. Excluding Tesla, the Global Plus weighted-average P/E falls to approximately 35x.

To put these multiples in context, the broader MSCI World index trades at approximately 23x trailing earnings (per Morningstar data for the iShares MSCI World ETF) while the MSCI Emerging Markets index trades at approximately 16x. The EM solutions sleeve therefore trades at a significant premium to broader emerging markets (29x vs. 16x, an 81% premium), as does the Global Plus sleeve excluding Tesla (35x vs. 23x, a 52% premium). This confirms that climate solutions companies in both markets command higher valuations than their respective broader indices.

Theme	Global Plus P/E	EM Plus P/E	DM premium / (discount)
Batteries & Storage	n/a	23.7x	-
EVs & Green Vehicles	372.7x	59.2x	605%
Public Transport	23.8x	16.5x	44%
Grid Equipment	55.7x	50.7x	10%
Grid Operators	25.1x	19.2x	31%
Solar	n/a	19.6x	-
Wind, Hydro & Geothermal	n/a	19.5x	-
Water, Services & Other	37.1x	n/a	-
Recycling & Circular	24.2x	n/a	-
Energy Efficiency	9.7x	n/a	-

Source: Morningstar, as at 23/03/2026. Weighted-average trailing P/E by theme, based on largest holdings with available Morningstar data. P/E capped at 60x in Morningstar's methodology for individual stocks, though actual market P/E used where available. "n/a" indicates insufficient holdings data in that fund for the theme.

Several patterns are notable. In themes where both funds have exposure, EM companies trade at consistently lower multiples: public transport at 16.5x versus 23.8x, grid operators at 19.2x versus 25.1x, and grid equipment at 50.7x versus 55.7x. The most extreme divergence is in green transport vehicles, where Tesla's 373x multiple dwarfs BYD's 59x – despite BYD's substantially higher revenue growth.

Themes that exist only or primarily in the EM sleeve – batteries, solar manufacturing and hydropower – trade at multiples between 19x and 24x. Themes unique to the Global Plus sleeve show more dispersion: recycling at 24x and water/services at 37x.

Earnings growth: the EM advantage

The weighted-average historical four-year earnings growth rate across the sampled EM solutions holdings is approximately 35%, compared with just 2% for Global Plus (or 9% excluding Tesla). The disparity is present across almost every comparable theme.

For context, the broader MSCI EM index has delivered historical earnings growth of approximately 14% versus 9% for MSCI World. EM climate solutions companies are growing earnings at roughly 2.5 times the broader EM market rate, while DM solutions (excluding Tesla) grow at a comparable rate to MSCI World – confirming that the higher growth is specific to EM climate solutions rather than a general emerging-market phenomenon.

Theme	Global Plus 4-year EPS growth	EM Plus 4-year EPS growth
Green Transport – Batteries	n/a	+31.4%
Green Transport – Vehicles	-16.5%	+48.1%
Green Transport – Public	+17.2%	+46.9%
Renewable Energy – Grid	+24.8%	+77.1%
Renewable Energy – Grid Operators	+4.8%	+0.6%
Renewable Energy – Solar	n/a	+62.3%
Renewable Energy – Hydro	n/a	+6.4%
Water – Purification	+10.7%	n/a
Recycling – Materials	-21.6%	n/a
Energy Efficiency – Lighting	-11.3%	n/a
Other – Green Consulting	+20.2%	n/a

Source: Morningstar, as at 23/03/2026. Historical earnings growth is calculated as the average annual EPS growth rate over the prior four fiscal years, per Morningstar's methodology. Weighted-average historical earnings growth by theme, based on largest holdings with available Morningstar data. "n/a" indicates insufficient holdings data in that fund for the theme.

EM solar companies have delivered historical earnings growth of 62.3%, EM battery manufacturers 31.4% and EM green transport vehicle makers 48.1%. In the Global Plus sleeve, by contrast, several themes show negative historical earnings growth, including green transport vehicles (-16.5%, driven by Tesla's margin compression), recycling (-21.6%, reflecting cyclicality in steel and metals) and energy-efficient lighting (-11.3%, reflecting Signify's margin pressures).

The strongest earnings growth in the Global Plus sleeve comes from grid equipment (+24.8%, driven by Quanta Services and Prysmian), green consulting (+20.2%, Stantec) and public transport (+17.2%). These are creditable growth rates, but they are comfortably outpaced by their EM equivalents where comparisons are available.

The EM solutions sleeve trades at roughly 29x trailing earnings with historical EPS growth of 35%. The Global Plus sleeve, excluding Tesla, trades at 35x with EPS growth of 9%. The market is pricing lower growth at a premium and higher growth at a discount.

What explains the gap?

Several factors explain why EM climate solution companies trade at lower multiples despite stronger earnings trajectories. The standard emerging-market risk premium accounts for part of the discount: political risk, currency risk, regulatory opacity, and capital-market accessibility all weigh on EM valuations across sectors. The concentration of the EM solutions sleeve in China adds a specific geopolitical discount. Tariff risk, US-China tensions, and the possibility of further trade barriers create legitimate uncertainty around the sustainability of current growth rates for Chinese exporters.

A second factor is the market's tendency to value optionality over execution in developed markets. Tesla's P/E premium, for example, largely reflects expectations around autonomous driving, robotics and AI –potential revenue streams that are not yet reflected in current earnings. Quanta Services trades at 83x earnings in part because of the multi-decade grid investment cycle ahead. These are arguably rational premium valuations for potential future cash flows, but they are fundamentally different from the execution-driven valuations in the EM sleeve.

A third factor is sector classification. Many EM climate solution companies are classified within "industrials" or "materials" by index providers and are valued accordingly, even though their growth profiles more closely resemble technology companies. CATL, for instance, is classified as an industrial battery manufacturer rather than a clean technology company, despite its 39% global market share and 42% profit growth. This classification effect may result in systematic undervaluation of EM climate companies by investors using sector-based screens.

For investors seeking revenue-backed exposure to the energy transition rather than speculative optionality, this valuation disparity creates an interesting asymmetry. The EM solutions sleeve delivers demonstrably higher climate-revenue intensity and faster earnings growth at materially lower earnings multiples.

Share price performance

Both solutions sleeves have outperformed their respective broad market benchmarks over the trailing one-year period, with developed market sampled holdings returning approximately +45% and EM holdings +29%. Over three years annualised, the two sleeves converge remarkably at approximately +22% – similar to the broader MSCI World and Emerging Market benchmarks.

Grid equipment was the standout theme in both markets, reflecting the global repricing of transmission infrastructure as the critical bottleneck of the energy transition. The Global Plus sleeve shows narrower return dispersion, consistent with its more defensive business mix of utilities, infrastructure contractors and service companies, while the EM sleeve exhibits higher peaks and deeper troughs characteristic of its manufacturing-heavy composition. For investors, this implies that the choice between the two sleeves is less about expected return and more about risk preference and volatility tolerance.

8. Risk Factors

The concentration of climate hardware manufacturing in emerging markets – and particularly in China – introduces supply chain, geopolitical and governance risks that investors must weigh alongside the growth opportunity. Companies in developed markets, however, also face threats notably from policy shifts and the political backlash against sustainability we have seen recently in the US and other countries.

China concentration

China's share of global manufacturing exceeds 80% across every stage of the solar PV supply chain. In polysilicon, the most upstream component, China's share reached 93.5% in 2024. In EV batteries, CATL alone holds 39% of the global market. This concentration creates vulnerability: supply disruptions, trade policy shifts, or geopolitical tensions could affect the availability and pricing of critical climate hardware globally.

The tariff landscape has already become more complex. The United States imposed a 100% tariff on Chinese EVs in 2024, and effective tariffs on Chinese battery energy storage systems stand at approximately 41% following the May 2025 US-China trade negotiations. The European Union introduced variable import tariffs on Chinese-manufactured BEVs of up to 35.3% following an anti-subsidy investigation. These barriers are not preventing Chinese companies from growing – CATL and BYD both reported strong 2024 results despite the tariff environment – but they are reshaping trade flows and encouraging manufacturing diversification into third countries.

Diversification within EM

The EM solutions sleeve is not exclusively Chinese. Significant exposure exists in India (Power Grid Corporation, Polycab, GE Vernova T&D India, Supreme Industries), South Korea (Hyundai Electric, LG Chem, Samsung SDI, Hyosung Heavy Industries), Brazil (Equatorial Energia, Transmissora Alianca), and Colombia (Interconexion Electrica). This geographic spread within the EM allocation provides meaningful diversification against China-specific risk.

Overcapacity and margin pressure

In solar manufacturing, global capacity exceeds projected demand by more than two-to-one. Module prices have halved since early 2023. Battery overcapacity is also weighing on margins. These are genuine risks. However, the companies that survive overcapacity cycles tend to be the lowest-cost, most operationally efficient producers – precisely the kind of businesses the revenue filter favours. The underlying technologies are no longer speculative: IRENA reports that 91% of newly commissioned renewable capacity in 2024 was cheaper than the cheapest new fossil fuel alternative.

Governance concerns in EM

ESG data coverage and governance standards are lower in many EM markets than in DM. The Plus funds apply the same exclusion and ESG screening framework to holdings in both markets and the revenue-based filter itself acts as a quality screen – companies must demonstrate sustained, verifiable climate solutions revenues to qualify.

Risk that DM manufacturing catches up faster than expected

The IRA has catalysed significant US battery and solar investment. European industrial policy is similarly aimed at building domestic capacity. If these investments mature into operating businesses with qualifying revenues faster than anticipated, the geographic balance of the sleeves will shift accordingly.

Developed market policy risk

Global Plus solutions companies are not immune to policy risk. Several holdings depend on supportive regulatory frameworks: renewable energy subsidies, building efficiency mandates, and environmental consulting demand are all policy-sensitive. Changes in government priorities – such as shifts in US clean energy policy – can affect demand for Global Plus solutions companies just as tariffs affect EM manufacturers.

9. Market outlook

Several structural trends are likely to shape the evolution of both solutions sleeves in the coming years.

Manufacturing diversification. Chinese manufacturers of climate solutions products are increasingly establishing production capacity outside of the country – in Southeast Asia, the Middle East, and Latin America, for example – to circumvent tariffs and serve local markets. CATL has announced facilities in Hungary, Indonesia, and Morocco. BYD is building plants in Brazil, Hungary, Turkey, and Thailand. This geographic diversification may over time shift some EM solutions exposure from China towards other emerging economies.

Battery recycling convergence. As the first generation of EV batteries and solar panels reaches end-of-life, the recycling theme – currently a developed-market speciality – will become increasingly relevant in emerging markets. Chinese battery manufacturers are already investing in recycling capacity: CATL's battery materials and recycling business generated 29 billion yuan of revenue in 2024. This suggests the strict separation between "EM manufactures, DM recycles" may blur over the next decade.

Grid investment acceleration. Grid infrastructure is the bottleneck of the energy transition globally. Both funds' significant grid exposure – the largest shared theme – positions them to benefit from what the IEA describes as the most urgent infrastructure challenge of the transition. Current global grid investment stands at approximately \$400 billion annually; the IEA estimates this must increase to over \$600 billion per year by 2030 to meet national climate targets, and potentially to \$1 trillion to align with net-zero scenarios. Over 2,500 GW of renewable, large-load, and storage projects are currently stalled in grid connection queues worldwide. The mismatch is stark: new grid infrastructure takes 5 to 15 years to plan, permit and build, while renewables projects take 1 to 5 years. This structural lag virtually guarantees sustained demand for the grid equipment and services companies held across both funds.

Services growth in EM. As climate infrastructure matures in emerging market economies, their demand for the types of services represented in the Global Plus sleeve – energy efficiency retrofits, environmental consulting, water purification – is likely to grow. This represents a long-term convergence opportunity.

Solid-state batteries and next-generation technology. The battery industry's rapid innovation cycle – spanning LFP chemistry, sodium-ion alternatives and eventually solid-state designs – will continue to disrupt the competitive landscape. The EM fund's deep exposure to battery manufacturers provides direct access to this innovation pipeline, though it also carries the risk of technology-driven obsolescence for current incumbents.

10. Conclusion

The broad portfolios of climate solutions companies that derive from the 50% revenue filter applied by both Plus funds, highlight an important feature of the global energy transition: it is not a single, uniform process but a complex ecosystem in which different economies, industries and companies will play important roles.

Emerging market solution companies – led by Chinese manufacturers but extending across Asia and Latin America – are building the physical infrastructure of decarbonisation: the batteries, solar cells, electric vehicles and power equipment that the world needs at ever-increasing scale. These companies have moved way beyond the concept stage are producing tangible products at scale, generating substantial revenues and in many cases dominating their global markets. Their climate contribution is measured not in pledges or pilot projects but in gigawatt-hours and vehicles delivered.

Developed market solution companies play a different but complementary role: they provide the services, efficiency technologies, recycling capacity and professional expertise that make the transition work – and that extend its benefits beyond the initial hardware deployment. Grid infrastructure, the single most universal climate solution, bridges both worlds.

For investors in one or both Plus funds, the conclusion is clear. Climate solutions are not an abstract or speculative concept; they are a tangible, profitable and diversified set of industries and investable companies. The question is not whether the transition will happen – it is already underway – but how best to gain and balance portfolio exposure between those building the hardware and software that are powering it.

Appendix 1: How Storebrand Identifies Climate Solutions Companies

The following summarises the operational process behind the climate solutions whitelist used in the Plus funds.

Solution categories: The whitelist covers the following categories, each defined by the primary climate function of the company's products or services:

Category	Examples
Renewable Energy	Solar, wind, hydro, and geothermal generation; component manufacturing (panels, turbines, inverters)
Grid Hardware	Transmission and distribution equipment; transformers, cables, substations, smart meters, grid monitoring
Green Transport	Electric vehicles, rolling stock, EV charging infrastructure, public mass transit operators
Energy Efficiency	Building insulation, HVAC controls, LED lighting, energy management systems
Batteries & Storage	Battery cell and component manufacturing (cathodes, anodes, separators, electrolytes); grid-scale storage
Water	Water purification technology, wastewater treatment, water infrastructure
Recycling & Circular	Metals recycling, waste-to-resource, circular economy businesses with >50% recycled content revenues
Green Consulting	Environmental engineering, sustainability consulting, green building design services

Revenue threshold: A company must derive more than 50% of its revenues from climate solutions products and services. In cases where revenue data is not available or not representative (e.g. early-stage listed companies with large order books), market capitalisation associated with climate solutions activity may be used as a proxy, subject to portfolio manager review.

Whitelist construction: Storebrand maintains a proprietary whitelist of qualifying companies. The list is built using a systematic process incorporating third-party green revenue data (principally FTSE Russell), AI-assisted screening (Morningstar), thematic fund holdings analysis and desktop research into company filings and industry reports. The process is designed to identify companies across the full opportunity set rather than relying on any single data provider.

Coverage gaps: Where FTSE Green Revenues does not cover a company – common among smaller EM-listed businesses – Storebrand conducts its own revenue analysis using annual reports, investor presentations, and industry data. Companies are included only where the evidence for >50% climate solutions revenues is clear and verifiable. Emerging-market companies more frequently require manual revenue verification, as standardised green revenue datasets have lower coverage outside developed markets. The same filter applied across both universes therefore means the same revenue threshold and the same activity taxonomy, albeit with a higher proportion of manual verification in EM.

Review frequency: The whitelist is reviewed on an ongoing basis. Companies are added as they are identified through the screening process and removed if they no longer meet the revenue threshold. The filter is reapplied periodically to ensure that the list reflects current commercial reality.

Avoiding thematic drift: The 50% threshold is strict by design. Looser definitions, such as “any company with some green revenue” or “companies aligned with climate themes”, would admit businesses where climate solutions exposure is peripheral. The threshold ensures the whitelist consists of genuine pure-play or majority-revenue climate solutions businesses.

Integration into portfolio construction: Whitelist companies are added to the portfolio optimiser and allocated within the systematic framework. Positions are sized according to market capitalisation and risk constraints. The climate solutions sleeve is bounded at approximately 12–15% of each fund. Companies on the whitelist are exempt from the carbon intensity tilt applied to the remainder of the portfolio, preventing the irrational exclusion of high-Scope-3 transition enablers such as grid equipment manufacturers.

Difference from benchmark green revenue approaches: Standard benchmark methodologies tilt towards companies with green revenue exposure but do not typically set a minimum threshold and often rely on a single data provider’s classification. The Storebrand approach differs in three ways: the 50% threshold ensures commercial materiality; the whitelist incorporates multiple data sources and manual verification; and the portfolio construction process explicitly protects transition enablers from mechanical Scope 3 exclusion.

Appendix 2: Portfolio Breakdowns

Theme	Global Plus (% of Solutions)	Global Plus (# Holdings)	EM Plus (% of Solutions)	EM Plus (# Holdings)
Renewable Energy				
Grid	13.8%	20	17.4%	71
Grid Operators	11.0%	7	8.4%	5
Solar	3.7%	14	14.4%	84
Wind	5.7%	18	4.8%	29
Hydro	2.0%	3	7.7%	8
Geothermal	2.3%	1	0.3%	1
Hydrogen	0.7%	5	0.4%	2
Bio	0.0%	1	0.4%	1
Misc*	0.2%	1	0.2%	2
Battery	-	-	0.1%	2
Renewable Energy Total	39.3%	70	54.3%	205
Green Transport				
Batteries	0.1%	2	22.3%	85
Vehicles	14.8%	6	7.4%	11
Public	8.2%	13	10.0%	19
Video Conf	0.6%	1	-	-
Bikes	0.2%	1	0.4%	4
Infrastructure	0.1%	1	-	-
Green Transport Total	24.1%	24	40.0%	119
Energy Efficiency				
Buildings	5.4%	23	1.0%	3
Lighting	3.2%	2	0.4%	3
Energy Efficiency Total	8.6%	25	1.4%	6
Water				
Infrastructure	2.7%	9	3.8%	7
Purification	5.0%	4	0.2%	2
Water Total	7.7%	13	3.9%	9
Recycling				
Materials	10.7%	16	0.1%	1
Machinery	0.2%	1	-	-
Recycling Total	10.9%	17	0.1%	1
Green Chemistry				
Materials	0.6%	1	-	-
Enzymes	0.0%	1	-	-
Green Chemistry Total	0.6%	2	0.0%	0
Other				
General Electrification	4.8%	4	0.1%	1
Green Consulting	3.0%	6	-	-
Green Finance	0.9%	1	0.1%	1
Mix of several themes	-	-	0.1%	1
Plant-based food	0.1%	2	-	-
Other Total	8.8%	13	0.3%	3
TOTAL	100.0%	164	100.0%	343